

KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and

Separate financial statements

For the year ended 31 December 2019

Contents

	Page
Independent Auditors' Report	
Audited Separate financial statements	
Separate Income Statement	3
Separate Statement of Comprehensive Income	4
Separate Balance Sheet	5
Separate Statement of Changes in Equity and Reserves	6 - 9
Separate Statement of Cash Flows	10 -11
Notes to the Separate Financial Statements	12-157



Independent
Auditors'
Report



KPMG Macedonia DOO Skopje
3 Filip Vtori Makedonski Street
Skopje 1000, Republic of North Macedonia
+389 (2) 3135 220
mk-office@kpmg.com
kpmg.com/mk

Unofficial translation from the original Macedonian draft Independent Auditors' report to the shareholders of Komercijalna Banka AD Skopje

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Komercijalna Banka AD Skopje ("the Bank"), as set out on pages 3 to 157, which comprise the separate balance sheet as at 31 December 2019 and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and reserves and separate cash flows statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing adopted and published in the Official Gazette of the Republic of North Macedonia no. 79 from 11 June 2010. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free of material misstatement.

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



Unofficial translation from the original Macedonian draft Independent Auditors' report to the shareholders of Komercijalna Banka AD Skopje

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2019 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of the Republic of North Macedonia.

Report on other legal and regulatory requirements

Annual report on the activities of the Bank prepared in accordance with the requirements of article 384 of the Trading Companies Law

As required under article 34(d) from the Law on Auditing, we report that the historical financial information disclosed in the annual report of the Bank, prepared by management as required under article 384(7) of the Trading Companies Law, is consistent, in all material aspects, with the annual account of the Bank and the financial information disclosed in the audited separate financial statements of the Bank as at and for the year ended 31 December 2018. Management is responsible for the preparation of the annual account of the Bank which was approved by the Supervisory Board of the Bank on 27 February 2020 and for the preparation of the annual report of the activities of the Bank which was approved by the Supervisory Board of the Bank on 27 February 2020.

Skopje, 2 March 2020

Certified auditor of the Republic of Macedonia
Gordana Nikushevska

KPMG Macedonia DOO
Managing Director
Gordana Nikushevska



Financial Statements

SEPARATE INCOME STATEMENT

For the period from 1 January 2019 to 31 December 2019

	Note	<i>in thousands of Denars</i>	
		Current year 2019	Previous year 2018
Interest income		2,916,288	2,993,065
Interest expense		(512,771)	(522,495)
Interest income/(expense), net	6	2,403,517	2,470,570
Fee and commission income		1,386,069	1,235,637
Fee and commission expense		(438,907)	(358,724)
Fee and commission income/(expense), net	7	947,162	876,913
Net trading income/(expense)	8	14,234	4,791
Net income from other financial instruments at fair value	9	7,364	7,269
Foreign exchange gains/(losses), net	10	118,061	139,864
Other operating income	11	819,026	1,424,406
Share of profit of associates	24	60,816	64,187
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(588,509)	(793,856)
Impairment losses of non-financial assets, net	13	(4,513)	(413,040)
Personnel expenses	14	(978,760)	(978,114)
Depreciation and amortization	15	(163,220)	(166,441)
Other operating expenses	16	(648,425)	(643,813)
Share of loss of associates	24	-	-
Profit/(loss) before tax		1,986,753	1,992,736
Income tax expense	17	(179,997)	(212,444)
Profit for the financial year from continuing operations		1,806,756	1,780,292
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the financial year		1,806,756	1,780,292
Profit/(loss) for the financial year attributable to*:			
Banks' shareholders		-	-
Non-controlling interest		-	-
Earnings per share	41		
basic earnings per share (in Denars)		793	781
diluted earnings per share (in Denars)		793	781

* only for consolidated financial statements

The accompanying notes are an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2019 to 31 December 2019

Note	<i>in thousands of Denars</i>	
	Current year 2019	Previous year 2018
	1,806,756	1,780,292
Profit/(loss) for the year		
Other gains/(losses) for the period (before tax)		
Other gains/(losses) for the period not recognized in the Income statement (before tax)		
Revaluation reserve for equity assets available for sale	-	-
- unrealized net- changes in fair value of equity assets available for sale	-	-
- realized net gains/(losses) from equity assets available for sale, reclassified to Other reserves	-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value	-	-
Income tax on other gains/(losses) not recognized in the income statement	-	-
Total other gains/(losses) in the period not recognized in the income statement	-	-
Other gains/ (losses) in the period which are, or might be reclassified in the income statement (before tax)		
Revaluation reserve for debt assets available for sale		
- unrealized net- changes in fair value of debt assets available for sale	(12,044)	7,867
- realized net gains/(losses) from debt assets available for sale, reclassified to income statement	-	-
- additional impairment to debt assets available for sale	-	-
- release of impairment to debt assets available for sale	-	-
Revaluation reserve for foreclosed assets on the bases of uncollected receivables	-	-
- revaluation reserve recognized during the year	-	-
- reduction of revaluation reserve, reclassified to income statement	-	-
Reserve for hedging instruments for Cash flow risk	-	-
- unrealized net-changes in fair value of hedging instruments of Cash flow risk	-	-
- realized net gains/(losses) on hedging instruments of cash flow, reclassified to Income statement	-	-
Reserve for instruments to protect against the risk of net investments in foreign operations	-	-
Foreign exchange difference reserve from investments in foreign operations	-	-
Share in other gains/(losses) of associates not recognized in the income statement	-	-
Other gains/(losses) not recognized in the income statement	-	-
Income tax on other gains/(losses) which are or might be reclassified to the income statement	-	-
Total other gains/ (losses) in the period that are or might be reclassified to the Income Statement	(12,044)	7,867
Total other gains/(losses) in the period	(12,044)	7,867
Total comprehensive income for the financial year	1,794,712	1,788,159
Total comprehensive income for the financial year, attributable to*:		
Shareholders of the Bank	-	-
Non-controlling interest	-	-

* only for consolidated financial statements

The accompanying notes are an integral part of these separate financial statements.

This is an English translation of the original Report in the Macedonian language

SEPARATE BALANCE SHEET**

At 31 December 2019

Note	<i>in thousands of denars</i>		
	Current year 2019	Previous year 2018	Previous year*** 01.01.2018
Assets			
Cash and cash equivalents	48,733,243	48,796,325	-
Held-for-trading assets	197,019	28,739	-
Financial assets designated as at fair value through profit or loss on initial recognition	339,193	331,829	-
Derivative assets held for risk management	-	-	-
Loans and advances to banks	4,693,021	2,515,919	-
Loans and advances to other customers	50,791,397	46,406,938	-
Investments in securities	13,139,349	12,322,809	-
Investments in associates (in accordance with the "equity method")	289,650	274,037	-
Income tax receivable (current)	4,591	-	-
Other receivables	1,979,168	688,924	-
Assets pledged as collateral	-	-	-
Foreclosed assets	40,971	179,522	-
Intangible assets	55,997	38,010	-
Property and equipment	2,754,491	2,807,323	-
Deferred tax assets	-	-	-
Non-current assets held-for-sale and disposal group	-	-	-
Total assets	123,018,090	114,390,375	-
Liabilities			
Trading liabilities	361	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-
Derivative liabilities held for risk management	-	-	-
Deposits from banks	449,360	350,536	-
Deposits from other customers	107,188,075	99,105,236	-
Debt securities issued	-	-	-
Borrowings	837,008	928,925	-
Subordinated debt	-	-	-
Special reserve and provisions	332,765	502,921	-
Income tax payable (current)	8,874	126,272	-
Deferred tax liabilities	-	-	-
Other liabilities	958,968	971,310	-
Liabilities related to disposal group	-	-	-
Total liabilities	109,775,411	101,985,200	-
Equity and reserves			
Subscribed capital	2,279,067	2,279,067	-
Share premium	771,527	771,527	-
Treasury shares	-	-	-
Other equity instruments	-	-	-
Revaluation reserves	5,594	17,638	-
Other reserves	8,056,651	7,556,651	-
Retained earnings/(Accumulated losses)	2,129,840	1,780,292	-
Total equity and reserves, attributable to the shareholders of the Bank	13,242,679	12,405,175	-
Non-controlling interest*	-	-	-
Total equity and reserves	13,242,679	12,405,175	-
Total liabilities and equity and reserves	123,018,090	114,390,375	-
Contingent liabilities	19,183,405	16,872,083	-
Contingent assets	-	-	-

* only for consolidated financial statements

** this statement is also known as "Statement of Financial Position"

*** this column is filled only if the Bank: retrospectively applies accounting policy, makes retrospective correction of prior year errors or makes retrospective reclassification of items in the financial statements.

The accompanying notes are an integral part of these separate financial statements.

The separate financial statements were authorised by the Supervisory Board of the bank on 27 February 2020.

Signed on behalf of Komercijalna Banka AD Skopje:

Ph.D. Maja Stevkova
Sterieva
Chief Finance Officer

Ilija Iloski
Chief Operating Officer

Hari Kostov
Chief Executive Officer

KOMERCIJALNA BANKA AD SKOPJE

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES

For the period from 1 January 2019 to 31 December 2019

	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders				
<i>In thousands of Denars</i>																		
As at January 1, 2018 (previous year)	2,279,067	771,527	-	-	-	9,771	-	-	-	455,813	-	6,690,489	820,581	-	-	11,027,248	-	11,027,248
Opening balance restatement																		
As at January 1, 2018 (previous year), restated	2,279,067	771,527	-	-	-	9,771	-	-	-	455,813	-	6,690,489	820,581	-	-	11,027,248	-	11,027,248
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	1,780,292	-	-	1,780,292	-	1,780,292
Other gains/(losses) during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of financial assets available for sale																		
<i>Debt instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	7,867	-	-	-	-	-	-	-	-	-	7,867	-	7,867
-realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of impairment for debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Equity instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-realized changes in the fair value (net), transferred to Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE
SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
For the period from 1 January 2019 to 31 December 2019

	Equity				Revaluation reserves					Other reserves			Retained earnings		Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders			
<i>In thousands of denars</i>																	
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity	-	-	-	-	7,867	-	-	-	-	-	-	-	-	-	-	7,867	7,867
Total comprehensive income for the year	-	-	-	-	7,867	-	-	-	-	-	-	1,780,292	-	-	-	1,788,159	1,788,159
Transactions with the shareholders, recognized directly in equity and reserves																	
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	410,349	(410,349)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	(410,232)	-	-	-	(410,232)	(410,232)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify in details)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	410,349	(820,581)	-	-	-	(410,232)	(410,232)
As at December 31, 2018 (previous year)/ January 1, 2019 (current year)	2,279,067	771,527	-	-	-	17,638	-	-	-	455,813	-	7,100,838	1,780,292	-	-	12,405,175	12,405,175

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SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)

For the period from 1 January 2019 to 31 December 2019

	Equity				Revaluation reserves					Other reserves			Retained earnings		Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves	
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders				(Accumulated losses)
<i>In thousands of Denars</i>																		
As at December 31, 2018 (previous year)/January 1, 2019 (current year)	2,279,067	771,527	-	-	-	17,638	-	-	-	455,813	-	7,100,838	1,780,292	-	-	12,405,175	-	12,405,175
Opening balance restatement																		
As at January 1, 2019 (current year), restated	2,279,067	771,527	-	-	-	17,638	-	-	-	455,813	-	7,100,838	1,780,292	-	-	12,405,175	-	12,405,175
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	1,806,756	-	-	1,806,756	-	1,806,756
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available for sale assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Debt instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	(12,044)	-	-	-	-	-	-	-	-	-	(12,044)	-	(12,044)
-realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of impairment for debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Equity instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-realized changes in the fair value (net), transferred to Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)

For the period from 1 January 2019 to 31 December 2019

	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders				
<i>In thousands of denars</i>																		
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity and reserves	-	-	-	-	-	(12,044)	-	-	-	-	-	-	-	-	-	(12,044)	-	(12,044)
Total comprehensive income for the year	-	-	-	-	-	(12,044)	-	-	-	-	-	-	1,806,756	-	-	1,794,712	-	1,794,712
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	500,000	(500,000)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(957,208)	-	-	(957,208)	-	(957,208)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (describe separately)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves																		
Distribution of retained earnings – limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	(323,084)	323,084	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	500,000	(1,780,292)	323,084	-	(957,208)	-	(957,208)
As at December 31, 2019 (current year)	2,279,067	771,527	-	-	-	5,594	-	-	-	455,813	-	7,600,838	-	323,084	-	13,242,679	-	13,242,679

The accompanying notes are an integral part of these separate financial statements.

* only for consolidated financial statements

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SEPARATE STATEMENT OF CASH FLOWS
For the period from 1 January 2019 to 31 December 2019

	Note	<i>in thousands of Denars</i>	
		Current year 2019	Previous year 2018
Operating cash flows			
Profit/(Loss) before taxation		1,986,753	1,992,736
Adjusted for:			
Minority share, included in the consolidated income statement*			
Depreciation of:			
Intangible assets	15/28	14,792	12,769
Property and equipment	15/29	148,428	153,672
Capital gain from:			
Sale of intangible assets			
Sale of property and equipment	11	(7,233)	(1,509)
Sale of foreclosed assets	11	(396,842)	(988,866)
Capital loss from:			
Sale of intangible assets			
Sale of property and equipment	16		
Sale of foreclosed assets	16		
Interest income	6	(2,916,288)	(2,993,065)
Interest expense	6	512,771	522,495
Trading income, net	8	(21,598)	(12,060)
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12		
Additional impairment losses and special reserve		2,896,119	3,140,226
Release of impairment losses and special reserve		(2,307,610)	(2,346,370)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	4,513	413,040
Release of impairment losses			-
Provisions			
Additional provisions	38	3,311	10,148
Release of provisions	38	(2,346)	(1,612)
Dividend income	11	(22,880)	(5,478)
Share of profit /(loss) of associates		(60,816)	(64,187)
Other adjustments		(8,415)	3,194
Interest received		2,867,721	2,994,121
Interest paid		(500,497)	(528,530)
<u>Profit from operations before changes in operating assets:</u>		<u>2,189,883</u>	<u>2,300,724</u>
(Increase)/decrease of operating assets:			
Trading assets		(148,310)	121,726
Derivative assets held for risk management		-	-
Loans and advances to banks		(2,335,508)	3,005,935
Loans and advances to other customers		(4,838,783)	(1,565,718)
Assets pledged as collateral		-	-
Foreclosed assets		258,914	1,173,155
Obligatory deposit in foreign currency		(175,932)	(383,056)
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(1,328,971)	603,150
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group	31	-	-

The accompanying notes are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (Continued)
For the period from 1 January 2019 to 31 December 2019

Note	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Increase/(decrease) in operating liabilities:		
Trading liabilities	361	-
Derivative liabilities held for risk management	-	-
Deposits from banks	98,409	(95,893)
Deposits from other customers	8,070,764	7,841,853
Other liabilities	(12,342)	343,322
Liabilities directly related to group or assets for disposal	-	-
<u>Net cash flow from operating activities before taxation</u>	<u>1,778,485</u>	<u>13,345,198</u>
(Paid)/received income tax	(301,986)	(93,670)
<u>Net cash flow from operating activities</u>	<u>1,476,499</u>	<u>13,251,528</u>
Cash flow from investing activities		
(Investments in securities)	(10,535,717)	(10,700,822)
Inflows from sale of investment in securities	9,762,730	9,134,179
(Outflows from investment in subsidiaries and associates)	-	-
Inflows from disposal of investment in subsidiaries and associates	-	-
(Purchase of intangible assets)	(32,779)	(11,094)
Inflows from sale of intangible assets	-	-
(Purchase of property and equipment)	(96,367)	(95,387)
Inflows from sale of property and equipment	8,004	1,509
(Outflows from non-current assets held-for-sale)	-	-
Inflows from non-current assets held-for-sale	-	295
(Other outflows from investing activity)	-	-
Other inflows from investing activity	69,711	31,538
<u>Net cash flow from investing activities</u>	<u>(824,418)</u>	<u>(1,639,782)</u>
Cash flow from financing activities		
(Repayment of debt securities issued)	-	-
Issued debt securities	-	-
(Repayment of borrowings)	(640,215)	(380,916)
Increase of borrowings	548,514	72,145
(Repayment of issued subordinated debts)	-	-
Issued subordinated debts	-	-
Inflows from issued shares/equity instruments during the period	-	-
(Purchase of treasury shares)	-	-
Disposal of treasury shares	-	-
(Dividends paid)	(957,208)	(410,232)
(Other financing outflows)	-	-
Other financing inflows from financing	-	-
<u>Net cash flow from financing activities</u>	<u>(1,048,909)</u>	<u>(719,003)</u>
Effect from allowance for impairment of cash and cash equivalents	18 (649)	2
Effect from foreign exchange differences of cash and cash equivalents	-	-
<u>Net increase/(decrease) of cash and cash equivalents</u>	<u>(397,477)</u>	<u>10,892,745</u>
Cash and cash equivalents as of January, 1	43,138,348	32,245,603
Cash and cash equivalents as of December, 31	18 42,740,871	43,138,348

* only for consolidated financial statements

The accompanying notes are an integral part of these separate financial statements.

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Note no.	Note
	1 Classification of financial assets and financial liabilities
	2 Risk management
2.1	Credit risk
2.2	Liquidity risk
2.3	Market risk
2.3.1	Sensitivity analysis of assets and liabilities on the change in market risk
2.3.2	Sensitivity analysis of changes in interest rates of financial assets and liabilities (excluding trading assets)
2.3.3	Currency risk
2.3.4	Other market risks
2.4	Operational risk
	3 Capital adequacy
	4 Segment Reporting
	5 Fair value of financial assets and liabilities
	Income statement
6	Interest income/ (expense), net
7	Fee and commission income/ (expense), net
8	Net Trading income
9	Net income from other financial instruments at fair value
10	Foreign exchange gains/ (losses), net
11	Other operating income
12	Impairment losses of financial assets and special reserve for off-balance sheet exposures, net
13	Impairment losses of non-financial assets, net
14	Personnel expenses
15	Depreciation and amortization
16	Other operating expenses
17	Income tax
	Balance Sheet
	Assets
18	Cash and cash equivalents
19	Held-for-trading assets
20	Financial assets at fair value through profit or loss upon initial recognition
21	Derivative assets held for risk management
22.1	Loans and advances to banks
22.2	Loans and advances to other customers
23	Investments in securities
24	Investments in associates
25	Other receivables
26	Assets pledged as collateral
27	Foreclosed assets
28	Intangible assets
29	Property and equipment
30	Current and deferred income tax assets and liabilities
31	Non-current assets held-for-sale and disposal group
	Liabilities, equity and reserves
32	Trading liabilities
33	Financial liabilities at fair value through profit or loss upon initial recognition
21	Derivative liabilities held for risk management
34.1	Due to banks
34.2	Due to other customers
35	Debt instruments issued
36	Borrowings
37	Subordinated debt
38	Special reserve and provisions
30	Deferred tax liabilities
39	Other liabilities
31	Liabilities related to disposal group
40	Subscribed capital
	Other disclosures
41	Earnings per share
42	Contingent liabilities and contingent assets
43	Operations on behalf and for account of third parties
44	Related party transactions
45	Leases
46	Share based payments
47	Subsequent events

This is an English translation of the original Report in the Macedonian language

Introduction**a) General Information**

Komercijalna Banka AD Skopje (hereinafter “the Bank”), is a shareholding company having its registered office in the Republic of North Macedonia. The Bank’s headquarters is on St. Orce Nikolov 3, 1000 Skopje. The Bank operates in the Republic of North Macedonia with a network of branch and sub-branches.

The Bank is registered as a universal type of commercial bank in accordance with the Macedonian laws. The principal activities of the Bank are as follows:

- Collecting deposits and other recurrent sources of funds;
- Financing in the country and abroad, including factoring and financing commercial transactions;
- Issuance and administration of payment instruments (cards, cheques, travellers cheques, bills of exchange);
- Foreign exchange operations;
- Domestic and international payment operations, including purchase/sale of foreign currency funds;
- Fast money transfer;
- Issuing payment guarantees, backing guarantees and other forms of security;
- Providing services of renting safe deposit boxes, depositories and depot;
- Trade in instruments on the money market;
- Trading in foreign currency funds;
- Trading in securities;
- Rendering services of custody bank to investments and pension funds;
- Safeguarding of securities for clients;
- Intermediating in selling insurance policies;
- Data collection and analysis of companies’ credit rating;
- Sale of shares in investment funds;
- Other financial services defined by law, which can be performed only by a bank.

The shares of the Bank are listed on the official market on the Macedonian Stock Exchange and are traded in the special sub segment Super quotation. Also, the share of the Bank is one of the ten companies which comprise the Macedonian Stock Exchange index MBI-10. The ID quotation code is the following:

<u>Code</u>	<u>ISIN code</u>
KMB (common share)	MKKMBS101019

The separate financial statements of the Bank for the year ending 31 December 2019 were authorised for issue by the Supervisory Board of the Bank on 27 February 2020.

Introduction (continued)**b) Basis of Preparation of the Financial Statements****Accounting Standards**

Financial statements of the Bank have been prepared in accordance with the Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18 and 120/18), Law on Banks („Official Gazette of the Republic of Macedonia “ no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19 and 101/19), law regulation prescribed by The National Bank of the Republic of North Macedonia (hereinafter "NBRNM"), the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements (further referred to as "the Methodology") ("Official Gazette of the Republic of Macedonia" no. 83/17) and the Decision on the types and content of the financial statements of banks and notes to the financial statements ("Official Gazette of the Republic of Macedonia" no. 83/17 and 149/18), issued by the NBRNM.

Standards in Issue not yet adopted

At the date of authorisation of these financial statements by the Board of Directors, there were no standards in issue but not yet effective.

Presentation of Financial Statements

These financial statements represent separate financial statements of the Bank. As the Bank has investment in a subsidiary it also prepares consolidated financial statements in accordance with the Methodology.

The separate financial statements of the Bank have been presented in accordance with the form prescribed in Decision on the types and content of the financial statements of banks.

The Bank's Management estimates the influence of the new and the changes in the NBRNM regulations and their interpretation on the financial statements, as well as the requirements on the form and contents in accordance with the Decision on the types and content of the financial statements of banks and in accordance with the Methodology.

The presentation of the financial statements in accordance with the accounting standards applicable in the Republic of North Macedonia requires the use of best estimates and reasonable assumptions by the Bank's management, which affects the presented values of assets and liabilities, and the revenues and expenses in the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for estimation of the carrying amounts of assets and liabilities for which no other data is available. Actual results in subsequent period may differ from these estimates.

The estimates and assumptions are reviewed on a continuous basis. The revised accounting estimates are recognized in the period for which the estimate has been revised if it affects only that period, or in the period of the estimate and future periods if the revised estimate affects both periods – the current and future period.

Information regarding the critical judgments in the implementation of the accounting policies with the most significant impact on the amounts disclosed in the financial statements are presented in d).

The Bank's separate financial statements have been prepared in accordance with the accounting policies disclosed in Note 1.c) to the separate financial statements.

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Introduction (continued)**b) Basis of Preparation of the Financial Statements (continued)****Reporting and functional currency**

The presented financial statements are expressed in thousands of Denars. The Denar represents the functional and reporting currency of the Bank for the purpose of reporting to NBRNM.

c) Summary of Significant Accounting Policies

The accounting policies presented below have been applied consistently to all periods presented in these financial statements, except for matters disclosed in e).

Interest Income and Expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on accrual basis, measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract, transaction costs and all other premiums or discounts during loan approval, as well as calculated effects from the modifications due to changes in the conditions during the amortization period of the loan, which are an integral part of effective interest rate.

Fee and Commission Income

Fees and commissions, except loan origination fees, are generally recognized on an accrual basis over the period of service rendering. Other fees relating to the acquisition and origination of loans are deferred over the life of the loan and amortized using the effective interest rate method.

Dividend Income

Dividend income is recognized when the right to receive payment is established for all shareholders who participate in income distribution. Dividends are presented as part of net trading income or dividend income depending on the classification of the instrument.

Foreign Currency Transactions

Transactions denominated in foreign currencies have been translated into Denars at rates set by the NBRNM at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the balance sheet date using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the translation of assets and liabilities denominated in foreign currencies are recognized in the income statement in the period in which they occurred.

Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the balance sheet date.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Official exchange rates applicable as at 31 December 2019 and 2018 for euro (EUR) and American dollar (USD) are as follows:

	2019	2018
	MKD	MKD
1 EUR	61.49	61.49
1 USD	54.95	53.69

Financial assets and financial liabilities

(i) Recognition and initial measurement

Financial assets and liabilities are recognised at the settlement date, representing the date when the assets in delivered by/from the Bank.

A financial asset or a financial liability is initially measured at fair value plus for items not measured at fair value through profit or loss, transaction costs directly related to the acquisition or issue.

(ii) Classification

Financial assets

A financial asset is the asset that is:

- a monetary asset,
- equity instruments issued by another legal entity,
- contractual right to receive money or other financial asset from another person,
- contractual right to exchange financial instruments with another person under conditions that are potentially favourable to the Bank.

Financial assets can be classified in one the following categories:

- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income, and
- financial assets measured at fair value through profit or loss.

The Bank classifies the financial assets at initial recognition.

The classification of financial assets is based on the following 2 criteria:

- belonging to the financial asset in an appropriate business model for managing financial assets of the Bank, and
- characteristics of the contractual cash flows of the financial asset (fulfilment of the SPPI requirement).

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(ii) Classification (continued)****Determining the business model of the Bank**

The assessment of the business model of the Bank is carried out at a level of the business process, not by separate instrument. The Bank may have several business processes for managing financial instruments. The Bank can use and manage a particular type of financial instrument in different ways, so that one type of financial instrument can appear in different business processes of the Bank for managing financial instruments.

The assessment of the business model is performed by the Bank's management on the basis of relevant and available external and internal factors relevant to the manner of managing financial instruments.

The business model is determined at a level that shows and reflects how a group of financial assets are managed together to achieve a specific business goal. It is not an analysis of an "instrument by instrument individually", but is performed for certain instruments at a higher level of aggregation - a set of analyses. The Bank's portfolio is divided into sub - portfolios in order to present the business model.

The evaluation of the business model involves a high degree of judgement.

The evaluation of the business model depends on the facts and circumstances as well as the intentions of the Bank that refer to certain instruments.

Depending on the manner of managing the financial assets, three business models are identified:

- Business model hold to collect principal and interest,
- Business model hold to collect principal and interest and sale,
- Business model for managing through the realization of their fair value (the so-called residual model).

Business model – "Hold to collect"

The goal of this business model is to keep the asset (or portfolio of assets) to collect contractual cash flows, and the asset (or portfolio) belongs to "hold to collect" business model.

Moreover, although the purpose of this business model is to keep the financial asset to maturity, if certain financial instruments have been sold before their agreed maturity (early sales) or their modification occurs, it is not a direct indicator of the change of the business model. The following aspects of the sales assessment in the "hold to collect" model are taken into account: historical frequency, time and value of sale, reason for sale (e.g. deterioration of the credit risk of the asset, sale due to concentration in a separate segment according to certain limits for concentration, sale for the purpose of liquidity management, sale due to regulator's provisions, sales upon a decision of the Bank for which the reason for it should be documented, the conditions in the environment, the amount, frequencies, etc.).

Business model - "Hold to collect and sell"

When the Bank holds the funds in order to achieve a certain goal through the collection of contractual cash flows and the sale of financial assets, the asset belongs in the "hold to collect and sell" business model (also known as the FVOCI business model).

The goal of this business model is achieved by collecting cash flows and selling financial assets, i.e the purpose of this business model is that the Bank keeps financial assets for managing every day liquidity needs, maintaining a certain profit on interest proceeds, matching the duration of the financial assets to financial liabilities (maturity matching) and similar.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(ii) Classification (continued)****Determining the business model of the Bank (continued)*****Business model - fair value through profit or loss***

If a financial asset or a group of financial assets is held by the Bank for the purpose of trading and realizing gains or the financial assets cannot be included in the "Hold to collect" or "Hold to collect and sell" business model, then they belong in the business model "Fair value through profit or loss", (hereinafter text: FVPL).

The purpose of this business model is the Bank to manage the financial assets through active trading, dependent on market conditions, dependent on the level of liquidity of the securities, in order to profit from the changes in the fair value of the assets. The Bank manages these assets in order to realize their market / fair value and the decisions when managing them are based on their market / fair value. FVPL is other, so-called residual category in which financial instruments may be included if they do not belong in the business models "hold to collect" or "hold to collect and sell".

Analysis of the contractual cash flows of the instrument - whether they represent solely payment of principal and interest – SPPI

After determining the belonging to a separate business model for managing financial assets, it is determined whether the contractual terms of the financial asset lead to cash flows, at certain dates, which are only payments of principal and interest on the outstanding principal (called "SPPI test").

SPPI condition can only be considered for debt financial assets.

The *principal* is the fair value of the financial asset at the initial recognition.

The *Interest* represents compensation for the time value of the money and credit risk. However, interest can take into account other basic risks (for example, liquidity risk), as well as costs (for example, costs for servicing or administrative costs) related to keeping a financial asset for a specified period of time, as well as profits margin.

The analysis of whether the SPPI condition is met is made at the initial recognition of each / group debt financial asset. The analysis of whether the SPPI condition is met is based on the contractual terms of the instrument and all cash flows determined in the agreement are taken into account. For those debts financial assets which arise from a particular product for which the Bank has a typical contract (or contractual terms) which applies to all separate claims for that product, the Bank whether the SPPI condition is met analyses makes at the product level and not by separate financial asset.

In the event of a change in the contractual cash flows of an existing financial asset, the Bank on the date of the modification will evaluate / verify whether the condition of the SPPI is met with the new modified contractual terms. Accordingly, the results obtained will determine whether the financial asset will continue to be classified and measured at amortized cost (if the SPPI condition is met again) or it will be determined that in the course of its future life time, the financial asset will have to be measured at fair value (if the SPPI condition is not met).

The financial assets are generally divided into:

- Debt financial assets, and
- Equity financial assets.

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Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Debt financial assets

Debt financial assets are classified and measured in the following categories:

- Financial assets measured at amortized cost,
- Financial assets that are measured at fair value through other comprehensive income,
- Financial assets that are measured at fair value through profit or loss.

In this category, the Bank classifies financial assets that meet the following criteria:

- manages the financial assets for the purpose of collecting contractual cash flows, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

The financial assets included in this category are initially recognized at fair value and subsequently measured at amortized cost.

Financial assets that are measured at fair value through other comprehensive income

In this category, the Bank classifies financial assets that fulfil the following criteria:

- manages the financial asset for the purpose of collecting contractual cash flows and / or for sale, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

The financial assets included in this category are initially recognized and subsequently measured at fair value.

Financial assets that are measured at fair value through profit or loss

In this category, the Bank classifies financial assets with the purpose of trading and settling cash flows from their sale.

This is also a residual category, i.e. the Bank in this category also classifies all those financial assets that do not fulfil the criteria of the other two categories.

The Bank owns these financial assets for the purpose of trading and realizing profit from changes in the fair value of the asset.

The financial assets included in this category are measured at fair value.

Equity financial assets

The decision on the classification of equity instruments is made for an individual instrument, only in the case of initial recognition of the instrument, and then reclassification is not allowed.

The equity instruments are classified and measured at fair value (they do not have contractual cash flows on the basis of principal and interest, i.e. they do not fulfil the SPPI requirement).

Equity instruments held for trading

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Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(ii) Classification (continued)**

The equity instruments held by the Bank for trading will be compulsory measured at fair value and any changes in fair value will be recorded in the profit or loss.

Other equity instruments

For equity instruments that are not traded, the Bank may, at initial recognition, choose whether changes in the fair value (realized and unrealized / calculated) will be recorded in profit or loss or in revaluation reserves within other comprehensive income. Further, the amounts in the Revaluation Reserves can only be reclassified to another category of reserves, but can never be recognized in profit or loss.

For the Bank's investments in equity instruments of certain specific institutions for which there is no active market and whose ownership is determined by law and / or is related to the possibility of using the services that are carried out by these institutions, it can be considered that their cost value reflects their fair value.

(iii) Derecognition

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

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets

If during the life of the financial instrument there are changes in contractual cash flows (other than impairment) that do not cause derecognition of the financial asset and for which the Bank has determined that they still meet the requirements to be classified and measured at amortized cost at the date of the change, the Bank determines the new carrying amount of the modified asset, equal to the present value of future modified cash flows, discounted using the initial / original effective interest rate. The Bank recognizes the difference between the new carrying amount of the modified asset and the carrying amount of the asset before the change in contractual cash flows as gain or loss from the change in the profit or loss in the accounting records as interest income/expense, as well as in the balance sheet on the accounts for accumulated depreciation.

As an exception, in cases of change only for the remaining contractual term for collection of receivables, change only to the adjustable interest rate, early repayment close to the contractual repayment period or insignificant / minor subscription fees, the Bank does not determine the new accounting value of the modified asset (it should not make a new calculation of the effective interest rate, that is, the allocation of the accumulated depreciation) and should not recognize the gain or loss from the change in the Profit or loss, because those changes are insignificant. In the event of early repayment close to the maturity date, the Bank fully capitalizes the entire remaining amount of accumulated depreciation on the due date of early repayment. In the cases of change only for the remaining agreed deadline for collection of claims, a change only to the adjustable interest rate or insignificant amount of subscription fees, the Bank continues to distinguish the accumulated depreciation in accordance with the initially established amortization plan.

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Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(iv) Modification of financial assets and liabilities****Financial liabilities**

The Bank derecognises financial liabilities when the terms of the liability are modified and the cash flows of the financial liability are fundamentally different. In such a case, a new liability is recognized on the basis of the modified fair value terms. The difference between the carrying amount of the liability that is derecognised and the new liability is recognized in the profit and loss account.

(v) Offsetting

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

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

(vi) Fair value measurement

Measuring at fair value assumes that the asset or liability is exchanged among market participants, in a common transaction, in accordance with current market conditions at the measurement date. Fair value of financial assets and liabilities is determined in different ways depending if the asset or liability are traded in the active market or not.

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

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

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

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and nostro accounts, that represent demand deposits and placements with other banks and financial institutions, account balances with the NBRM and other financial assets such as treasury and government securities, as highly liquid assets with maturity up to three months from the date of acquisition and insignificant changes to fair value.

In preparing the Statement of Cash flows, the obligatory reserve in foreign currency and the restricted deposits are excluded from Cash and cash equivalents.

Held-for-trading Financial Assets

Held-for-trading financial assets, are securities included in a portfolio in which a pattern of short-term profit making exists. Initially, these securities are recognized and subsequently measured at fair value and the transaction costs are directly recognized in the income statement.

All of the respective realized and unrealized gains and losses are included under net trading income. Interest, if realized, during the period of ownership of these securities, is recognized as net trading income in the income statement. The purchase and disposal of securities held-for-trading is recognized at settlement date, which represents the date when the asset is delivered to the Bank.

Financial assets at fair value through profit or loss, designated as such at initial recognition

At initial recognition, any financial asset can be designated as a financial asset at fair value through profit or loss, except for unquoted equity instruments and those financial instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

In this category, the Bank records the investments in shares in open investment funds and initially recognizes and subsequently measures them according to their fair value. All related realized and unrealized gains and losses are included in net trading income.

Financial Assets available-for-sale

Financial assets available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or share prices. This portfolio comprises of equity securities issued by financial institutions and enterprises, where the Bank does not exercise control, as well as debt securities issued by the Republic of North Macedonia. Financial assets available for sale include investments in subsidiaries recorded at cost.

Financial assets available-for-sale are recognised at their fair value, except those for which there is no active market and quoted prices and whose fair value cannot be reliably measured, in which case they are measured at cost less impairment.

Unrealized gains and losses arising on changes in the fair value of available-for-sale financial assets are recognized in revaluation reserves.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****Financial Assets available-for-sale (continued)**

At the point of derecognition of debt financial assets available-for-sale, cumulative gains / losses previously recognized in revaluation reserves are derecognised from equity, and net gains or losses are recognized in the income statement in the item "Other operating income/ Other operating expenses".

Income based on interest, dividend, and foreign exchange gains and losses on available-for-sale financial assets are recognized in the income statement for the current period.

Financial Assets held-to-maturity

Financial Assets held-to-maturity are debt financial assets which the Bank manages for the purpose of collecting contractual cash flows and which, according to the contractual terms of the asset, fulfill the SPPI requirement. These securities are measured at amortized cost using the effective interest rate method.

Loans and Receivables

Loans and receivables of the Bank include loans where cash is provided directly to the customer. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Interest on loans originated by the Bank is included in interest income and is recognized on an accrual basis.

Loans to customers and financial institutions are stated at their net amount reduced by allowance for impairment.

Impairment of Financial Assets

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

The Bank considers evidence of impairment for loans and receivables and investment securities on individual basis.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable 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 relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Impairment of Financial Assets (continued)

Impairment losses are recognised in the income statement and reflected in an allowance account against loans and receivables.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the cost, less any impairment loss previously recognised in the income statement. Changes in the allowance account which are result of the time value of money are recognised as part of interest income.

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

Allowances for impairment on Loans and Receivables

Provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items are presented within the provisions. Additions to provisions are made through impairment losses on financial assets in the income statement.

The allowance for impairment and uncollectibility are determined according to the regulative of the NBRNM ruling on each balance sheet date, according to which the Bank is liable to classify the assets and off-balance sheet items in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as of December 31, 2019 and December 31, 2018 by applying the following percentages:

<u>Risk Category</u>	<u>Percentage</u>
A	0.01% to 5%
B	5.1% to 20%
C	20.1% to 45%
D	45.1% to 70%
E	70.1% to 100%

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****Allowances for impairment on Loans and Receivables (continued)**

The allowance for impairment and uncollectibility are determined on the basis of the degree (size) of the risk of uncollectibility or specific country risk.

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and uncollectibility are measured and determined for the difference between the carrying amount of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows;
- Losses on impairment and uncollectibility is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. All allowances for losses on impairment and uncollectibility are reviewed and tested at least quarterly, and any further changes in the amount and timing of expected future cash flows in comparison to previous assessments result in changes in allowances for losses on impairment and uncollectibility recorded in the income statement;
- The loan, believed to be impossible to collect, is impaired against the relevant allowance for impairment and uncollectibility. Further collections are recorded as reduction of impairment losses and uncollectibility in the income statement;
- In case of loans granted to borrowers in countries with increased risk of difficulties for servicing external debt, the political and economic circumstances are assessed and additional allowances for sovereign risk are allocated.

For the financial statements' purposes, the Bank connects the Credit Risk Groups (Group 1, 2, 3) from the Methodology for recording and valuation of accounting items and for the preparation of financial statements from the Decision on the methodology for interest risk management in the following manner:

- Within Group 1, credit risk exposure classified in the risk category "A";
- Within Group 2, credit risk exposure classified in the risk categories "B" and "C", without non-performing credit exposure status;
- Within Group3, credit risk exposures with non-performing credit exposure status.

Associates and subsidiaries

An associate is an entity where the Bank participates significantly in the reaching and managing the financial and operating policies and decisions of that entity, but does not control the entity. Participation represents direct or indirect holding of at least 20% of the voting powers, except if it is not obvious that such participation does not represent significant influence.

Investments in associates are measured using the equity method, by which the investment is initially recognised at cost. Subsequent to the initial measurement, carrying amount is increased or decreased to recognise the Bank's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

A subsidiary is an entity controlled by another entity-bank, known as the parent bank.

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Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Associates and subsidiaries (continued)**

The Bank has control over an entity if the following conditions are met:

- The Bank owns, directly or indirectly, major part of the managing power of that entity, except if shown that such condition does not represent control;
- The Bank has a right to return from the investment, regardless as to whether the return is positive or negative (returns include: dividends and other forms of profit distribution, changes in the value of the investment, interest, management fee, service fees, guarantees, tax incentives, participation in the cash flows etc.), and
- The Bank can use its managing power to affect the returns from the investment.

In these Separate financial statements the investments in subsidiaries are recorded by their purchase value.

Financial Liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement. Financial liabilities are classified as deposits from banks, financial institutions and customers, loans payable, other payables and derivative financial instruments.

Deposits from Banks and Other Financial Institutions and Customers

These financial liabilities are initially recognized at fair value, increase for transaction costs incurred. Subsequently they are measured at amortized cost, while applying an effective rate method.

Borrowings

Borrowings are initially recognized at fair value including all transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest rate method. Interest for the Bank's borrowings is included in interest expenses and are recognized on accrued basis.

Property and equipment

Property and equipment is recorded at cost, less accumulated depreciation and accumulated impairment losses. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the income statement as an expense as incurred. Depreciation is charged at estimated rates so as to write off the cost of assets over their estimated useful lives, using the straight-line method. No depreciation is charged on construction in progress until the constructed assets are put into use.

The useful life of certain categories of property and equipment are as follows:

Buildings	40 years
Furniture and equipment	4-20 years

Depreciation methods, useful lives and residual value are reviewed at each reporting date.

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Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Property and Equipment (continued)**

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss, in item "Other operating income" or "Other operating expenses". The Bank annually reviews its property and equipment for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Intangible Assets

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets include computer software and software that was acquired apart from hardware. Expenditure on software is amortized on a straight-line basis over the estimated useful life, which is five years. The Bank annually reviews its intangible assets and assess whether there is any indication for impairment. If such indications exist, an estimate is performed to assess whether the carrying amount is recoverable. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount.

Intangible assets should be deregistered in their disposal or when future economic benefits are not expected from their use or disposal. Income and losses arising from the sale of intangible assets are determined as the difference between the net proceeds of the disposal and the carrying amount of the asset are recognized in the income statement in the position "Other operating income" or "Other operating expenses".

Impairment of non-financial assets

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

An impairment loss is recognised if the net value of an asset or a cash generating unit, to which the asset belongs, exceeds its recoverable amount. For asset that generates cash flows that largely are independent, the recoverable amount is determined for cash-generating units to which the asset is allocated.

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

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Impairment of non-financial assets (continued)**

An impairment loss is reversed if there is an indication that the loss no longer exists or 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 amortisation) if no impairment loss had been recognized in the previous years.

Foreclosed assets

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

At the date of the initial recognition of the asset, the Bank is obliged in accordance with the Decision on accounting and regulatory treatment of foreclosed assets (Official Gazette of R.M. No. 50/13 and No. 26/17) to reduce the value of the foreclosed asset in the balance sheet by at least 20% of the initial recognized value.

After the initial recognition, at least once in a period of twelve-months, the Bank performs a valuation of the foreclosed property and determines a difference with the carrying amount. At the same time, the Bank calculates 20% of the carrying amount of the foreclosed property and compares it with the difference between the estimated and carrying amount. The greater amount is recognized in the income statement as impairment loss.

If a foreclosed asset becomes a property of the Bank for own use, the value at which the asset will be recognised is at the lower of the latest valuation determined by a certified valuator and the carrying amount of the asset at the date of the change in use (determined at that date in accordance with the Decision for accounting and regulatory treatment of foreclosed assets).

Foreclosed assets on the basis of uncollected claims are derecognized during the sale or when they are permanently withdrawn from use (no future economic benefits are expected). The realized amount over, or below the carrying amount less the impairment loss recognized in past periods, is recognized as income in the position "Other operating income", i.e as an expense in the position "Other operating expenses", on the day of sale.

Managed funds for and on behalf of third parties

The Bank acts as a fiduciary and in other fiduciary matters provides services for and on behalf of third parties such as legal entities, individuals, investment and pension funds and other institutions for which it keeps and manages assets or invests funds received in various financial instruments at the direction of the customer. The Bank receives fee income for providing these services. Managed funds are not assets of the Bank and are not recognized in the financial statements. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee them.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Provisions**

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee benefits**(i) Defined contribution plans**

The Bank contributes to its employees' post retirement plans as prescribed by the Macedonian legislation. Contributions, based on salaries, are made to the national organisations responsible for the payment of pensions. There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due. In addition to pension contributions the Bank also pays contributions for: health insurance, professional additional contribution, contribution for employment in case of unemployment, contribution for past work with increased term. The Bank does not have additional liabilities related to these plans.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Short-term employee benefits include: salaries, compulsory social security contributions, short term paid absences (paid annual holiday, sick leaves) and non-monetary benefits (health insurance).

(iii) Other long-term employee benefits

In accordance with local regulations the Bank pays two average monthly net salaries paid in the Republic of North Macedonia in the preceding three months to its employees at the moment of retirement and jubilee awards in accordance with the criteria stated in the General collective contract.

In accordance with IAS 19, these benefits are considered defined pension benefit plans. The carrying amount of the Bank's liabilities arising from employee benefits are calculated at the end of the reporting period. The balance of these liabilities at the end of the reporting period presents the discounted amount of future payments

Other liabilities

Other liabilities include liabilities that do not belong and are not presented in any other item of liabilities in the Statement of financial position.

Other liabilities are recorded at nominal value in accordance with the regulations and decisions of the Bank and mainly includes suppliers payable, other liabilities, accrued deferred liabilities and deferred income.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Equity and reserves**

The Bank's equity is comprised of:

- share capital which is equal to the nominal value of all shares (subscribed and paid-in capital)
- increase in equity due to realized difference between the nominal value of shares and the amounts for which they were sold (share premiums)
- revaluation reserves
- other reserves, and
- retained earnings/ accumulated losses from previous years.

Revaluation reserves

Revaluation reserves include the revaluation reserves for assets available for sale where the gains and losses from the changes in the fair value of the financial instruments available for sale are recorded. These reserves are comprised of the net cumulative change in the fair value of the assets, which changes in the fair values are recognized directly in equity.

Statutory reserve

Under local statutory legislation, the Bank is required to set aside 5 percent of its net profit for the year in a statutory reserve until the level of the reserve reaches 1/10 of the court registered capital. Until achieving the minimum required level the statutory reserve could only be used for loss recovery. When the statutory reserve exceeds the minimum required level and when all losses are covered, the statutory reserve can also be used for distribution of dividends, based on a decision of the shareholders' meeting, but only if the amount of the dividends for the current business year has not reached the minimum for distribution as prescribed in the Trade Company Law or by the Bank's Statute.

Other reserves

Other reserves are formed in addition to statutory reserve, based on decisions by the bodies of the Bank for distribution of profit, and can be used to cover certain losses or for other expenses.

The maintenance of the level of Bank's reserves is determined by the fulfilment of the capital requirements prescribed by NBRNM regulation according to which these positions should be fully and in any time available for covering the risks and losses that can occur from the Bank's operations, as well as liabilities under the Trade company law.

Earnings per share

The Bank displays earnings per share in the Statement of Profit and Loss and Other Comprehensive Income if ordinary shares are subject to public trading on the market or if it is in the process of issuing ordinary shares to public markets.

Basic earnings per share is part of the profit or loss attributable to shareholders – holders of ordinary shares for the effects of all ordinary shares in circulation during the period.

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Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Earnings per share (continued)**

Basic earnings per share is calculated when the net gain or loss attributable to holders of ordinary shares is divided by the weighted average number of ordinary shares in circulation during the period. The weighted average number of shares in circulation during the period is calculated when the number of shares in circulation at the beginning of the period is adjusted for the number of shares issued or repurchased over the period, multiplied by (time weight) the number of days during which the shares are in circulation - in relation to the total number of days in the year.

The diluted earnings per share in the Bank is identical to the basic earnings per share due to the non-existence of issued potential ordinary shares, the effect of which is correction of the net profit attributable to the holders of ordinary shares.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date of 10%, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for 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 the future taxable profits against which the asset can be utilized. Deferred tax assets are estimated at the end of each reporting period and reduced to the extent that 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. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent it is probable that future taxable income will be sufficient against which the asset can be utilised.

Leases

The Bank leases assets as operating leases. Rental income and expenses are recognized in the income statement on a straight-line basis over the term of the lease.

d) Use of Judgments and Estimates

The most significant areas, for which judgments, estimates and assumptions are required, are:

Fair Value of Financial Instruments

The fair values of the financial instruments that are not quoted in active markets are determined using internal valuation techniques. These include present value methods, models based on observable input parameters.

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Introduction (continued)**d) Use of Judgments and Estimates (continued)****Fair Value of Financial Instruments (Continued)**

All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed by qualified personnel independent of the area that created the model. Wherever possible, the Bank compares valuations derived from models with quoted prices of similar instruments, and with actual values when realized, in order to further validate and standardize models. A variety of factors are incorporated into the models, including actual or estimated market prices and rates, such as time value and volatility, and market conditions and liquidity.

The Bank applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment.

In the Republic of North Macedonia sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

The Management assesses its overall risk exposure and in instances in which it estimates that the value in the books may not be realized, it recognizes a provision. In the opinion of management, the reported carrying amounts for the assets that are not quoted in an active market represent the most valid and useful reporting values under the present market conditions.

Allowance for Impairment of Loans

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, 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 in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

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.

Useful Lives of Tangible and Intangible Assets

The Bank's management determines estimated useful lives and related depreciation and amortization charges for its tangible and intangible assets. The appropriateness of the estimated useful lives is reviewed whenever there is an indication of significant changes in the underlying assumptions, such as anticipated technological developments and changes in the broad economic and industry factors.

Introduction (continued)

d) Use of Judgments and Estimates (continued)

e) Changes in the Accounting Policies, Accounting Estimates and Correction of Errors

On 1 July 2019, the new " Decision on the Methodology for credit risk management" entered into force (Official Gazette of RM no. 149/2018).

The changes relate to the treatment of non-performing customers, the treatment of restructured claims, the rules for excluding dysfunctional and restructured customer status, defining the default criteria and changing some of the rules for the classification of credit risk exposure. The effect of applying the new Decision on release of impairment and / or special reserve or allocation of additional impairment and / or special reserve is additional impairment / special reserve in the amount of MKD 165,009 thousand.

f) Compliance with Regulations

There are no non-compliances with the regulations prescribed by the NBRNM in regards to the solvency and capital adequacy of the Bank, its limits of exposure, investments, liquidity and open foreign currency position.

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 denar thousands</i>					
2019 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	48,733,243	48,733,243
Held-for-trading assets	197,019	-	-	-	-	197,019
Financial assets at fair value through profit or loss upon initial recognition	-	339,193	-	-	-	339,193
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	4,693,021	4,693,021
Loans and advances to other customers	-	-	-	-	50,791,397	50,791,397
Investments in securities	-	-	5,110,700	77,696	7,950,953	13,139,349
Other receivables	-	-	-	-	1,947,486	1,947,486
Total financial assets	197,019	339,193	5,110,700	77,696	114,116,100	119,840,708
Financial liabilities						
Trading liabilities	361	-	-	-	-	361
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	449,360	449,360
Deposits from other customers	-	-	-	-	107,188,075	107,188,075
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	837,008	837,008
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	958,760	958,760
Total financial liabilities	361	-	-	-	109,433,204	109,433,565

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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 denar thousands</i>					
2018 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	48,796,325	48,796,325
Held-for-trading assets	28,739	-	-	-	-	28,739
Financial assets at fair value through profit or loss upon initial recognition	-	331,829	-	-	-	331,829
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	2,515,919	2,515,919
Loans and advances to other customers	-	-	-	-	46,406,938	46,406,938
Investments in securities	-	-	8,852,308	77,685	3,392,816	12,322,809
Other receivables	-	-	-	-	688,924	688,924
Total financial assets	28,739	331,829	8,852,308	77,685	101,800,922	111,091,483
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	350,536	350,536
Deposits from other customers	-	-	-	-	99,105,236	99,105,236
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	928,925	928,925
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	971,310	971,310
Total financial liabilities	-	-	-	-	101,356,007	101,356,007

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2. Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve identification, assumption, measurement, monitoring and control of certain risks or their combination. Taking risk is a core business activity and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank has established a Strategy for risk taking and management, which is approved by the Bank's Supervisory Board and is reviewed regularly. The Strategy defines the risk management system and its scope, with particular reference to the acceptable level of risk, the risk culture and the process of determining internal capital (PIC) and the process of determining internal liquidity (PIL).

The Bank's Shareholders Assembly appoints the members of the Supervisory Board and the Audit Committee. Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. Supervisory Board has established the Board of Directors, Credit Committee and Risk Management Committee. These bodies are responsible for monitoring and developing risk management policies in specific areas. The Bank has established organizational structure, with clearly defined competences and responsibilities among organizational parts of the bank where the risks are originated and managed.

The most important types of risk are credit risk, liquidity risk, market risk (risk of change in the interest rates in the banking book, currency risk and other market risks) and operational risk.

2. Risk Management (continued)**2.1 Credit Risk**

The Bank is exposed to credit risk which represents the risk of financial loss due to customer's default on their contractual obligations. Credit risk is the most important risk for the Bank's operations, therefore the management carefully follows the Bank's exposure to credit risk. The exposure to this risk arises primarily from lending activities and advances, as well as activities related to off-balance sheet financial instruments, such as loan commitments to enterprises and households, guarantees and letters of credit.

2.1.1 Credit Risk Management

The Bank has an established organizational structure, with clearly defined competences and responsibilities of the Supervisory Board and the Board of Directors regarding credit risk management.

The organization of the credit risk management is established on the following levels of hierarchy:

- Strategic level - the risk management function shall be performed by the members of Supervisory Board and the Board of Directors; Risk Management Committee and Audit Committee;
- Macro level - the risk management function at the level of business unit, or business line shall be performed by persons with special rights and responsibilities performing managing function and/or by a special organizational unit responsible for monitoring the credit risk management.

Credit risk management at the business unit level in the Bank includes every Division where credit risk is undertaken, as well as the persons with special rights and responsibilities that perform the management function in the respective division. The duties of these organizational units of the Bank are regulated by the appropriate Policies adopted from the Bank's Supervisory Board. A special organizational unit in the Bank competent for credit risk management is the Risk Management and Planning Division – Credit Risk Management Department.

2.1.2 Control of risk exposure limits and risk protection policies

The Bank manages and controls the concentration of credit risk to any number of clients, some categories of clients, industries, currencies structure, geographic location, collateral instruments and other bases. The Bank manages the level of credit risk taken by setting limits on the amount of acceptable risk of exposure to aforementioned concentrations.

Initially, when approving loans and loan commitments, different Credit Committees assess the creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Bank has established different practices to mitigate credit risk in lending, including mortgages and other collateral instruments. Given that the collateral itself is not sufficient to generate cash flows, it is considered to be a secondary factor in the evaluation of creditworthiness. The value and quality of the collateral depends of the type of collateral (immovable, movable property, inventory, accounts receivables) and the probability of activation in order of claim. For part of the credit exposures classified in risk grades C non-performing, D and E, which the Bank expects to collect through foreclosure of the property, and the property meets the criteria as defined in the Decision on credit risk management, the Bank takes into consideration the value of the property in determining the present value of the expected future cash flows from those exposures. Collateral is divided into two types: first class, providing high liquidity which is considered 100% when calculating net realizable value and other collateral.

2. Risk Management (continued)**2.1 Credit Risk (continued)****2.1.2 Control of risk exposure limits and risk protection policies (continued)**

More significant types of collateral, for loans and other exposures, include:

a) Legal entities:

- Cash;
- Real estate property;
- Equipment and motor vehicles;
- Inventory;
- Receivables;
- Guarantees issued by banks and legal entities;
- Securities, including: debt securities issued by the Government of the Republic of North Macedonia, NBRNM and securities issued by other entities.

b) Individuals:

- Real estate property;
- Passenger vehicles;
- Deposits;
- Securities, including: debt securities issued by the Government of the Republic of North Macedonia, NBRNM and securities issued by other legal entities.

2.1.3 Policies for calculation of allowance for impairment / Special Reserve

The impairment losses are identified losses of the Bank credit portfolio that incurred as at balance sheet date and for which there is objective evidence of impairment. The Bank calculates the impairment provision after making the classification of credit exposure in the appropriate risk category.

According to the Bank's policies, impairment and provisioning are defined on an individual basis, for all credit risk exposures which are considered individually significant.

Exposures Classified on an Individual Basis

Classification in the risk category of individually significant exposures are made on the basis of the assessment (score), based on certain parameters, including the creditworthiness of the client, orderly settlement of obligations and the quality of collateral.

Impairment/special reserve for individually assessed items are determined by evaluating the loss generated on the date of the balance sheet, which is the difference between the carrying amount and present value of estimated future cash flows. The effective interest rate is used to discount future cash flows. Credit exposures to banks and investments in equity securities, debt instruments as well as exposures classified as nonperforming are classified on an individual basis.

2.1.4. Methodologies of assessment of credit risk.

The Methodology of the Bank for the system of internal rating of clients developed through score model includes a selection of criteria for assessment of credit risk of clients classified on individual bases, in a form of score scheme.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.A Analysis of total exposure to credit risk

	Loans and advances to banks		Loans and advances to other customers		Investment 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 sheet 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 of Denars</i>																			
Exposure to credit risk, classified in Group 1																			
Carrying value before impairment loss/ special reserve	4,689,484	2,512,279	44,650,945	41,005,812	5,110,700	8,852,308	7,951,015	3,392,816	38,405,504	37,794,595	6,251	8,660	787,987	613,471	15,691,998	14,162,773	117,293,884	108,342,712	
(Impairment loss and special reserve)	(481)	-	(413,691)	(437,903)	-	-	(62)	-	(837)	(62)	(74)	(101)	(380)	(131)	(62,276)	(55,895)	(477,801)	(494,091)	
Carrying value less impairment loss/ special reserve	4,689,003	2,512,279	44,237,254	40,567,909	5,110,700	8,852,308	7,950,953	3,392,816	38,404,667	37,794,534	6,176	8,558	787,607	613,340	15,629,722	14,106,878	116,816,083	107,848,621	
Exposure to credit risk, classified in Group 2																			
Carrying value before impairment loss/ special reserve	5,722	5,072	6,917,031	5,906,885	-	-	-	-	-	-	2,280	2,698	1,265	7,009	793,129	566,988	7,719,427	6,488,652	
(Impairment loss and special reserve)	(1,579)	(1,400)	(696,590)	(617,044)	-	-	-	-	-	-	(331)	(342)	(83)	(740)	(108,267)	(44,984)	(806,851)	(664,509)	
Carrying value less impairment loss/ special reserve	4,143	3,672	6,220,441	5,289,841	-	-	-	-	-	-	1,949	2,356	1,182	6,269	684,862	522,005	6,912,576	5,824,143	

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.A Analysis of total exposure to credit risk (continued)

	Loans and advances to banks		Loans and advances to other customers		Investment 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 sheet 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 of Denars</i>																		
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	-	828	3,434,939	5,615,330	-	-	-	-	-	-	6,932	19,426	25,052	62,323	173,685	686,004	3,640,608	6,383,911
(Impairment loss and special reserve)	-	(828)	(2,898,654)	(4,887,258)	-	-	-	-	-	-	(5,915)	(15,510)	(23,647)	(61,091)	(99,278)	(336,682)	(3,027,494)	(5,301,368)
Carrying value less impairment loss/ special reserve																		
	-	-	536,285	728,073	-	-	-	-	-	-	1,017	3,916	1,405	1,232	74,407	349,322	613,114	1,082,543
Total carrying value of receivables with credit risk before impairment loss/ special reserve	4,695,206	2,518,178	55,002,915	52,528,027	5,110,700	8,852,308	7,951,015	3,392,816	38,405,504	37,794,595	15,463	30,784	814,304	682,802	16,658,813	15,415,765	128,653,919	121,215,275
(Total Impairment loss and special reserve)	(2,060)	(2,227)	(4,008,935)	(5,942,204)	0	-	(62)	-	(837)	(62)	(6,321)	(15,953)	(24,110)	(61,962)	(269,822)	(437,560)	(4,312,146)	(6,459,968)
Total carrying value of receivables with credit risk less impairment loss/ special reserve	4,693,146	2,515,951	50,993,980	46,585,823	5,110,700	8,852,308	7,950,953	3,392,816	38,404,667	37,794,534	9,142	14,830	790,194	620,841	16,388,991	14,978,205	124,341,773	114,755,307

This is an English translation of the original Report in the Macedonian language

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.B Value of Collateral (Fair Value) for Mitigating of Credit Risk

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Other receivables		Off balance sheet 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 of denars</i>																
<i>Value of collateral of credit exposure, individually assessed for impairment</i>																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank)	-	-	1,099,931	1,621,552	-	-	-	-	-	-	114,743	51,236	208,773	236,959	1,423,447	1,909,747
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	90	3,374	150,051	236,549	150,141	239,923
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (excluding bank guarantees and guarantees from insurance companies)	-	-	384,008	461,770	-	-	-	-	-	-	-	8	295,408	399,151	679,416	860,930
Guarantees from individuals	-	-	496,750	1	-	-	-	-	-	-	19	-	35,530	-	532,298	1
Mortgage on real estate property for private use (flats, houses) business facility	-	-	-	496,750	-	-	-	-	-	-	-	19	-	35,530	-	532,298
pledge over movables	-	-	18,354,203	17,252,002	-	-	-	-	-	-	534	510	1,211,714	843,745	19,566,451	18,096,258
Pledge over movables	-	-	34,986,546	32,314,246	-	-	-	-	-	-	57,544	97,896	7,231,146	6,043,371	42,275,236	38,455,512
Other types of collateral	-	-	13,783,163	10,021,286	-	-	-	-	-	-	81,295	31,706	2,692,848	2,053,223	16,557,306	12,106,215
	-	-	3,729,953	2,841,453	-	-	-	-	-	-	66	1,146	261,401	769,096	3,991,420	3,611,695
Total value of collateral of credit exposure, individually assessed for impairment	-	-	72,337,804	65,009,059	-	-	-	-	-	-	254,272	185,894	12,051,342	10,617,625	84,643,418	75,812,578

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.C Concentration of Credit Risk by Industry

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment 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 sheet 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
Industry																		
Non-residents	-	-	216,284	369,420	-	-	-	-	-	-	41	57	0	-	1,707,166	1,910,472	1,923,491	2,279,949
Agriculture, forestry and fishing	-	-	707,544	727,397	-	-	-	-	-	-	70	47	0	649	18,245	12,816	725,858	740,908
Ore and stone extraction	-	-	1,366,562	279,372	-	-	-	-	-	-	24	22	0	-	304,414	10,970	1,671,000	290,364
Processing industry	-	-	2,713,783	2,700,766	-	-	-	-	-	-	114	133	15	-	222,502	137,212	2,936,414	2,838,111
Wholesale and retail industry for clothing and footwear	-	-	850,914	829,553	-	-	-	-	-	-	106	112	26	268	314,301	323,376	1,165,347	1,153,310
Chemical industry, construction material production, fuel production and processing, pharmaceutical industry	-	-	1,748,870	2,063,367	-	-	-	-	-	-	65	117	1	4	180,050	162,921	1,928,986	2,226,409
Production of metals, machines, tools and equipment	-	-	3,629,649	1,985,384	-	-	-	-	-	-	201	136	5	76	982,558	667,920	4,612,413	2,653,515
Other processing industry	-	-	654,543	488,890	-	-	-	-	-	-	70	1,423	4	3	46,481	117,664	701,099	607,980
Electricity supply, gas, steam and air conditioning	-	-	1,145,024	1,228,327	-	-	-	-	-	-	300	1,023	812	494	185,494	198,693	1,331,629	1,428,538
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	146,594	167,050	-	-	-	-	-	-	59	64	476	125	1,768	12,503	148,897	179,742
Construction	-	-	3,073,090	4,249,034	-	-	-	-	-	-	950	3,385	139	1,255	4,007,572	3,327,640	7,081,752	7,581,313

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.C Concentration of Credit Risk by Industry (continued)

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment 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 sheet 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
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	7,772,476	8,847,446	-	-	-	-	-	-	1,391	1,369	1,544	4,183	3,946,974	3,459,887	11,722,385	12,312,884
Transport and warehousing	-	-	631,603	826,738	-	-	-	-	-	-	257	499	121	229	426,181	702,497	1,058,162	1,529,963
Accommodation facilities and food service industry	-	-	569,693	637,546	-	-	-	-	-	-	99	137	69	185	43,391	37,656	613,252	675,524
Information and communications	-	-	312,067	298,126	-	-	-	-	-	-	218	195	115	89	203,750	147,811	516,151	446,222
Finance and insurance activities	4,693,146	2,515,951	24,137	39,923	-	-	622,603	-	38,404,667	37,784,078	2,319	3,115	13,620	13,446	29,546	17,067	43,790,039	40,373,579
Activities related to real estate, renting and business activities	-	-	2,678,961	1,807,618	-	-	-	-	-	-	12	25	13	1,311	288,081	67,595	2,967,067	1,876,549
Professional, scientific and technical activities	-	-	1,505,559	1,880,938	-	-	-	-	-	-	186	157	1,833	9	100,606	581,192	1,608,184	2,462,295
Administrative and utility services	-	-	212,878	308,842	-	-	-	-	-	-	72	97	1,068	1,182	138,767	166,342	352,785	476,462
Public administration and defense; mandatory social security	-	-	1,422,605	1,526,703	5,110,700	8,852,308	7,328,349	3,392,816	-	10,456	155	202	61	61	2,644	2,644	13,864,515	13,785,189
Education	-	-	651,366	365,771	-	-	-	-	-	-	33	16	1	1	8,965	1,823	660,365	367,610
Health care and social work	-	-	1,320,400	1,022,749	-	-	-	-	-	-	145	141	0	0	102,569	11,926	1,423,114	1,034,815
Art, entertainment and recreation	-	-	197,279	215,912	-	-	-	-	-	-	122	127	11	6	107,572	49,600	304,984	265,645
Other service activities	-	-	164,156	202,109	-	-	-	-	-	-	76	100	396	521	4,268	7,003	168,897	209,732

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.C Concentration of credit risk by industry (continued)

<i>in thousands of denars</i>	Loans and advances to banks		Loans and advances to other customers		Investment 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 sheet 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	
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	17,211,755	13,457,158	-	-	-	-	-	-	1,875	1,921	768,961	595,840	3,010,508	2,841,078	20,993,097	16,895,998	
Individual merchants and individuals not regarded as merchants	-	-	66,190	59,687	-	-	-	-	-	-	182	210	901	904	4,617	1,898	71,889	62,699	
Total	4,693,146	2,515,951	50,993,980	46,585,823	5,110,700	8,852,308	7,950,953	3,392,816	38,404,667	37,794,534	9,142	14,830	790,194	620,841	16,388,991	14,978,205	124,341,773	114,755,307	

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.D Concentration of Credit Risk by Geographic Location

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment 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 sheet 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	
Geographic location																			
Republic of Macedonia	29,618	50,785	50,777,696	46,216,402	5,110,700	8,852,308	7,328,349	3,392,816	31,049,366	19,357,766	8,516	14,204	790,194	620,841	14,663,616	13,058,354	109,758,054	91,563,477	
EU member countries	2,801,583	2,002,354	216,284	369,420	-	-	622,603	-	5,159,389	14,188,616	479	452	-	-	7,104	1,550	8,807,443	16,562,392	
Europe (other)	1,399,250	-	-	-	-	-	-	-	1,718,264	3,804,545	70	94	-	-	1,713,973	1,918,301	4,831,557	5,722,940	
OECD member countries (without European OECD member countries)	462,694	462,811	-	-	-	-	-	-	404,527	373,717	73	78	-	-	4,297	-	871,592	836,606	
Other	-	-	-	-	-	-	-	-	73,122	69,890	4	2	-	-	-	-	73,126	69,891	
(the exposure that represents more than 10% of total credit exposure)																			
Total	4,693,146	2,515,951	50,993,980	46,585,823	5,110,700	8,852,308	7,950,953	3,392,816	38,404,667	37,794,534	9,142	14,830	790,194	620,841	16,388,991	14,978,205	124,341,773	114,755,307	

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2. Risk Management (continued)**2.1 Credit Risk (continued)****2.1.D Concentration of Credit Risk by Geographic Location (continued)**

The value of total credit exposure by geographic location of debtors show that the highest concentration is in the Republic of North Macedonia, amounting to 88.27% as of December 31, 2019 (2018: 79.79%). Exposure to debtors located in EU member amounts to 7.08% as of December 31, 2019 (2018: 14.43%). Exposure to debtors located in Other European countries and OECD countries amounts to 4.65% of the total credit exposure of the Bank as of December 31, 2019 (2018: 5.78%).

Unimpaired exposures that are past due, amount to 210,661 thousands of denars as of December 31, 2019 (2018: 1,283,849 thousands of denars) and relate to receivables past due up to 30 days and are off-balance sheet exposures in the amount of 11,201 thousands of denars as of December 31, 2019 (2018: 1,137,447 thousands of denars). Undue unimpaired loans amount to 44,795,893 thousands of denars (2018: 64,498,796 thousands of denars) and mainly relate to, clients that have first class collateral, i.e. cash deposits and exposures for which a risk weight of 0% is applied in accordance with the National bank regulation on the methodology for determining the capital adequacy.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
Management (continued)
2.1 Credit Risk (continued)
2.1.E Analysis of credit risk in assets measured at fair value through profit or loss

	Trading assets				Financial assets at fair value designated as such at initial recognition, through profit and loss statement								Total	
	Debt trading securities		Equity trading securities		Debt securities		Equity securities		Loans and advances to banks		Loans and advances to other 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
<i>In thousands of denars</i>														
Current value of financial assets measured at fair value														
Risk category														
<u>Without credit rating</u>	-	-	196,354	28,739	339,193	331,829	-	-	-	-	-	-	535,547	360,568
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carrying value	-	-	196,354	28,739	339,193	331,829	-	-	-	-	-	-	535,547	360,568

These investments refer to financial assets measured at fair value through profit or loss for which there is no credit rating issued by external credit rating agencies.

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2.2. Liquidity Risk

Liquidity risk is the risk of loss that occurs when the Bank cannot provide sufficient cash to meet its liabilities at maturity or can provide the necessary funds at much higher costs. Liquidity risk arises both from the inability to properly manage unexpected changes in the source of funds, and from the inability of the Bank to timely and quickly convert assets into cash at minimal cost.

Process of Liquidity Risk Management

Liquidity risk management involves management of assets and liabilities in a way that enables regular and timely payment of liabilities, both in normal or exceptionally conditions.

Exposure to liquidity risk depends on the separate categories in the balance sheet divided by the maturity dates (residual maturity) and the level of compliance. Exposure to insolvency risk depends on the level of capital and reserves, i.e. the Bank's own funds. The purpose of managing this risk is to maximize stability and profitability, by implementing optimal combination of maturity and foreign currency structure of assets and liabilities.

The Bank is exposed to daily claims on its available cash resources from deposits, current accounts, and loan withdrawals. The Bank does not seek to maintain cash resources to meet all of these potential claims, estimating that the really due liabilities (the stability of deposit core) can be estimated with a degree of certainty.

2. Risk Management (continued)**2.2. Liquidity Risk (continued)****Process of Liquidity Risk Management (continued)**

The Bank has established Liquidity risk managing policy, passed by the Supervisory board of the bank and the same is reviewed regularly. The policy defines the manner of liquidity management through determination of basic goals, capacity assessment for taking a liquidity risk and assessment of risk profile, basic components of liquidity risk management system, basic components of process of maintaining appropriate level of liquidity and determination of acceptable instruments for protection from or decrease of liquidity risk.

The Bank has established Procedures for identification, measurement or assessment, control or decreasing and following of the liquidity risk. This act is issued by the Bank's Board of Directors and is subject to regular revision. The Procedures define the proceedings (processes) for liquidity risk management in detail as: identification, measurement or assessment of the liquidity and liquidity risk, testing of operational liquidity and liquidity stress-testing, monitoring, control or decreasing of liquidity risk and determining the internal liquidity.

The Bank uses the following methods to maintain an appropriate level of liquidity: adequate maturity structure of its assets (claims) and liabilities (commitments), liquidity ratios, internal liquidity indicators, level of concentration, movement and stability of liabilities and their concentration, stress-testing, reverse stress-testing, liquidity planning on a daily basis, meeting the legal requirements for mandatory reserves in Denars and in foreign currency, analysis for operational liquidity in Denars and in foreign currency, own funds and capital adequacy and other procedures and methods.

The Bank's management monitors the balances of the current accounts and deposits on a daily basis. The management, based on their experience, determines the critical days that affect the Bank's liquidity, or the significant dates that affect the outflow of funds. Based on the identification of available funds and the previously determined daily needs for money, the Bank makes decision regarding the appropriate use of funds.

Reconciliation and the controlled mismatch of assets and liabilities is fundamental to the Bank's management.

The Bank manages liquidity risk by continuously monitoring the maturity of assets and liabilities.

In 2019 there are changes in the regulation related to the management of the liquidity risk, which provide the establishment of establishment of an internal liquidity determination (PIL) process.

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at December 31, 2019 and 2018 was made by remaining contractual maturity or the remaining period from the date of notification to the agreed maturity date. Amounts in the analysis are not reduced by the amounts of accumulated depreciation, impairment losses and allocated special reserve. There are indications of significant gaps for the period up to one month, from one to three and from three to twelve months as at 31 December 2019 and up to one month and from three to twelve months as at 31 December 2018. The main reason for the above mentioned non-compliance is based on the fact that short-term sources of funds are used for approval of long-term loans. For the purposes of managing liquidity risk, the Bank prepares expected maturity structure, with expectations as an integrated element that indicates a stable liquidity position.

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

<i>in thousands of denars</i>	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
2019 (current year)							
Financial assets							
Cash and cash equivalents	43,562,739	-	-	5,171,341	-	-	48,734,080
Held-for-trading assets	36,796	-	160,223	-	-	-	197,019
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	339,193	339,193
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	2,613,836	3,334	1,122,831	479	491,885	462,741	4,695,106
Loans and advances to other customers	1,332,396	3,162,371	17,091,807	5,993,856	14,339,796	13,037,683	54,957,909
Investments in securities	37,327	1,340,075	5,754,277	1,820,452	2,254,562	1,932,718	13,139,411
Investments in associates	-	-	-	-	-	289,650	289,650
Income tax receivable (current)	-	4,591	-	-	-	-	4,591
Other receivables	1,910,909	16,673	48,965	318	535	658	1,978,058
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	49,494,003	4,527,044	24,178,103	12,986,446	17,086,778	16,062,643	124,335,017
Financial liabilities							
Trading liabilities	361	-	-	-	-	-	361
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	317,739	130,936	685	-	-	-	449,360
Due to other customers	63,118,520	9,890,364	24,199,777	6,726,190	3,215,518	37,706	107,188,075
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	61,276	115,486	173,618	127,910	274,166	88,096	840,552
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	8,874	-	-	-	-	-	8,874
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	949,688	9,099	104	77	-	-	958,968
Total financial liabilities	64,456,458	10,145,885	24,374,184	6,854,177	3,489,684	125,802	109,446,190
Off balance sheet items							
Off balance sheet assets	159,024	15,986	255,321	42,425	106,862	70,032	649,650
Off balance sheet liabilities	8,490,867	1,390,780	4,941,023	3,582,823	46,486	278,256	18,730,235
Liquidity gap	(23,294,298)	(6,993,635)	(4,881,783)	2,591,871	13,657,470	15,728,617	(3,191,758)

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2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (continued)

<i>in thousands of denars</i>	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
2018 (previous year)							
Financial assets							
Cash and cash equivalents	36,329,615	7,490,506	-	4,976,266	-	-	48,796,387
Held-for-trading assets	-	-	-	-	-	28,739	28,739
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	331,829	331,829
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	54,495	707	1,507,942	260	491,960	462,811	2,518,175
Loans and advances to other customers	3,030,484	3,605,390	18,297,440	5,628,499	11,215,859	10,696,553	52,474,225
Investments in securities	532,558	1,578,321	7,468,751	1,850,769	782,368	110,042	12,322,809
Investments in associates	-	-	-	-	-	274,037	274,037
Income tax receivable (current)	-	-	-	-	-	-	-
Other receivables	638,313	22,645	103,272	1,166	786	658	766,840
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	40,585,465	12,697,569	27,377,405	12,456,960	12,490,973	11,904,669	117,513,041
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	163,797	186,697	42	-	-	-	350,536
Due to other customers	57,298,163	9,756,222	22,696,427	6,179,866	3,098,893	75,665	99,105,236
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	77,741	1,014	214,626	351,020	231,781	53,400	929,582
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	7,862	118,410	-	-	-	-	126,272
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	962,422	5,466	3,344	78	-	-	971,310
Total financial liabilities	58,509,985	10,067,809	22,914,439	6,530,964	3,330,674	129,065	101,482,936
Off balance sheet items							
Off balance sheet assets	54,531	-	92,390	267,848	84,986	-	499,755
Off balance sheet liabilities	6,671,236	1,672,583	4,766,335	3,165,325	2,123	255,954	16,533,556
Liquidity gap	(24,541,225)	957,177	(210,979)	3,028,519	9,243,162	11,519,650	(3,696)

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2. Risk Management (continued)

2.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in foreign currencies, interest rates, and equity products, all of which are exposed to market movements and changes in the level of volatility of market rates or prices (such as interest rates, interest margins, foreign exchange rates and equity prices).

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in %</i>
2019 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2019)		11,409,347	68,755,233	16.59
Effects from scenario implementation				
Currency risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	6,833	11,416,180	71,322,602	16.01
Scenario 2: Denar to appreciate by 5% compared to other currencies	(6,833)	11,402,514	66,187,864	17.23
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	40,999	11,450,346	84,159,446	13.61
Scenario 2: Denar to appreciate by 30% compared to other currencies	(40,999)	11,368,348	53,351,020	21.31
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	(30,398)	11,378,949	68,755,233	16.55
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to increase by 1,00 p.p.	30,398	11,439,745	68,755,233	16.64

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2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in %</i>
b) Extraordinary conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 6,00 p.p.	(182,391)	11,226,956	68,755,233	16.33
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 6,00 p.p.	182,391	11,591,738	68,755,233	16.86
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)				

Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)				

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in %</i>
2018 (previous year)				
Amount before sensitivity analysis/ stress-tests (as at December 31, 2018)		10,616,908	62,899,081	16.88
Effects from scenarios implementation				
Currency risk				
(list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	23,526	10,640,434	65,450,589	16.26
Scenario 2: Denar to appreciate by 5% compared to other currencies	(23,526)	10,593,382	60,347,571	17.55
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	141,155	10,758,063	78,208,132	13.76
Scenario 2: Denar to appreciate by 30% compared to other currencies	(141,155)	10,475,753	47,590,027	22.01
Interest rate risk				
(list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1a (I option): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p.	239,788	10,856,696	62,899,081	17.26
Scenario 1a (II option): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p.	(239,788)	10,377,120	62,899,081	16.50
Scenario 2a (I option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	(285,141)	10,331,768	62,899,081	16.43
Scenario 2a (II option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,00 p.p.	285,141	10,902,049	62,899,081	17.33

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2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in %</i>
b) Extraordinary conditions				
Scenario 1b (I option): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p.	1,438,726	12,055,634	62,899,081	19.17
Scenario 1b (II option): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p.	(1,438,726)	9,178,182	62,899,081	14.59
Scenario 2b (I option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 2.75 p.p.	(784,136)	9,832,772	62,899,081	15.63
Scenario 2b (II option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 2.75 p.p.	784,136	11,401,044	62,899,081	18.13
c) Combination of Scenario 1 and Scenario 2 in the regular work conditions				
Scenario 3a): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	(45,353)	10,571,555	62,899,081	16.81
Scenario 3b): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	(524,928)	10,091,980	62,899,081	16.04
Scenario 3c): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,00 p.p.	524,928	11,141,836	62,899,081	17.71

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2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in %</i>
<p>Scenario 3d): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,00 p.p.</p> <p>d) Combination of Scenario 1 and Scenario 2 in the extraordinary work conditions</p> <p>Scenario 3a): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 2.75 p.p.</p> <p>Scenario 3b): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 2.75 p.p.</p> <p>Scenario 3c): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 2.75 p.p.</p> <p>Scenario 3d): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 2.75 p.p.</p> <p>Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	45,353	10,662,261	62,899,081	16.95
	654,590	11,271,498	62,899,081	17.92
	(2,222,863)	8,394,045	62,899,081	13.35
	2,222,863	12,839,771	62,899,081	20.41
	(654,590)	9,962,318	62,899,081	15.84

The Bank does not carry out stress tests from risk of changes in interest rates for investments in equity securities, as well as combined scenarios for changes in market risks.

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

B. Analysis of Value Exposed to Market Risk in Trading Portfolio

	current year 2019				previous year 2018			
	As at December 31,	Average value for the period	Highest value for the period	Lowest value for the period	As at December 31,	Average value for the period	Highest value for the period	Lowest value for the period
<i>in thousands of Denars</i>								
Amount of interest-bearing instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of foreign currency instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of equity instruments exposed to risk	-	-	-	-	-	-	-	-
Variance (off-setting effect)								
Total	-	-	-	-	-	-	-	-

Pursuant to the "Decision on the Methodology for Determining Capital Adequacy," the Bank does not determine capital required to cover market risks for trading portfolio, because trading portfolio does not exceed 5% of the total assets or 915 million denars.

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2. Risk Management (continued)**2.3 Market Risk (continued)****2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)**

Interest rate risk considering the Bank's portfolio (hereinafter: interest rate risk) is risk of loss arising from the unfavourable changes in the interest rates which influences the items in the Bank's portfolio. The risk of change in the interest rates can also arise from the liquidity gap of assets and liabilities, which may have long term negative influence on Bank's profitability and capital.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Assets and liabilities management is performed based on Bank's sensitivity to changes in interest rates. The Bank strives to maintain the net interest margin in the frames of acceptable level. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The exposure to this risk depends on the value of the balance and off-balance sheet items which are sensitive to interest rates, interest rates oscillation and the time period of the interest rate exposure.

The aim is maximization of the stability and profitability, through appliance of optimal structure and optimal interest rates in the Bank's portfolio.

The Bank has established Policy for managing the risk of change in the interest rates in the Bank's portfolio that is adopted by the Supervisory Board of the Bank and is subject of regular revision. The Policy defines: subjects and definitions, the main objectives, interest rate risk management system in the banking book (efficient management process and organizational structure of interest rate risk management) and assessment of the Bank's capacity to take the risk of change in the interest rates as well as assessment of its risk profile, adequate instruments for protection or reduction of the interest rate risk. The Bank has established Procedures for identification, measurement or assessment, control or reducing and monitoring of the risk of change in the interest rates in the banking book. This act is issued by Bank's Board of Directors and is reviewed on a regular bases. The Procedures gives in detail the proceedings and processes for interest rate risk management as: identification, measurement or assessment, control or reducing and monitoring and reporting of the interest rate risk exposure.

Methods used to measure this risk include: analysis of the realized interest income and expense, weighted average interest rates, interest margin (spread) and net interest margin, analysis of the structure and dynamics of interest bearing assets and interest bearing liabilities and assets quality influence to Bank's profitability, ratio of the interest bearing assets and interest bearing liabilities, interest rate gap, changing of the economic value of the portfolio of banking activities, analysis of compliance in the interest rates of financial assets and liabilities and the maturity (in)consistency of interest sensitive assets and liabilities positions, the risk of differences in the level of reference interest rates of instruments with similar characteristics, the risk of movement of the yield curve, risk arising from the options that are embedded in interest-bearing positions, simulation models, stress-testing, reverse stress-testing and other are methods used to measure this risk.

Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (continued)

A. Interest Rate Sensitivity Analysis

Schedules "VPV" prepared in accordance with the "Guidelines for implementing the Decision on managing the interest rate risk in the banking portfolio" for the years ended December 31, 2019 and 2018 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2019
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	260,998
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	100,224
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	598,021
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(6,791)
2	TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO		952,453
3	OWN FUNDS		11,409,347
4	TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)		8.35%

in thousands of Denars

	Position	Currency	December 31, 2018
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	183,448
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(60,584)
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	366,744
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(5,239)
2	TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO		484,369
3	OWN FUNDS		10,616,908
4	TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)		4.56%

The increase of the ratio compared to 31.12.2018 mainly is a result of investments in government and corporate bonds issued on foreign markets in the period from February to May 2019, as well as increased volume of approved housing and consumer loans.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.3 Market Risk (continued)
2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)
B. Interest Rates gap analysis

in thousands of 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
December 31, 2019 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	37,853,577	-	-	-	-	-	37,853,577
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	2,612,915	2,414	1,123,072	-	-	-	3,738,401
Loans and advances to other customers	1,164,742	3,098,917	36,558,763	6,132,089	2,069,602	1,285,969	50,310,082
Investments in securities	11,238	1,332,280	5,703,908	1,755,494	2,254,562	1,919,980	12,977,462
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	41,642,472	4,433,611	43,385,743	7,887,583	4,324,164	3,205,949	104,879,522
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Due to banks	229,608	128,025	-	-	-	-	357,633
Due to other customers	16,297,612	9,899,435	31,579,891	301,504	619,319	-	58,697,761
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	58,838	682	467,076	76,543	110,375	987	714,501
Subordinated debt	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial liabilities	16,586,058	10,028,142	32,046,967	378,047	729,694	987	59,769,895
Net balance position	25,056,414	(5,594,531)	11,338,776	7,509,536	3,594,470	3,204,962	45,109,627
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	25,056,414	(5,594,531)	11,338,776	7,509,536	3,594,470	3,204,962	45,109,627

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.3 Market Risk (continued)
2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (continued)
B. Interest Rates gap analysis (continued)

in thousands of 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
December 31, 2018 (previous year)							
FINANCIAL ASSETS							
Cash and cash equivalents	34,412,250	7,486,265	-	-	-	-	41,898,515
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	52,788	512	1,507,771	-	-	-	1,561,071
Loans and advances to other customers	2,855,671	3,512,280	34,200,779	1,963,718	2,448,427	614,597	45,595,472
Investments in securities	522,358	1,578,627	7,475,053	1,832,978	782,298	32,523	12,223,837
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	37,843,067	12,577,684	43,183,603	3,796,696	3,230,725	647,120	101,278,895
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Due to banks	53,689	184,772	-	-	-	-	238,461
Due to other customers	16,083,100	9,714,274	30,564,767	15,864	10,367	-	56,388,372
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	75,066	1,014	311,539	222,393	190,247	3,058	803,317
Subordinated debt	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial liabilities	16,211,855	9,900,060	30,876,306	238,257	200,614	3,058	57,430,150
Net balance position	21,631,212	2,677,624	12,307,297	3,558,439	3,030,111	644,062	43,848,745
Off balance sheet interest sensitive assets	-	-	-	-	-	-	-
Off balance sheet interest sensitive liabilities	-	-	-	-	-	-	-
Net off-balance sheet gap	-	-	-	-	-	-	-
Total net-position	21,631,212	2,677,624	12,307,297	3,558,439	3,030,111	644,062	43,848,745

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2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.3 Foreign Currency Risk

Foreign currency risk is risk of loss due to change in the cross-currency exchange rates and/or change in the value of the Denar against other foreign currencies.

The exposure to foreign currency risk depends on the value of both balance and off balance sheet items denominated in foreign currency or in Denars with foreign currency clause, and fluctuation of cross-currency rates and/or rate of the Denar compared to other currencies.

The purpose of the bank is to maximize the stability and profitability, by obtaining optimal currency structure on both assets and liabilities.

The bank has established Policy for managing the currency risk, adopted by the Supervisory board of the Bank and it is revised regularly. The policy defines the primary goals, the primary components of the currency risk management system (efficient process and organizational structure), assessment of the Bank's capacity to undertake foreign currency risk and assessment of the risk profile and acceptable instruments for hedging or reducing foreign currency risk.

The bank has established Procedures for identification, measurement or assessment, control or reducing and monitoring of foreign exchange risk issued by the Board of Directors of the Bank and it is revised regularly. In the Procedures processes for managing foreign exchange risk are thoroughly described as follows: identification, measurement or assessment, control or reducing and monitoring for exposure to foreign exchange risk.

Methods used to measure foreign currency risk includes: analysis of exposure to foreign currency risk both by single positions and in total, foreign currency structure of the balance sheet, foreign currency structure of FX assets, stress test, reverse stress-test and other methods.

The Bank's policy main principle for currency risk management is to achieve and maintain compliance of its claims in foreign currency (foreign currency assets) as a minimum, the amount of its total foreign currency liabilities (obligations in foreign currency). Also, this ratio is maintained from the perspective of maturity of liabilities and assets in foreign currency. This principle in the balance sheet provides that the Bank is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates. The tables below summarize the net foreign currency position of monetary assets and liabilities of the Bank as at December 31, 2019 and 2018.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.3 Market Risk (continued)
2.3.3 Foreign Currency Risk (continued)

<i>in thousands of Denars</i>		MKD	EUR	USD	list separately the currencies that represent more than 10% of total monetary assets/liabilities				Other currencies	Total
2019 (current year)										
Monetary Assets										
Cash and cash equivalents		35,754,716	5,808,699	5,235,697	-	-	-	-	1,934,131	48,733,243
Held-for-trading assets		36,796	160,223	-	-	-	-	-	-	197,019
Financial assets at fair value through profit or loss upon initial recognition		339,193	-	-	-	-	-	-	-	339,193
Derivative assets held for risk management		-	-	-	-	-	-	-	-	-
Loans and advances to banks		29,517	4,493,843	-	-	-	-	-	169,661	4,693,021
Loans and advances to other customers		26,679,872	23,586,381	525,144	-	-	-	-	-	50,791,397
Investments in securities		7,257,401	5,881,453	495	-	-	-	-	-	13,139,349
Investments in associates		289,650	-	-	-	-	-	-	-	289,650
Income tax receivable (current)		4,591	-	-	-	-	-	-	-	4,591
Other receivables		1,179,668	635,422	132,330	-	-	-	-	208	1,947,628
Assets pledged as collateral		-	-	-	-	-	-	-	-	-
Deferred tax assets		-	-	-	-	-	-	-	-	-
Total Monetary Assets		71,571,404	40,566,021	5,893,666	-	-	-	-	2,104,000	120,135,091
Monetary Liabilities										
Trading liabilities		-	-	361	-	-	-	-	-	361
Financial liabilities at fair value through profit or loss upon initial recognition		-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management		-	-	-	-	-	-	-	-	-
Due to banks		154,289	104,251	143,984	-	-	-	-	46,836	449,360
Due to other customers		59,886,046	39,528,211	5,712,726	-	-	-	-	2,061,092	107,188,075
Debt instruments issued		-	-	-	-	-	-	-	-	-
Borrowings		123,590	713,418	-	-	-	-	-	-	837,008
Subordinated debt		-	-	-	-	-	-	-	-	-
Income tax payable (current)		8,874	-	-	-	-	-	-	-	8,874
Deferred tax liabilities		-	-	-	-	-	-	-	-	-
Other liabilities		746,203	179,666	16,811	-	-	-	-	16,288	958,968
Total Monetary Liabilities		60,919,002	40,525,546	5,873,882	-	-	-	-	2,124,216	109,442,646
Net-position		10,652,402	40,475	19,784	-	-	-	-	(20,216)	10,692,445

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
2. Risk Management (continued)
2.3 Market Risk (continued)
2.3.3 Foreign Currency Risk (continued)

<i>in thousands of Denars</i>	MKD	EUR	USD	list separately the currencies that represent more than 10% of total monetary assets/liabilities					Other currencies	Total
2018 (previous year)										
Monetary Assets										
Cash and cash equivalents	24,553,319	15,965,908	5,358,126	-	-	-	-	2,918,972	48,796,325	
Held-for-trading assets	28,739	-	-	-	-	-	-	-	28,739	
Financial assets at fair value through profit or loss upon initial recognition	331,829	-	-	-	-	-	-	-	331,829	
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	
Loans and advances to banks	50,783	2,465,136	-	-	-	-	-	-	2,515,919	
Loans and advances to other customers	29,037,101	17,344,307	25,530	-	-	-	-	-	46,406,938	
Investments in securities	9,923,184	2,399,141	484	-	-	-	-	-	12,322,809	
Investments in associates	274,037	-	-	-	-	-	-	-	274,037	
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	
Other receivables	97,008	467,910	123,756	-	-	-	-	250	688,924	
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	
Total Monetary Assets	64,296,000	38,642,402	5,507,896	-	-	-	-	2,919,222	111,365,520	
Monetary Liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	
Due to banks	210,648	14,656	56,537	-	-	-	-	68,695	350,536	
Due to other customers	53,686,685	37,039,057	5,524,298	-	-	-	-	2,855,196	99,105,236	
Debt instruments issued	-	-	-	-	-	-	-	-	-	
Borrowings	123,591	805,334	-	-	-	-	-	-	928,925	
Subordinated debt	-	-	-	-	-	-	-	-	-	
Income tax payable (current)	126,272	-	-	-	-	-	-	-	126,272	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
Other liabilities	773,050	165,148	25,255	-	-	-	-	7,857	971,310	
Total Monetary Liabilities	54,920,246	38,024,195	5,606,090	-	-	-	-	2,931,748	101,482,279	
Net-position	9,375,754	618,207	(98,194)	-	-	-	-	(12,526)	9,883,241	

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2. Risk Management (continued)**2.3 Market Risk (continued)****2.3.4 Other Market Risks**

Other market risks are risks of loss arising from the change in the price of trading financial instruments and goods held for trading.

The exposure depends on the trading portfolio value and on the movement of the price of the financial instruments which constitute the portfolio.

The purpose of the Bank is to maximize the stability and profitability, by applying the optimal structure of trading portfolio.

The bank has established Policy for managing the market risk, adopted by the Supervisory board of the Bank and it is revised regularly. The Policy defines the subject and definitions, primary goals, the market risk management system (efficient process and organizational structure), assessment of the Bank's capacity to undertake market risk, assessment of the risk profile and acceptable instruments for hedging or reducing market risk.

The Bank has established Procedures for identification, measurement or assessment, control or decrease and monitoring of the market risk. This act is issued by the Bank's Board of Directors and is subject of regular revision. The Procedures defines the proceedings (processes) for market risk management in detail as: identification the market risk, measurement or assessment, control or decrease and monitoring and reporting for the market risk exposure.

Methods used to measure foreign exchange risk include: analysis of each investment intended for trade, analysis of the trading book (type of the securities, market segmentation, market value, participation in the issuer capital etc.) currency structure, realized transactions of trading, fulfilling the law limits, fulfilling the internal limits and exceptions, trading results, daily monitoring of the trading book regarding the Bank's total activities, stress-testing, reverse stress-testing and other are methods that are used for market risk assessment.

As at December 31, 2019 and 2018, according to regulatory requirements, the Bank does not determine capital required to cover the market risk for portfolio trading.

2.4 Operational Risks

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel and systems in the bank, or from external events. The operational risk also includes the legal risk, as well as the risk of money laundering and financing of terrorism, as IT risk and other operational risks.

"Legal risk" means risk of loss caused by from violation or non-adherence to the laws and bylaws, agreements, prescribed practices, ethics standards, or as a result of misinterpretation of the regulations, rules, agreements and other legal documents.

2. Risk Management (continued)**2.4 Operational Risks (continued)**

The Bank has established a framework for managing operational risk based on a strategy, policy and methodology to manage this risk, and appropriate organizational structure and established process. Within the framework of different processes of the Bank, this allows different risks that arise from such processes to be identified in order to avoid the potential negative effect on the Bank's financial result and capital position. The appropriateness of the established framework for operational risk management is under regular revision.

The identification and measurement of the operational risk is performed by the Bank through analysis of collected data that have caused or might cause damage to the Bank, analysis of the Bank's key risk Indicators by using the self-assessment method through qualitative approach, as well as through analysis of external loss data from other banks.

, The Bank calculates capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31.12.2019 is presented under heading 3.1.1. Capital adequacy ratio report.

3. Capital Adequacy**Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by NBRNM;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the directives required by the regulator, for supervisory purposes. The required information is filed to the NBRNM on a quarterly basis.

According to the law regulation, the Bank has to respect the following ratios:

- Common Equity Tier 1 Capital cannot be lower than 4.5% from the risk weighted assets (Common Equity Tier 1 Capital ratio),
- Tier 1 Capital cannot be lower than 6% from the risk weighted assets (Tier 1 Capital ratio) and
- The capital adequacy cannot be lower than 8%.

As at 31 December 2019, the Bank fulfils the legally prescribed capital requirements and the prescribed capital requirements for capital conservation buffer and for systemically important bank, which are fulfilled with the Common Equity Tier 1 Capital. According to the regulation, the Bank has no obligation to maintain countercyclical capital buffer.

Additionally, the Bank has established a Process of determining the internal capital (PIC) in accordance with the Decision on risk management specified by NBRNM. The Process of determining the internal capital is based on enacted Policies and Procedures and within the same reference frame, the Bank:

- Determines the required internal capital to cover the acceptable level of risk, in accordance with its risk profile and the size and complexity of current and future financial activities;
- Focuses on establishing a sustainable level of long term capital, while taking into account the influence of all material risks and similar.

3. Capital Adequacy (continued)**3.1 Determination of Capital Adequacy**

The Bank determines its own funds and the capital adequacy in accordance to the Methodology for determining the capital adequacy set by NBRNM. In accordance with the regulation, the credit risk weighted assets and the capital required for coverage of operational risks are calculated based on the standardized approach.

Capital adequacy ratio indicates the level of coverage of risk operations of the Bank and it is calculated as the relation between Bank's own funds and risk weighted assets.

- a) Own funds are category that is in function of determination the rate of the capital adequacy and other regulatory and prudential limits. Own funds represent a total of core capital (Tier 1 Capital) and additional capital (Tier 2 Capital), where the core capital (Tier 1 Capital) consists of: Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1). As at December 2019 and 2018, the Bank has only Common Equity Tier 1 Capital which is a part of the Bank's core capital (Tier 1 Capital).
- b) Risk weighted assets represent a sum of assets weighted according to credit risk, weighted assets by currency risk, weighted assets by operational risk and weighted assets by other risks.
 - Risk weighted assets based on credit risk include the active balance and off-balance sheet position, which allocated in appropriate risk categories are weighted with appropriate risk weight depending on the credit quality rating of the debtor. The credit quality rating of the debtor is determined based on the prescribed regulation by NBRNM.
 - Risk weighted assets based on currency risk are determined based on calculated capital necessary for coverage of currency risk, which the Bank determines based on the amount of the aggregate foreign currency position and the absolute amount of net-position in gold.
 - Risk weighted assets based on operational risk are determined based on capital required for coverage of operational risks, which the Bank calculates using the standardised approach.
 - Risk weighted assets based on other risks include the capital required for coverage the risk of changes in prices of commodities and the capital required for coverage of market risks.

The determination of the capital adequacy according to the regulation is done on a quarterly basis, but depending on internal needs, and towards the effective risk management, other reports, analysis and simulations for potential changes of the rate of capital adequacy are made.

3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy (continued)

3.1.1 Capital Adequacy Ratio Report

No.	Description	in thousands of Denars	
		Current year 2019	Previous year 2018
I	CREDIT RISK WEIGHTED ASSETS		
1	Assets weighted according to credit risk using the standardised approach	62,038,192	55,387,374
2	Capital required for credit risk covering	4,963,055	4,430,990
II	CURRENCY RISK WEIGHTED ASSETS		
3	Aggregate foreign exchange position	152,908	483,572
4	Net-position in gold	-	-
5	Capital needed for currency risk covering	-	38,686
6	Assets weighted according to currency risk	-	483,572
III	OPERATIONAL RISKS WEIGHTED ASSETS		
7	Capital needed for operational risk covering using the base indicator approach	-	-
8	Capital needed for operational risk covering using the standardised approach	537,363	562,251
9	Assets weighted according to operational risk	6,717,041	7,028,135
IV	OTHER RISKS WEIGHTED ASSETS		
10	Capital needed for covering the risk of changes in the prices of commodities	-	-
11	Capital needed for covering market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital needed for covering position risk (11.1.1.+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital needed for covering the specific risk of investing in debt instruments	-	-
11.1.2	Capital needed for covering the general risk of investing in debt instruments	-	-
11.1.3	Capital needed for covering the specific risk of investing in equity instruments	-	-
11.1.4	Capital needed for covering the general risk of investing in equity instruments	-	-
11.2	Capital needed for covering settlement/delivery risk	-	-
11.3	Capital needed for covering counterparty risk	-	-
11.4	Capital needed for covering the surpass of exposure limits	-	-
11.5	Capital needed for covering market risks of positions in options	-	-
12	Capital needed for covering other risks (10+11)	-	-
13	Assets weighted according to other risks	-	-
V	RISK WEIGHTED ASSETS	68,755,233	62,899,081
14	Capital required to risk coverage	5,500,418	5,031,927
VI	OWN FUNDS	11,409,347	10,616,908
VII	CAPITAL ADEQUACY (VI/V)	16.59%	16.88%

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3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy (continued)

3.1.2 Report on Own Funds

No.	Description	in thousands of Denars	
		Current year 2019	Previous year 2018
1	2	3	4
1	Own funds	11,409,347	10,616,908
2	Tier 1 Capital	11,409,347	10,616,908
3	Common Equity Tier 1 Capital (CET1)	11,409,347	10,616,908
3.1.	Positions of CET1	11,435,922	10,624,883
3.1.1.	Capital instruments of CET1	2,279,067	2,279,067
3.1.2.	Premium on capital instruments of CET1	771,526	771,526
3.1.3.	Mandatory reserve fund	8,056,651	7,556,652
3.1.4.	Retained unallocated earning	323,084	-
3.1.5.	(-) Accumulated loss from previous years	-	-
3.1.6.	Current profit or profit at the end of the year	-	-
3.1.7.	Comprehensive income or loss	5,594	17,638
3.2.	(-) Deductions of CET1	(26,575)	(7,975)
3.2.1.	(-) Loss at the end of the year or current loss	-	-
3.2.2.	(-) Intangibles	(26,575)	(7,975)
3.2.3.	(-) Deferred tax assets that rely on future profitability of the bank	-	-
3.2.4.	(-) Investments in own capital instruments from CET1	-	-
3.2.4.1.	(-) Direct investments in own capital instruments from CET1	-	-
3.2.4.2.	(-) Indirect investments in own capital instruments from CET1	-	-
3.2.4.3.	(-) Synthetic investments in own capital instruments from CET1	-	-
3.2.4.4.	(-) Investments in own capital instruments from CET1 for which the bank has contractual obligation to buy	-	-
3.2.5.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector, whereas those companies have investments in the bank	-	-
3.2.6.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank does not have significant investment	-	-
3.2.7.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank has significant investment	-	-
3.2.8.	(-) Amount of deductions from AT1 which exceeds the total amount of AT1	-	-
3.2.9.	(-) Amount of exceeding the limits on investments in non-financial institutions	-	-
3.2.10.	(-) Tax costs	-	-
3.2.11.	(-) Difference between the necessary and the actual allowance for impairment provision/special reserve	-	-
3.3.	Regulatory adjustments from CET1	-	-
3.3.1.	(-) Increase of CET1 that arises from the positions of securitisation	-	-
3.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
3.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
3.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value.	-	-
3.4.	Positions as a result of consolidation	-	-
3.4.1.	Non-controlling (minority) participation that is recognized in CET1 on consolidated basis	-	-
3.4.2.	Other	-	-
3.5.	Other positions from CET1	-	-

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3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy (continued)

3.1.2 Report on Own Funds (continued)

No.	Description	in thousands of Denars	
		Current year 2019	Previous year 2018
1	2	3	4
4	Additional Tier 1 capital (AT1)	-	-
4.1.	Positions of AT1	-	-
4.1.1.	Capital instruments of AT1	-	-
4.1.2.	Premium on capital instruments of AT1	-	-
4.2.	(-) Deduction of AT1	-	-
4.2.1.	(-) Investments in own capital instruments from AT1	-	-
4.2.1.1.	(-) Direct investments in own capital instruments from AT1	-	-
4.2.1.2.	(-) Indirect investments in own capital instruments from AT1	-	-
4.2.1.3.	(-) Synthetic investments in own capital instruments from AT1	-	-
4.2.1.4.	(-) Investments in own capital instruments from AT1 for which the bank has contractual obligation to buy.	-	-
4.2.2.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector, whereas those companies have investments in the bank.	-	-
4.2.3.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector, in which the bank does not have significant investment.	-	-
4.2.4.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector in which the bank has significant investment.	-	-
4.2.5.	(-) Amount of deductions from T2 which exceeds the total amount of T2	-	-
4.2.6.	(-) Tax costs	-	-
4.3.	Regulatory adjustments from AT1	-	-
4.3.1.	(-) Increase of AT1 that arises from the positions of securitisation	-	-
4.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
4.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
4.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	-	-
4.4.	Positions as a result of consolidation	-	-
4.4.1.	Acceptable additional tier 1 capital that is recognized in AT1 on consolidated basis	-	-
4.4.2.	Other	-	-
4.5.	Other positions from AT1	-	-

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3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy (continued)

3.1.2 Report on Own Funds (continued)

No.	Description	in thousands of Denars	
		Current year 2019	Previous year 2018
1	2	3	4
5	Tier 2 capital (T2)	-	-
5.1.	Positions of T2	-	-
5.1.1.	Capital instruments of T2	-	-
5.1.2.	Subordinated loans	-	-
5.1.3.	Premium on capital instruments of T2	-	-
5.2.	(-) Deductions of T2	-	-
5.2.1.	(-) Investments in own capital instruments from T2	-	-
5.2.1.1.	(-) Direct investments in own capital instruments from T2	-	-
5.2.1.2.	(-) Indirect investments in own capital instruments from T2	-	-
5.2.1.3.	(-) Synthetic investments in own capital instruments from T2	-	-
5.2.1.4.	(-) Investments in own capital instruments from T2 for which the bank has contractual obligation to buy	-	-
5.2.2.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector, whereas those companies have investments in the bank	-	-
5.2.3.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector, in which the bank does not have significant investment	-	-
5.2.4.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector in which the bank has significant investment	-	-
5.3.	Regulatory adjustments from T2	-	-
5.3.1.	(-) Increase of T2 that arises from the positions of securitisation	-	-
5.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
5.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
5.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	-	-
5.4.	Positions as a result of consolidation	-	-
5.4.1.	Acceptable additional tier 1 capital that is recognized in T2 on consolidated basis	-	-
5.4.2.	Other	-	-
5.5.	Other positions from T2	-	-

4. Segmented Reporting

Segment reporting is carried out by the Bank's operating segments.

Operating segment is a component of the activities of the Bank for which the following conditions have been fulfilled:

- Performs activities as a result based on which incomes are generated and expenditures arise;
- Reviews from the Bank's Supervisory Board, in order to assess the accomplishments and decision making for future business activities of the segment; and
- Financial information for the segment is available.

The Bank discloses the information independently for each significant operating segment. A segment is considered significant if:

- The incomes of the segment participates with more than 10% of the total income of the Bank;
- The amount of the profit or loss represents 10% or more from the total income of all operating segments which have made profit, or from the total loss of all the operating segments which have made loss;
- Total assets of the segment participate with 10% or more in the Bank's total assets;
- Management has assessed that they are significant to follow for the Bank's management needs.

For the purposes of the financial reporting, the Bank groups two or more segments into one operating segment if those operating segments are similar in terms of the variety of the goods and services, the type and the group of the users of the goods and the services and the methods of distribution and offering of the goods and services. As in December 31, 2019 and 2018 the Bank does not group two or more operating segments into one.

The operating segments of Komercijalna Banka are equal as the business lines prescribed in the "Decision on the methodology for determining capital adequacy" using the standardized approach for the determination of capital required for coverage of operational risk.

The Bank discloses information for the concentration of the business activities towards separate significant clients. Significant client is an individual or a legal entity as well as parties related to them, if the Bank realizes 10% or more from its total business income or expenditure. As at December 31, 2019 and 2018 there are no significant clients in existence.

Geographical segments according to which the Bank is reporting are:

- Member countries of the European Union;
- Other European countries, outside the EU;
- Countries outside Europe, members of the Organization for Economic Cooperation and Development (OECD); and other countries.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
4. Segment Reporting (continued)
A. Operating Segments

		Operating Segments								Unallocated	Total
		BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset management	BL 8: Retail brokerage		
<i>in thousands of denars</i>											
2019 (current year)											
Interest income/(expense), net	-	-	515,820	1,887,028	669	-	-	-	-	-	2,403,517
Fee and commission income/(expense), net	-	1,327	128,850	127,929	664,078	19,446	-	5,532	-	-	947,162
Net trading income		14,234	-	-	-	-	-	-	-	-	14,234
Net income from other financial instruments at fair value		-	-	7,364	-	-	-	-	-	-	7,364
Other operating income		180,524	(34,539)	748,966	9,166	(5,573)	-	72	75,891	23,396	997,903
Inter segment income											
Total income by segment		196,085	610,131	2,771,287	673,913	13,873	-	5,604	75,891	23,396	4,370,180
Impairment losses of financial assets, net	-	-	(79,120)	(509,389)	-	-	-	-	-	-	(588,509)
Impairment losses of non-financial assets, net	-	-	-	(4,513)	-	-	-	-	-	-	(4,513)
Depreciation and amortization	-	(1,942)	(37,573)	(24,516)	(58,874)	(1,616)	-	(1,616)	-	(37,083)	(163,220)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(50,742)	(509,361)	(197,230)	(471,216)	(11,636)	-	(12,443)	-	(374,557)	(1,627,185)
Total expenses by segment	-	(52,684)	(626,054)	(735,648)	(530,090)	(13,252)	-	(14,059)	-	(411,640)	(2,383,427)
Financial result by segment	-	143,401	(15,923)	2,035,639	143,823	621	-	(8,455)	75,891	(388,244)	1,986,753
Income tax											(179,997)
Profit/(loss) for the year											1,806,756
Total assets by segment	-	409,543	18,746,440	99,028,016	2,642,509	29,171	-	27,851	302,388		121,185,918
Unallocated assets by segment										1,832,172	1,832,172
Total assets											123,018,090
Total liabilities by segment	-	374	81,307,638	28,019,059	134,875	174,018	-	3	-		109,635,967
Unallocated liabilities by segment										139,444	139,444
Total liabilities											109,775,411

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
4. Segment Reporting (continued)
A. Operating Segments (continued)

	Operating Segments								Unallocated	Total	
	BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset management	BL 8: Retail brokerage			All other insignificant operating segments
<i>in thousands of denars</i>											
2018 (previous year)											
Interest income/(expense), net	-	-	476,675	1,993,842	53	-	-	-	-	-	2,470,570
Fee and commission income/(expense), net	-	1,875	93,411	120,943	624,755	29,382	-	6,547	-	-	876,913
Net trading income		4,791	-	-	-	-	-	-	-	-	4,791
Net income from other financial instruments at fair value		-	-	7,269	-	-	-	-	-	-	7,269
Other operating income		176,037	(74,926)	1,432,311	32	(5,254)	-	15	69,587	30,655	1,628,457
Inter segment income											
Total income by segment		182,703	495,160	3,554,365	624,840	24,128	-	6,562	69,587	30,655	4,988,000
Impairment losses of financial assets, net	-	-	(65,713)	(728,143)	-	-	-	-	-	-	(793,856)
Impairment losses of non-financial assets, net	-	-	(5,397)	(407,643)	-	-	-	-	-	-	(413,040)
Depreciation and amortization	-	(1,798)	(37,532)	(24,483)	(61,517)	(1,798)	-	(1,631)	-	(37,682)	(166,441)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(45,579)	(487,838)	(192,894)	(467,777)	(12,447)	-	(12,063)	-	(403,329)	(1,621,927)
Total expenses by segment	-	(47,377)	(596,480)	(1,353,163)	(529,294)	(14,245)	-	(13,694)	-	(441,011)	(2,995,264)
Financial result by segment	-	135,326	(101,320)	2,201,202	95,546	9,883	-	(7,132)	69,587	(410,356)	1,992,736
Income tax											(212,444)
Profit/(loss) for the year											1,780,292
Total assets by segment	-	391,881	14,853,551	95,212,225	2,896,086	33,259	-	27,944	286,775		113,701,721
Unallocated assets by segment										688,654	688,654
Total assets											114,390,375
Total liabilities by segment	-	1	75,027,151	26,067,882	106,403	358,967	-	1	-		101,560,405
Unallocated liabilities by segment										424,795	424,795
Total liabilities											101,985,200

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4. Segment Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

	Operating Segments									Unallocated	Total
	DL1: Services related to financing middle and large retailers	DL2: Trading and sales	DL 3: Retail banking	DL 4: Corporate banking	DL 5: Payment and settlement	DL 6: Agent services	DL 7: Asset management	DL 8: Retail brokerage	All other insignificant operating segments		
<i>in thousands of Denars</i>											
2019 (current year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-
2018 (previous year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-

There is no significant concentration by significant customer.

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

4. Segment Reporting (continued)

C. Geographical Location

in thousands of Denars

	Republic of North Macedonia	EU member states	Europe (other countries)	OECD member states (without EU countries-members of OECD)	Other (significant geographical segments)	Other insignificant geographical segments	Unallocated	Total
2019 (current year)								
Total income	4,428,828	(88,957)	18,248	7,320	-	4,778	(37)	4,370,180
Total assets	110,996,896	7,961,782	3,117,514	868,776	-	73,122	-	123,018,090
2018 (previous year)								
Total income	4,752,793	122,365	102,171	10,601	-	371	(301)	4,988,000
Total assets	93,490,732	16,187,853	3,804,584	837,319	-	69,887	-	114,390,375

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5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Liabilities

	Current year 2019		Previous year 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>in thousands of denars</i>				
Financial Assets				
Cash and cash equivalents	48,733,243	48,733,243	48,796,325	48,796,325
Held-for-trading assets	197,019	197,019	28,739	28,739
Financial assets at fair value through profit or loss upon initial recognition	339,193	339,193	331,829	331,829
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	4,693,021	4,682,630	2,515,919	2,515,919
Loans and advances to other customers	50,791,397	50,791,397	46,406,938	46,406,938
Investments in securities	13,139,349	13,305,624	12,322,809	12,451,809
Investments in associates	289,650	289,650	274,037	274,037
Income tax receivable (current)	4,591	4,591	-	-
Other receivables	1,979,168	1,979,168	688,924	688,924
Assets pledged as collateral	-	-	-	-
Deferred tax assets	-	-	-	-
Financial Liabilities				
Trading liabilities	361	361	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Due to banks	449,360	449,360	350,536	350,536
Due to customers	107,188,075	107,172,533	99,105,236	99,105,236
Debt instruments issued	-	-	-	-
Borrowings	837,008	837,008	928,925	928,925
Subordinated debt	-	-	-	-
Income tax payable (current)	8,874	8,874	126,272	126,272
Deferred tax liabilities	-	-	-	-
Other liabilities	958,968	958,968	971,310	971,310

Fair value represents the amount at which an asset could be replaced or a liability settled on regular, market conditions between informed and voluntary parties. Fair value has been based on management assumptions according to the profile of the asset and liability base.

5. Fair Value of Financial Assets and Liabilities (continued)**A. Fair Value of Financial Assets and Liabilities (continued)****a) Cash and cash equivalents**

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

b) Financial assets recognized at fair value through profit or loss

Fair value of trading assets and financial assets at fair value through profit or loss designated as such upon initial recognition is determined by reference to market prices and is equal to their carrying amount.

c) Loans and advances to banks

The fair value of loans and advances to banks is determined in accordance with current market conditions and current interest rates. For some of the banks' claims on deposits due to their specific characteristics and the absence of similar instruments in the market, the Bank considers that their carrying amount approximates their fair value.

d) Loans and advances to customers

Loans and advances to customers are carried at amortized cost less impairment. The major part of the loans and advances to customers is with adjustable and variable interest rate. The estimated fair value of loans and advances to customers is determined by the discounting expected future cash flows. Expected future cash flows for determining the fair value are discounted using current market interest rate.

The Bank provides loans from credit lines financed from the Development Bank of North Macedonia (DBNM), and these loans are offered on the market by other banks as well, under the same conditions. Their interest rates are considered to be market interest rates. Also, the Bank provides retail loans with fixed interest rates in the first couple of years of the loan. Loans with similar characteristics and interest rates are offered by other banks on the market as well, thus their interest rates are considered to be market interest rates.

e) Investments in securities

Investments in securities include debt securities held to maturity at amortised cost using the effective interest rate method and assets classified as available for sale which are measured at fair value. Fair value for assets classified as available for sale is based on published prices on active market or published prices available from stock exchange, dealer and broker. In cases where this information is not available, fair value is estimated by: information for realized prices of recent normal commercial transactions among voluntary parties; analysis of discounted cash flows; other alternative models for price determination.

The fair value of debt securities held-to-maturity is determined using discounted cash flow techniques with the current yield on the primary debt securities market for debt securities with similar residual maturity.

Investments in securities include the amount of MKD 64,957 thousand (2018: MKD 64,947 thousand), related to investments in securities for which there is no active market and do not have recent transaction that can be used for determination of the fair value. These investments in securities are presented at cost, decreased by the impairment loss. Their share in total investments in securities is only 0,49% (2018: 0,53%).

5. Fair Value of Financial Assets and Liabilities (continued)**A. Fair Value of Financial Assets and Liabilities (continued)*****f) Other receivables***

The fair value of other receivables equals their carrying value as they will mature in short period.

g) Deposits from banks

Due to the insignificant risk of changes in value and their short term maturity, the fair value of demand and time deposits is equal to their carrying amounts.

h) Deposits from other customers

The fair value of demand deposits and time deposits with adjustable and variable interest rates is their carrying amount. Out of total deposits to other customers the amount of time deposits with fixed interest rates is MKD 7,168,057 thousands (2018: MKD 3,684,543 thousand). Fixed interest rates refer to time deposits up to one year applicable (MKD 6,247,234 thousand) starting from 01.10.2017, and products with such characteristics and interest rates are offered in other banks on the market. Therefore, these interest rates can be considered as market rates, because of which the fair value of these deposits equals their carrying amount.

i) Borrowings

Fair value of borrowings with variable interest rate does not differ from its carrying value due to interest rate adjustment for specific financial liabilities with market interest rates for similar instruments. The fair value of credit lines regulated with special terms and for which the market does not provide reliable estimates of prices for similar instruments, approximately presents their carrying value.

j) Other liabilities

The fair value of other receivables equals their carrying value as they mature shortly.

5. Fair Value of Financial Assets and Liabilities (Continued)

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value

B.1. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value

*in thousands of Denars***December 31, 2019 (current year)****Financial assets measured at fair value**

	Note	Level 1	Level 2	Level 3	Total
Held-for-trading assets	19	36,130	666	160,223	197,019
Financial assets at fair value through profit or loss upon initial recognition	20	339,193	-	-	339,193
Derivative assets held for risk management	21	-	-	-	-
Investments in available-for-sale securities	23.1	-	5,110,700	64,957	5,175,657

Total**Financial liabilities measured at fair value**

Trading liabilities	32	-	361	361	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-

Total**December 31, 2018 (previous year)****Financial assets measured at fair value**

Held-for-trading assets	19	28,739	-	-	28,739
Financial assets at fair value through profit or loss upon initial recognition	20	331,829	-	-	331,829
Derivative assets held for risk management	21	-	-	-	-
Investments in available-for-sale securities	23.1	-	8,852,308	64,947	8,917,255

Total**Financial liabilities measured at fair value**

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

Total

5. Fair Value of Financial Assets and Liabilities (continued)**B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)****B.1. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)**

The Bank classifies all financial assets and liabilities at fair value, using fair value hierarchy which reflects the significance of inputs used in determining fair value. The fair value hierarchy includes the following levels:

- a) Level 1 – Fair value is determined directly with reference to quoted market prices of the financial instruments in active markets;
- b) Level 2 - Fair value is determined using valuation techniques that include active markets inputs, which can be direct, i.e. prices, or indirect, i.e. derived from prices;
- c) Level 3 - Fair value is determined using valuation techniques that include inputs that cannot be directly or indirectly followed on the active markets, or are not visible.

B.2. Transfers between Levels 1 and 2 of Fair Values

in thousands of Denars

	Current year 2019		Previous year 2018	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Financial assets measured at fair value				
Held-for-trading assets	-	-	-	-
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investments in available-for-sale securities	-	-	-	-
Total	-	-	-	-
Financial liabilities carried at fair value				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

5. Fair Value of Financial Assets and Liabilities (continued)

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

B.3. Reconciliation of the Movements in Fair Values Measured at Level 3 during the Year

<i>in thousands of denars</i>	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	Total assets	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	Total liabilities
As of January 1, 2018 (previous year)	-	-	64,925	64,925	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	22	22	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	-	-	-	-
Purchase of financial instruments in the period	-	-	-	-	-	-	-
Disposals of financial instruments in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As of December 31, 2019 (current year)	-	-	64,947	64,947	-	-	-
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2018 (prior year)	-	-	22	22	-	-	-

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
5. Fair Value of Financial Assets and Liabilities (continued)
B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)
B.3. Reconciliation of the Movements in Fair Values Measured at Level 3 during the Year

<i>in thousands of denars</i>	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	Total assets	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	Total liabilities
As of January 1, 2019 (current year)	-	-	64,947	64,947	-	-	-
Gains/(losses) recognized in:							
- Income statement	6,486	-	10	6,496	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	-	-	-	-
Purchase of financial instruments in the period	153,737	-	-	153,737	-	-	-
Disposals of financial instruments in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As of December 31, 2019 (current year)	160,223	-	64,957	225,180	-	-	-
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2019 (current year)	6,486	-	10	10	-	-	-

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6. Interest income/(expense), net

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

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Interest income		
Cash and cash equivalents	279,603	304,671
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	1,249	1,275
Loans and advances to other customers	2,419,273	2,430,617
Investments in securities	152,852	182,691
Other receivables	-	-
(Allowance for impairment of Interest Income, net)	(27,405)	(33,589)
Collected interest previously written off	90,716	107,400
Total interest income	2,916,288	2,993,065
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	7,574	674
Due to other customers	444,360	494,560
Debt instruments issued	-	-
Borrowings	24,621	18,912
Subordinated debt	-	-
Other liabilities	36,216	8,349
Total interest expense	512,771	522,495
Net interest income/(expense)	2,403,517	2,470,570

6 Interest income/(expense), net (continued)

B. Sector analysis of interest income and expense according to sector

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Interest income		
Non-financial companies	1,451,890	1,504,442
Government	213,141	246,927
Not for profit institutions that serve to household	9,653	11,983
Banks	158,132	191,013
Other financial institutions (non-banks)	1,538	1,911
Households	884,667	846,738
Non-residents	133,956	116,240
(Allowance for impairment of Interest Income, net)	(27,405)	(33,589)
Collected interest previously written off	90,716	107,400
Total interest income	2,916,288	2,993,065
Interest expense		
Non-financial companies	49,386	48,762
Government	315	453
Not for profit institutions that serve to household	6,109	6,664
Banks	5,908	10,681
Other financial institutions (non-banks)	34,901	10,695
Households	373,718	380,547
Non-residents	42,434	64,693
Total interest expense	512,771	522,495
Net interest income/(expense)	2,403,517	2,470,570

7 Fee and Commission Income/(Expense), Net

A Structure of Fee and Commission Income and Expense According to the Type of Financial Activity

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Fee and commission income		
Loans	440,917	340,956
Payment's operation		
domestic	386,314	372,075
abroad	241,359	223,575
Letter of credit and guarantees	134,845	136,412
Brokerage operations	7,648	10,019
Asset management	-	-
Fiduciary activities	19,121	31,586
Issuing securities	-	-
Other	155,865	121,014
(describe separately income which represent more than 10% of the total fees and commissions income)		
Total fee and commission income	1,386,069	1,235,637
Fee and commission expense		
Loans	301,097	239,013
Payment's operation		
domestic	80,565	74,098
international	39,194	30,026
Letter of credit and guarantees	-	-
Brokerage operations	1,146	1,773
Asset management	-	-
Fiduciary activities	1,352	2,063
Issuing securities	-	-
Other	15,553	11,751
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	438,907	358,724
Net fee and commission income/(expense)	947,162	876,913

7 Net fee and commission income/(expense)

B Sector analysis of fee and commission income and expense

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Fee and commission income		
Non-financial companies	779,134	705,629
Government	4,482	4,090
Not for profit institutions that serve to household	20,267	19,457
Banks	109,614	85,944
Other financial institutions (non-banks)	30,156	38,285
Households	327,148	267,170
Non-residents	115,268	115,062
Total fee and commission income	1,386,069	1,235,637
Fee and commission expense		
Non-financial companies	3,162	1,963
Government	1,749	1,749
Not for profit institutions that serve to household	-	-
Banks	82,050	57,511
Other financial institutions (non-banks)	86,033	82,255
Households	-	-
Non-residents	265,913	215,246
Total fee and commission expense	438,907	358,724
Net fee and commission income/(expense)	947,162	876,913

8 Net trading income/(expense)

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
realized	(4,800)	(9,931)
unrealized	17,160	13,976
Income from dividends from trading assets	1,628	746
Income from interest of trading assets	-	-
Trading liabilities		
Profit/(loss) from fair value changes on 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 trading	-	-
<i>Profit/(loss) from fair value change of derivatives held for trade, net</i>		
realized	(58)	-
unrealized	304	-
Net income/(expense) from trading	14,234	4,791

9 Net income from other financial instruments at fair value

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
<i>Financial assets at fair value through profit or loss upon initial recognition</i>		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	7,364	7,269
Gains/(losses) from changes in fair value of equity instruments, net		
realized	-	-
unrealized	-	-
Dividend income from trading assets at fair value through profit or loss	-	-
Profit/(loss) from 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 or loss upon initial recognition</i>		
Profit/(loss) from fair value changes on 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/ s(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss		
realized	-	-
unrealized	-	-
<i>Profit/(loss) from fair value change of derivatives held for risk management at the fair value through profit and loss, net</i>		
realized	-	-
unrealized	-	-
Net income from other financial instruments at fair value	7,364	7,269

10 Net foreign exchange gains/ (losses)

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Realized foreign exchange gains/(losses), net	135,728	148,830
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	(105)	4,911
Foreign exchange differences of special reserve for off-balance sheet exposures, net	40	111
Other foreign exchange differences, net	(17,602)	(13,988)
Net foreign exchange gain/(loss)	118,061	139,864

11 Other Operating Income

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	7,805	5,478
Net income from investment in subsidiaries and associates	15,075	5,400
Capital gain from the sale of:		
Property, plant and equipment	7,233	1,509
Intangible assets	-	-
Foreclosed assets	396,842	988,866
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	9,990	21,721
Income from litigations	267	32
Collected receivables previously written off	295,028	321,840
Release provisions for:		
Contingent commitments based on litigations	-	-
Pensions and other employee benefits	-	-
Restructuring	-	-
Onerous contracts	-	-
Other provisions	-	-
Other (income that represents more than 10% of the total remaining operating income)		
Income from foreign exchange operations	62,153	60,968
Income for credit cards membership		-
income that does not represent more than 10% of the total remaining operating income	24,633	18,592
Total other operating income	819,026	1,424,406

The amount of 396,842 thousand denars in the position "Capital gains from sale of foreclosed assets" is mainly due to the sale of foreclosed property from the debtors Agrofuktus in the amount of 89,819 thousand denars, Sara Inzenering in the amount of 65,498 thousand denars and Kubus Inzenering in the amount of 63,305 thousand denars.

The amount of 988,866 thousand denars in 2018 was mainly due to the sale of foreclosed property by a group of debtors - Group Brilljant in the amount of 410,689 thousand denars, as well as the sale of foreclosed property from Tehnometal Vardar in the amount of 255,734 thousand denars.

11 Other Operating Income (continued)

The amount of 295,028 thousand denars (2018: 321,840 thousand denars) in the item "Collected receivables previously written off" contains collected receivables which in previous periods were transferred to off balance sheet exposure according to the policy for managing credit risk, from which the highest amount is from one client in the amount of 50,915 thousand denars (2018: 30,749 thousand denars).

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
12 Net impairment loss on financial assets

	Loans and advances to banks	Loans and advances to other customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	Total impairment loss on financial assets	Special reserve for off-balance sheet exposures	Total
<i>in thousands of denars</i>										
2019 (current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	7,301	2,559,578	-	62	3,074	16,831	48,420	2,635,267	260,851	2,896,119
(Release of allowance for impairment and special reserve)	(7,466)	(1,842,775)	-	-	(2,295)	(8,966)	(17,558)	(1,879,060)	(428,550)	(2,307,610)
	(165)	716,803	-	62	779	7,865	30,862	756,207	(167,699)	588,509
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net	(165)	716,803	-	62	779	7,865	30,862	756,207	(167,699)	588,509
2018 (previous year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	5,995	2,546,280	-	-	273	19,284	76,963	2,648,795	491,431	3,140,226
(Release of allowance for impairment and special reserve)	(5,383)	(2,032,079)	-	-	(275)	(9,050)	(62,428)	(2,109,215)	(237,155)	(2,346,370)
	612	514,201	-	-	(2)	10,234	14,535	539,580	254,276	793,856
Total allowance for impairment on financial assets and special reserve for off-balance sheet, net	612	514,201	-	-	(2)	10,234	14,535	539,580	254,276	793,856

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13 Net impairment loss on non-financial assets

in thousands of Denars

	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and group for sale	Other non-financial assets	Non-controlling interest*	Total
2019 (current year)							
Additional impairment loss	-	-	4,513	-	-	-	4,513
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	-	-	4,513	-	-	-	4,513
2018 (previous year)							
Additional impairment loss	-	-	413,040	-	-	-	413,040
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	-	-	413,040	-	-	-	413,040

*) only for consolidated financial statements

14 Personnel expenses

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
<i>Short-term benefits for employees</i>		
Salaries	668,044	674,334
Compulsory social and health insurance contributions	236,553	232,087
Short-term paid absences	1,272	1,573
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	2,116	194
	907,985	908,188
<i>Benefits after termination of employment</i>		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long term benefits	-	-
Other benefits upon termination of employment	163	323
	163	323
Termination benefits	1,883	3,636
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	68,729	65,967
(costs for employees that represent more than 10% of the total costs for employees)		
Total costs for employees	978,760	978,114

15 Depreciation and amortization

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	10,538	12,239
Other internally developed intangible assets	-	-
Other intangible assets	4,254	530
Investments in intangible assets taken under lease	-	-
	14,792	12,769
Depreciation of property and equipment		
Buildings	79,210	79,206
Vehicles	11,259	6,157
Furniture and equipment	9,817	16,798
Other equipment	47,676	50,050
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	466	1,461
	148,428	153,672
Total depreciation	163,220	166,441

16 Other operating expense

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Loss from sale of assets available for sale	-	-
Software licensing expense	27,616	23,034
Deposit insurance premium	186,196	171,777
Premium on property and employee insurance	4,781	5,177
Materials and services	209,033	208,761
Administrative and marketing expenses	124,992	84,042
Other taxes and contributions	1,441	1,407
Rental expense	18,368	17,796
Court litigation expenses	1,166	1,857
Provisions for pension and other employee benefits, net	965	8,536
Provisions for contingent liabilities based on court litigations, net	-	-
Other provisions, net		
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Loss from sale of:		
Property and equipment	-	-
Intangible assets	-	-
Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other (expenses that represent more than 10% of total other operating expenses)		
Expenses under foreign exchange operations	29,661	25,837
Costs in the process of realization of the alienation of property (expenses that do not represent more than 10% of total other operating expense)	-	70,692
	44,206	24,897
Other operating expense	648,425	643,813

17 Income tax

A Expense/income based on current and deferred tax

<i>in thousands of denars</i>		
Current year 2019	Previous year 2018	
Current income tax		
Expense/(income) based on current income tax for the year	179,997	212,444
Adjustments for previous years	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	179,997	212,444
Deferred income tax		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previous unrecognized tax losses	-	-
Change in tax rate	-	-
Introduction of new taxes	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
Total expense/(return) on income tax	179,997	212,444

<i>in thousands of denars</i>		
Current year 2019	Previous year 2018	
Current income tax		
Recognized in the income statement	179,997	212,444
Recognized in the equity and reserves	-	-
	179,997	212,444
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
Total expense/(return) on income tax	179,997	212,444

17 Income tax (continued)

B Reconciliation between average effective tax rate and applicable tax rate

	<i>in %</i>	<i>in thousands of denars</i>	<i>in %</i>	<i>in thousands of denars</i>
	Current year 2019		Previous year 2018	
Profit/ (loss) before taxation	100.00	1,986,753	100.00	1,992,736
Income tax as per applicable tax rate	10	198,675	10	199,274
Effects from different tax rates in other countries	-	-	-	-
Corrections for previous years and changes in tax rate	-	-	-	-
Income taxed abroad	-	-	-	-
Expense unrecognized for tax purposes	0.8	16,408	0.7	14,322
Tax-exempt income	(0.1)	(2,409)	(0.1)	(1,152)
Tax exemption unrecognized in income statement	-	-	-	-
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes in deferred tax	-	-	-	-
Other	(1.6)	(32,677)	-	-
Total expense/(return) on income tax	-	179,997	-	212,444
Average effective tax rate	9.1		10.6	

C Income tax from other profit/(losses) in the period which are not disclosed in the Income statement

	Current year 2019			Previous year 2018		
	Before taxation	(expenditure) /return of income tax	Less income tax	Before taxation	(expenditure)/ return of income tax	Less income tax
in thousands of Denars						
Revalued reserve for assets available for sale	-	-	-	-	-	-
Reserve for instruments for protection against cash flow risk	-	-	-	-	-	-
Reserve for instruments for protection against the risk net-investment in international operations	-	-	-	-	-	-
Reserve from currency differences from investment in foreign operations	-	-	-	-	-	-
Share in the remaining profits/(losses) from affiliates which are not disclosed in the Income statement	-	-	-	-	-	-
Other profits/(losses) which are not disclosed in the Income statement	-	-	-	-	-	-
Total other profits/(losses) which are not disclosed in the Income statement	-	-	-	-	-	-

18 Cash and cash equivalents

	<i>in thousands of Denars</i>	
	Current year 2019	Previous year 2018
Cash on hand	1,659,879	1,841,251
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	28,666,738	17,642,377
Current accounts and transaction deposits with foreign banks	1,506,095	4,286,894
Current accounts and transaction deposits with local banks	5,192	1,643
Treasury bills that may be traded on the secondary market	5,832,535	5,616,762
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	5,060,773	13,724,932
Other short-term highly liquid assets	1,958	11,152
Interest receivables	8,408	13,399
(Allowance for impairment)	(707)	(62)
<i>Included in cash and cash equivalents for the purposes of the Statement of cash flows</i>	42,740,871	43,138,348
Obligatory foreign currency deposits	4,692,968	4,517,036
Restricted deposits	1,299,534	1,140,941
(Allowance for impairment)	(130)	-
Total	48,733,243	48,796,325

As at 31 of December 2019, the Bank has restricted deposits in the amount of 1,299,534 thousand denars (2018: 1,140,941 thousand denars), as follows:

- In the account in KIBS on behalf of the Reserve Guarantee Fund in the amount of MKD 518,641 thousand in accordance with the Reserve Guarantee Fund Rules (2018: 366,018 thousand denars)
- In the account in Euroclear, for fiduciary purposes, assets in the amount of 549,518 thousand denars (2018: 553,455 thousand denars),
- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 158,246 thousand denars (2018: 151,578 thousand denars),
- In the United Overseas Bank Limited account, for operational purposes for Visa cards, assets in the amount of 73,129 thousand denars (2018: 69,890 thousand denars).

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

18 Cash and cash equivalents
(continued)

in thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	62	-	-	62				64
Impairment loss for the year								
Additional impairment	3,074	-	-	3,074				273
(Release of impairment)	(2,295)	-	-	(2,295)				(275)
Transfer to:								
- Impairment loss for Group 1	-	-	-	-				-
- Impairment loss for Group 2	-	-	-	-				-
- Impairment loss for Group 3	-	-	-	-				-
(Foreclosed assets based on outstanding receivables)	-	-	-	-				-
Foreign exchange gain/losses	(4)	-	-	(4)				-
(Written off receivables)	-	-	-	-				-
As at December 31	837	-	-	837				62

19 Trading assets (continued)

A. Structure of trading assets by the type of the financial instrument

<i>in thousands of denars</i>	
Current year 2019	Previous year 2018
Trading securities	
<i>Debt securities for trading</i>	
Treasury bills for trading	-
Government bills for trading	-
Other instruments in the money market	-
Government bonds	-
Corporate bonds	-
Other debt instruments	-
-	-
Quoted	-
Unquoted	-
<i>Equity instruments for trading</i>	
Equity instruments issued by banks	160,223
Other equity instruments	36,131
196,354	28,739
Quoted	36,131
Unquoted	160,223
-	-
Trading derivatives	
Agreements dependent on interest rate change	-
Agreements dependent on exchange rate change	665
Agreements dependent on changes in price of securities	-
Other agreements that meet IFRS 9 criteria	-
665	-
Loans and advances	
Loans and advances to banks	-
Loans and advances to other costumers	-
-	-
197,019	28,739

The investment in the amount of 160,223 thousand denars refer to investment in equity instruments issued by Tirana Bank Sh.A. Albania. The Bank manages the investments from Tirana Bank in the business model "fair value through profit or loss", for realizing gains from the changes in their fair value. The fair value is determined by internal valuation techniques that accurately represent the expected value at which the future sale will be realized.

Quoted equity trading instruments in the amount of 36,131 thousand denars (2018: 28,739 thousand denars) refer to investment in shares issued by domestic non-financial companies.

Trading derivatives in the amount of 665 thousand denars (2018: none) refer to agreements dependent on exchange rate change.

All income from financial assets held for trading is recognized as net trading income.

20 Financial assets at fair value through the income statement classified as such at initial recognition

	<i>in thousands of denars</i>	
	Current year 2019	previous year 2018
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	339,193	331,829
	339,193	331,829
Quoted	-	-
Unquoted	339,193	331,829
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
	-	-
Total financial assets at fair value through the income statement classified as such as initial recognition	339,193	331,829

Other unquoted debt instruments in the amount of 339,193 thousands of denars refer to investments in participation in investment funds (2018: 331,829 thousands of denars).

Participations in investment funds include participations in the open investment fund KB Publikum - Balanced in the amount of 10,536 thousands of denars (2018: 9,367 thousands of denars) and participation in the open investment fund KB Publikum - Paricen in the amount of 328,657 thousands of denars (2018: 322,462 thousands of denars).

21 Derivative assets and liabilities held for risk management

		<i>in thousands of denars</i>			
		Current year 2019		previous year 2018	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A	Derivatives for protection against risk/Derivatives held for risk management				
A.1	<i>By type of the variable</i>				
	Derivatives held for risk management				
	Agreements dependent on interest rate change	-	-	-	-
	Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities	-	-	-	-
	Other agreements that meet the IAS 39 criteria	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
A.2	<i>By type of protection against risk</i>				
	Protection against risk of fair value	-	-	-	-
	Protection against risk of cash flows	-	-	-	-
	Protection against risk of net investment in international operations	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
B	Inherent derivatives				
	Agreements dependent on interest rate change	-	-	-	-
	Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities	-	-	-	-
	Other agreements that meet the IAS 39 criteria	-	-	-	-
	Total inherent derivatives	-	-	-	-
	Total derivatives held for risk management	-	-	-	-

22 Loans and advances

22.1 Loans and advances to banks

<i>in thousands of denars</i>			
Current year 2019		previous year 2018	
Short term	Long term	Short term	Long term
Loans to banks			
Domestic banks	29,000	53	50,000
Foreign banks	-	-	-
Time deposits over 3 months			
Domestic banks	-	479	-
Foreign banks	3,705,100	954,625	1,506,628
Repo			
Domestic banks	-	-	-
Foreign banks	-	-	-
Other receivables			
Domestic banks	-	-	-
Foreign banks	5,697	-	5,870
Interest receivables	127	-	105
Current maturity	53	(53)	510
Total loans and advances to banks before impairment	3,739,977	955,104	1,563,113
(Allowance for impairment)	(1,953)	(107)	-
Total loans and advances to banks, net of allowance for impairment	3,738,024	954,997	1,560,886
		955,033	

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
22 Loans and advances (continued)
22.1 Loans and advances to banks (continued)
in thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	-	1,400	828	2,227				1,615
Impairment loss for the year								
Additional impairment	485	4,646	2,170	7,301				5,995
(Release of impairment)	(4)	(4,466)	(2,996)	(7,466)				(5,383)
Transfer to:								
- Impairment loss for Group 1	-	-	-	-				-
- Impairment loss for Group 2	-	-	-	-				-
- Impairment loss for Group 3	-	-	-	-				-
(Foreclosed assets based on outstanding receivables)	-	-	-	-				-
Foreign exchange gain/losses	-	(1)	(2)	(2)				(2)
(Written off receivables)	-	-	-	-				-
As at December 31	481	1,579	-	2,060				2,227

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22 Loans and advances (continued)

22.2 Loans and advances to other customers

A Structure of the loans and advances to other customers by the type of the debtor

	<i>in thousands of denars</i>			
	Current year 2019		previous year 2018	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	12,596,531	22,753,537	15,840,940	20,373,878
Interest receivables	100,517	-	116,811	-
Government				
Receivables upon principal	3,216	1,437,932	14,213	1,545,714
Interest receivables	4,268	-	3,651	-
Non-profit institutions that serve households				
Receivables upon principal	8,983	153,540	27,476	160,702
Interest receivables	1,375	-	260	-
Financial companies, besides banks				
Receivables upon principal	100	23,197	207	34,764
Interest receivables	20	-	27	-
Households				
Receivables upon principal				
Housing loans	1,342	6,448,356	1,649	5,879,191
Customer loans	293,561	8,672,924	323,911	5,282,653
Vehicle loans	4	3,611	-	5,423
Mortgage loans	-	-	-	-
Credit cards	35,203	875,623	67,300	943,080
Other loans	884,858	241,022	1,062,507	252,868
Interest receivables	44,487	-	39,210	-
Non-residents, except banks				
Receivables upon principal	-	215,018	156,712	214,694
Interest receivables	1,106	-	1,301	-
Current maturity	7,429,540	(7,429,540)	7,103,258	(7,103,258)
Total loans and advances to other customers before impairment	21,405,111	33,395,220	24,759,433	27,589,709
(Allowance for impairment)	(3,169,212)	(839,722)	(5,203,251)	(738,953)
Total loans and advances to other customers, net of allowance for impairment	18,235,899	32,555,498	19,556,182	26,850,756

Out of the total loans and advances to other customers the Bank has pledged a lien with regard to the sub-loans approved from the credit line of the European Investment Bank ("EIB"), in favor of Development Bank of North Macedonia ("DBNM"). As at 31 December 2019 the amount of the pledged loans and advances is in the amount of 385,758 thousands of denars (2018: 679,687 thousands of denars).

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
22 Loans and advances (continued)
22.2 Loans and advances to other customers (continued)
A Structure of the loans and advances to other customers by the type of the debtor (continued)
in thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	437,902	617,044	4,887,258	5,942,204				7,390,162
Impairment loss for the year								
Additional impairment	506,040	913,061	1,140,476	2,559,578				2,546,280
(Release of impairment)	(558,097)	(722,439)	(562,239)	(1,842,775)				(2,032,079)
Transfer to:								
- Impairment loss for Group 1	(33,357)	28,113	5,244	-				-
- Impairment loss for Group 2	51,388	(155,160)	103,772	-				-
- Impairment loss for Group 3	9,741	15,945	(25,686)	-				-
(Foreclosed assets based on outstanding receivables)	-	-	(483,913)	(483,913)				(338,764)
Foreign exchange gain/losses	73	27	(25)	75				(4,909)
(Written off receivables)	-	-	(2,166,234)	(2,166,234)				(1,618,486)
As at December 31	413,690	696,591	2,898,653	4,008,934				5,942,204

The increase in the Written off receivables is due to the new methodology for managing credit risk, that came into force on 1 July 2019, according to which the Bank started performing mandatory transfer of the credit exposures for which has passed twelve months since the date the Bank was supposed to perform allowance for impairment of 100% on the accounts for off-balance sheet exposure, unlike the previous period when the mandatory transfer was performed after two years since the date the Bank was supposed to perform allowance for impairment of 100%.

22 Loans and advances (continued)

22.2 Loans and advances to other customers (continued)

B Structure of loans and advances to other clients by type of collateral

	<i>in thousands of denars</i>	
	Current year 2019	previous year 2018
<i>(current carrying amount of loans and advances)</i>		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the bank)	904,173	1,309,802
Government securities	-	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except banks and guarantees from insurance companies)	356,536	454,844
Guarantees from individuals	-	78,763
Mortgage on real estate		
Property for private use (flats, houses)	8,556,438	8,013,629
Property for business	18,231,548	17,367,662
Pledge over movables	6,491,585	5,477,750
Other types of collateral	1,368,826	1,221,617
Unsecured	14,882,291	12,482,871
Total loans and advances to other customers, net of allowance for impairment	50,791,397	46,406,938

23 Investments in securities

23.1 Investments in financial assets available for sale

A. *Structure of the investments in financial assets available for sale according to type of financial instrument*

		<i>in thousands of denars</i>	
		Current year 2019	previous year 2018
<i>Debt securities</i>			
Treasury bills		-	-
Government bills		5,110,700	8,749,402
Other instruments in the money market		-	-
Government bonds		-	102,906
Corporate bonds		-	-
Other equity investments		-	-
		5,110,700	8,852,308
Quoted		-	102,906
Unquoted		5,110,700	8,749,402
<i>Equity investments</i>			
Equity investments issued by banks		-	-
Other equity investments		77,696	77,685
		77,696	77,685
Quoted		-	-
Unquoted		77,696	77,685
Total investment in financial instruments available for sale		5,188,396	8,929,993

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

23 Investments in securities (continued)

23.1 Investments in financial assets available for sale (continued)

A. Structure of the investments in financial assets available for sale according to type of financial instrument (continued)

in thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	-	-	-	-	-	-	-	-
Impairment loss for the year								
Additional impairment	-	-	-	-	-	-	-	-
(Release of impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- Impairment loss for Group 1								
- Impairment loss for Group 2								
- Impairment loss for Group 3								
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	-	-
Foreign exchange gain/losses	-	-	-	-	-	-	-	-
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	-	-	-	-	-	-	-	-

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23 Investments in securities (continued)**23.1 Investments in financial assets available for sale (continued)****A. *Structure of the investments in financial assets available for sale according to type of financial instrument (continued)***

Investments in debt securities available-for-sale in the amount of 5,110,700 thousands of denars (2018: 8,852,308 thousands of denars) refer to investments in government bills.

The investments in equity instruments available-for-sale in the amount of 77,696 thousands of denars (2018: 77,685 thousands of denars) include the amount of 64,957 thousands of denars (2018: 64,947 thousands of denars) related to the investments in securities issued by financial companies. Taking into account that for these investments there is no active market, as well as a lack of recent transactions that could be applied in determining the fair value, the investments in available-for-sale securities are stated at cost, less any impairment. The market for these securities is not consistent and it is not fully developed, so that the fair value cannot be reliably measured.

The other equity investments in the amount of 12,738 thousands of denars represent investment in subsidiary (2018: 12,738 thousands of denars).

The Bank does not plan to sell the part of investments in available-for-sale equity instruments issued by financial companies whose operations are related to the regular operations of the Bank, and the rest of the investments will be sold when the Bank estimates that there are favourable conditions on the capital market for their sale.

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity

<i>in thousands of denars</i>		
	Current year 2019	Previous year 2018
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	7,328,349	3,392,816
Corporate bonds	622,666	-
Other debt securities	-	-
	7,951,015	3,392,816
Quoted	7,951,015	106,699
Unquoted	-	3,286,117
Total investment in financial instruments held to maturity before impairment	7,951,015	3,392,816
(Impairment)	(62)	-
Total investment in financial instruments held to maturity after impairment	7,950,953	3,392,816

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
23 Investments in securities (continued)
23.2 Investments in financial assets held to maturity (continued)
in thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	-	-	-	-				-
Impairment loss for the year								
Additional impairment	62	-	-	62				-
(Release of impairment)	-	-	-	-				-
Transfer to:								
- Impairment loss for Group 1	-	-	-	-				-
- Impairment loss for Group 2	-	-	-	-				-
- Impairment loss for Group 3	-	-	-	-				-
(Foreclosed assets based on outstanding receivables)	-	-	-	-				-
Foreign exchange gain/losses (Written off receivables)	-	-	-	-				-
As at December 31	62	-	-	62				-

Debt securities in the amount of 7,951,015 thousand denars (2018: 3,392,816 thousand denars) include government bonds in the amount of 7,328,349 thousand denars (2018: 3,392,816 thousand denars) and corporate bonds issued by foreign banks in the amount of 622,666 thousand denars (2018: none).

The government bonds refer to continued government bonds in the amount of 4,355,240 thousand denars with maturity period from 2020 to 2034 with interest rate from 0,90% to 3,10% annually (2018: 3,286,117 thousand denars with maturity period from 2019 to 2021 година with interest rate from 0,90% to 4,60% annually), structured government bonds in the amount of 161,902 thousand denars with maturity period from 2020 to 2029 with interest rate of 2,00% annually (2018: 106,699 thousand denars with maturity period from 2020 to 2027 with interest rate of 2,00% annually) and Macedonian Eurobonds in the amount of 2,811,208 thousand denars with maturity period from 2020 to 2025 with interest rate from 2.75% to 5.625% annually (2018:none).

The income from debt securities held-to-maturity is recognized as interest income.

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
24 Investment in associates and subsidiaries
A Percentage of the Bank's share in associates and subsidiaries

Name of subsidiaries and associates	Country	<i>in %</i>			
		Share in ownership in %		Percentage of voting right	
		Current year 2019	previous year 2018	Current year 2019	previous year 2018
KB PRVO PENZISKO DRUSTVO AD SKOPJE	Republic of North Macedonia	49.00%	49.00%	49.00%	49.00%
KB PUBLIKUM INVEST AD SKOPJE	Republic of North Macedonia	64.29%	64.29%	64.29%	64.29%

B Financial information for associates - 100%

Name of associates	<i>in thousands of Denars</i>				
	Total assets	Total liabilities	Total capital and reserves	Income	Profit/(loss) for the financial year
Current year 2019					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	604,827	20,469	584,358	271,449	124,114
	604,827	20,469	584,358	271,449	124,114
Previous year 2018					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	570,485	17,991	552,494	263,527	130,993
	570,485	17,991	552,494	263,527	130,993

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25 Other receivables

	<i>in thousands of denars</i>	
	current year 2019	previous year 2018
Trade receivables	11,000	2,695
Prepaid expenses	-	-
Deferred income	-	-
Fees and commission receivables	16,433	29,534
Receivables from employees	30	42
Advances for intangible assets	407	-
Advances for property and equipment	2,448	3,621
Other (receivables representing more than 10% of the total other receivables)		
Pre-paid pensions	1,131,551	-
Bank credit card settlement transactions	743,030	577,534
Other receivables by other basis in denars	26,084	27,926
Other receivables by other basis in foreign exchange currency	5,803	5,658
Suspicious and doubtful receivables from receivables from clients and other receivables	25,254	64,497
Inventory, petty inventory and numismatic collection	31,540	30,249
(state separately the receivables that not represent more than 10% of the total other receivables)	16,019	25,083
Total other receivables before value allowance	2,009,599	766,839
(Allowance for impairment)	(30,431)	(77,915)
Total other receivables, net of allowance for impairment	1,979,168	688,924

The item "Pre-paid pensions" in the amount of 1,131,551 thousand denars refer to paid pensions for December 2019 from the Bank's funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 3 January 2020.

25 Other receivables (continued)

in thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	233	1,082	76,601	77,916				107,295
Impairment loss for the year								
Additional impairment	2,485	3,493	59,273	65,251				96,247
(Release of impairment)	(2,340)	(3,854)	(20,330)	(26,524)				(71,478)
Transfer to:								
- Impairment loss for Group 1	(17)	2	15	-				-
- Impairment loss for Group 2	6	(431)	425	-				-
- Impairment loss for Group 3	54	122	(176)	-				-
(Foreclosed assets based on outstanding receivables)	-	-	(2,372)	(2,372)				(1,909)
Foreign exchange gain/losses	34	-	2	36				(2)
(Written off receivables)	-	-	(83,876)	(83,876)				(52,238)
As at December 31	455	414	29,562	30,431				77,915

The increase in the Written off receivables is due to the new methodology for managing credit risk, that came into force on 1 July 2019, according to which the Bank started performing mandatory transfer of the credit exposures for which has passed twelve months since the date the Bank was supposed to perform allowance for impairment of 100% on the accounts for off-balance sheet exposure, unlike the previous period when the mandatory transfer was performed after two years since the date the Bank was supposed to perform allowance for impairment of 100%.

26 Assets pledged as collateral

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

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
27 Foreclosed assets

	Land	Buildings	Equipment	Residential buildings and apartments	Other valuables	Total
<i>in thousands of Denars</i>						
Opening carrying amount						
As at January 1 2018 (previous year)	183,122	1,692,864	443,706	301,936	940	2,622,568
Foreclosed during the year (sold during of the year)	269,203	280,330	7,469	149,529	54	706,585
(transfer into assets for own use)	(366,803)	(807,110)	(310,177)	(178,040)	-	(1,662,130)
	-	-	-	-	-	-
As at December 31, 2018 (previous year)	85,522	1,166,084	140,998	273,425	994	1,667,023
As at January 1, 2019 (current year)	85,522	1,166,084	140,998	273,425	994	1,667,023
Foreclosed during the year (sold during of the year)	112,389	970,816	256,840	3,826	8,125	1,351,996
(transfer into assets for own use)	(62,785)	(529,162)	(37,714)	(86,754)	(940)	(717,355)
	-	-	-	-	-	-
As at December 31, 2019 (current year)	135,126	1,607,738	360,124	190,497	8,179	2,301,664
Impairment						
As at January 1, 2018 (previous year)	74,694	1,258,753	356,942	155,021	307	1,845,717
Impairment loss during the year (sold during the year)	250,807	554,986	41,368	208,797	170	1,056,128
(transfer into assets for own use)	-	-	-	-	-	-
	(266,149)	(776,144)	(281,453)	(90,598)	-	(1,414,344)
As at December 31, 2018 (previous year)	59,352	1,037,595	116,857	273,220	477	1,487,501
As at January 1, 2019 (current year)	59,352	1,037,595	116,857	273,220	477	1,487,501
Impairment loss during the year (transfer into assets for own use)	110,500	941,410	255,576	4,031	7,642	1,319,159
(sold during the year)	-	-	-	-	-	-
	(36,873)	(404,003)	(17,904)	(86,754)	(433)	(545,967)
As at December 31, 2019 (current year)	132,979	1,575,002	354,529	190,497	7,686	2,260,693
Net carrying amount						
As at January 1, 2018 (previous year)	108,428	434,111	86,764	146,915	633	776,851
As at December 31, 2018 (previous year)	26,170	128,489	24,141	205	517	179,522
As at December 31 2019 (current year)	2,147	32,736	5,595	-	493	40,971

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27 Foreclosed assets (continued)

The fair value of the acquired assets through foreclosure procedure as at 31 December 2019 is in the amount of 2,009,429 thousands of denars (as at 31 December 2018 is in the amount of 1,484,763 thousands of denars).

Part of the recognised impairment in 2019 in the amount of 4,513 thousands of denars (2018: 413,040 thousands of denars) is recognized as an expense in the Income statement (see note 13), and the remainder is recognized in the balance sheet.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
28 Intangible assets
A Reconciliation of the present carrying amount

	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Non-controlling interest *	Total
<i>in thousands of denars</i>								
Purchase value								
As at January 1, 2018 (previous year)	-	267,576	-	30,318	3,065	-	-	300,959
Increases by new supplies	-	4,986	-	5,650	458	-	-	11,094
Increases by internal development	-	-	-	-	-	-	-	-
Increases by business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(66,965)	-	(2,108)	-	-	-	(69,073)
(disposal through business combination)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-
As at December 31, 2018 (previous year)	-	205,597	-	33,860	3,523	-	-	242,980
As at January 1, 2019 (current year)	-	205,597	-	33,860	3,523	-	-	242,980
Increases by new supplies	-	2,258	-	23,499	7,022	-	-	32,779
Increases by internal development	-	-	-	-	-	-	-	-
Increases by 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)	-	-	-	-	-	-	-	-
As at December 31, 2019 (current year)	-	207,855	-	57,359	10,545	-	-	275,759

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
28 Intangible assets (continued)
A Reconciliation of the present carrying amount (continued)

	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Non-controlling interest *	Total
<i>in thousands of denars</i>								
Depreciation and impairment								
As at January 1, 2018 (previous year)	-	232,591	-	28,683	-	-	-	261,274
Depreciation for the year	-	12,239	-	530	-	-	-	12,769
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(66,965)	-	(2,108)	-	-	-	(69,073)
As at December 31, 2018 (previous year)	-	177,865	-	27,105	-	-	-	204,970
As at January 1, 2019 (current year)	-	177,865	-	27,105	-	-	-	204,970
Depreciation for the year	-	10,538	-	4,254	-	-	-	14,792
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
Balance at December 31, 2019 (current year)	-	188,403	-	31,359	-	-	-	219,762
Current carrying amount								
Balance at January 1, 2018		34,985		1,635	3,065			39,685
Balance at December 31, 2018 (previous year)	-	27,732	-	6,755	3,523	-	-	38,010
Balance at December 31, 2019 (current year)	-	19,452	-	26,000	10,545	-	-	55,997

*only for consolidated financial statements

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

28 Intangible assets (continued)

B Carrying amount of the intangible assets where there is a limit of ownership and / or are pledged as collateral for liabilities of the Bank

Present carrying value as at: *in thousands of Denars*

	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Total
As at December 31 2018 (previous year)	-	-	-	-	-	-	-
As at December 31 2019 (current year)	-	-	-	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
29 Property and equipment
A Reconciliation of the carrying amount

in thousands of denars

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	Total
Purchase value									
As at 1 January 2018 (previous year)	88,735	3,186,914	145,526	344,612	703,973	13,327	27,108	54,971	4,565,166
Increases	-	-	-	-	-	-	95,387	-	95,387
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(17,379)	(9,055)	(32,409)	-	-	(5,003)	(63,846)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	2,707	17,687	4,239	54,124	-	(78,757)	-	-
As at 31 December 2018 (previous year)	88,735	3,189,621	145,834	339,796	725,688	13,327	43,738	49,968	4,596,707
As at 1 January 2019 (current year)	88,735	3,189,621	145,834	339,796	725,688	13,327	43,738	49,968	4,596,707
Increases	-	-	-	-	-	-	96,367	-	96,367
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(2,010)	(17,583)	(5,066)	(63,913)	-	-	(132)	(88,704)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	453	8,208	22,379	19,430	57,986	145	(108,601)	-	-
As at 31 December 2019 (current year)	89,188	3,195,819	150,630	354,160	719,761	13,472	31,504	49,836	4,604,370

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
29 Property and equipment
A Reconciliation of the carrying amount (continued)

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	Total
<i>in thousands of denars</i>									
Depreciation and impairment									
As at 1 January 2018 (previous year)	-	605,587	130,940	315,209	595,275	-	-	52,547	1,699,558
Depreciation for the year	-	79,206	6,157	16,798	50,050	-	-	1,461	153,672
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(17,379)	(9,055)	(32,409)	-	-	(5,003)	(63,846)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2018 (previous year)	-	684,793	119,718	322,952	612,916	-	-	49,005	1,789,384
Balance at 1 January 2019 (current year)	-	684,793	119,718	322,952	612,916	-	-	49,005	1,789,384
Depreciation for the year	-	79,210	11,259	9,817	47,676	-	-	466	148,428
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(1,288)	(17,583)	(5,066)	(63,913)	-	-	(83)	(87,933)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019 (current year)	-	762,715	113,394	327,703	596,679	-	-	49,388	1,849,879
Current carrying amount									
As at 1 January 2018 (previous year)	88,735	2,581,327	14,586	29,403	108,698	13,327	27,108	2,424	2,865,608
As at 31 December 2018 (previous year)	88,735	2,504,828	26,116	16,844	112,772	13,327	43,738	963	2,807,323
As at 31 December 2019 (current year)	89,188	2,433,104	37,236	26,457	123,082	13,472	31,504	448	2,754,491

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

29 Property and equipment (continued)

B Carrying amount of the items of property, plant and equipment over which there is limited ownership and/or are pledged as collateral/pledge for the Bank's liabilities

in thousands of Denars

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	Total
Current carrying amount at:									
As at December 31 2018 (previous year)	-	-	-	-	-	-	-	-	-
As at December 31 2019 (current year)	-	-	-	-	-	-	-	-	-

The amount of commitments for the purchase of property and equipment in 2019 is in the amount of 10,358 thousands of denars (2018: 10,255 thousands of denars).

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

<i>in thousands of denars</i>	
current year 2019	previous year 2018
Income tax receivables (current)	4,591
Income tax liabilities (current)	8,874
	-
	126,272

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	Current year 2019			previous year 2018		
	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis
<i>in thousands of Denars</i>						
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unutilized tax losses and unutilized tax loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets/liabilities recognized in the income statement	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Protection against cash flow risk	-	-	-	-	-	-
Deferred tax assets liabilities recognized in the capital	-	-	-	-	-	-
Total recognized tax assets/liabilities	-	-	-	-	-	-

30 Deferred tax assets and deferred tax liabilities (continued)**B** *Unrecognized deferred tax assets*

Tax losses

Tax credits

Total unrecognized deferred tax assets

<i>in thousands of Denars</i>	
Current year 2019	Previous year 2018
-	-
-	-
-	-

30 Deferred tax assets and deferred tax liabilities (continued)

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

	in thousands of denars	Recognized in the course of the year in:		As at December 31
		As at January 1	Income statement	
Previous year 2018				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and utilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets-liabilities	-	-	-	-
Current year 2019				
Derivative assets held for risk management	-	-	-	-
Placement with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets/liabilities	-	-	-	-

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

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

C Profit/ (loss) recognized from the sale of assets held-for-sale and disposal group

<i>in thousands of denars</i>	
Current year 2019	Previous year 2018
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-

32 Trading liabilities

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
<i>Deposits from banks</i>		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Deposits from other clients</i>		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<i>Other financial liabilities</i>	-	-
<i>Trading derivatives</i>		
Agreements depending on interest rate change	-	-
Agreements depending on exchange rate change	361	-
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
	361	-
Total trading liabilities	361	-

Trading liabilities in the amount of 361 thousand denars (2018: none) refer to trading derivatives, agreements depending on exchange rate change.

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

<i>in thousands of 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	-	-	-
Time deposits	-	-	-
Other deposits	-	-	-
	-	-	-
<i>Deposits from other clients</i>			
Current accounts, demand deposits and overnight deposits	-	-	-
Time deposits	-	-	-
Other deposits	-	-	-
	-	-	-
<i>Issued debt securities</i>			
Money market instruments	-	-	-
Deposit certificates	-	-	-
Issued bonds	-	-	-
Other	-	-	-
	-	-	-
<i>Subordinated debt</i>			
<i>Other financial liabilities</i>	-	-	-
	-	-	-
Total financial liabilities at fair value through the profit and loss determined as such at initial recognition	-	-	-

Movement in changes of bank's creditworthiness for financial liabilities measured at fair value

As at 01 January

Recognized in Other comprehensive income for the year
(Transfer to other reserve funds)**Balance as at 31 December**

<i>in thousands of denars</i>	
Current year 2019	Previous year 2018

34 Deposits

34.1 Deposits from banks

	<i>in thousands of Denars</i>			
	Current year 2019		Previous year 2018	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	60,564	-	75,699	-
foreign banks	26,260	-	31,913	-
Demand deposits				
domestic banks	2	-	-	-
foreign banks	-	-	-	-
Time deposits				
domestic banks	229,607	-	238,461	-
foreign banks	-	-	-	-
Restricted deposits				
domestic banks	128,025	-	-	-
foreign banks	-	-	-	-
Other deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities				
domestic banks	46	-	22	-
foreign banks	4,856	-	4,441	-
Current maturity	-	-	-	-
Total deposits from banks	449,360	-	350,536	-

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
34 Deposits (continued)
34.2 Other deposits

<i>in thousands of Denars</i>					
		Current year 2019		Previous year 2018	
		short-term	long-term	short-term	long-term
Non-financial companies					
Current accounts	20,951,570	-	-	19,339,533	-
Demand deposits	613,330	-	-	346,862	-
Time deposits	929,750	-	735,449	717,241	703,230
Restricted deposits	465,802	-	524,959	823,463	476,813
Other deposits	-	-	-	-	-
Interest payable on deposits	21,297	-	-	19,908	-
	22,981,749	1,260,408	1,260,408	21,247,007	1,180,043
Government					
Current accounts	428,239	-	-	339,607	-
Demand deposits	1,988	-	-	1,552	-
Time deposits	35,000	-	-	35,000	-
Restricted deposits	188	-	-	187	-
Other deposits	-	-	-	-	-
Interest payable on deposits	252	-	-	261	-
	465,667	-	-	376,607	-
Non-profit institutions in service of households					
Current accounts	1,505,649	-	-	1,270,365	-
Demand deposits	350	-	-	471	-
Time deposits	406,292	-	147,806	459,322	126,395
Restricted deposits	57,897	-	4,231	77,858	7,813
Other deposits	-	-	-	-	-
Interest payable on deposits	3,868	-	-	3,268	-
	1,974,056	152,037	152,037	1,811,284	134,208
Financial companies, other than banks					
Current accounts	525,899	-	-	823,934	-
Demand deposits	422	-	-	6,193	-
Time deposits	205,997	-	565,950	101,300	496,990
Restricted deposits	2,991	-	21,655	1,035	3,053
Other deposits	-	-	-	-	-
Interest payable on deposits	3,448	-	-	3,281	-
	738,757	587,605	587,605	935,743	500,043
Households					
Current accounts	22,964,548	-	-	18,972,852	-
Demand deposits	7,987,190	-	-	7,421,711	-
Time deposits	31,895,738	-	13,016,655	31,719,742	11,635,695
Restricted deposits	257,071	-	1,062,214	276,087	1,064,808
Other deposits	-	-	-	-	-
Interest payable on deposits	193,107	-	-	183,069	-
	63,297,654	14,078,869	14,078,869	58,573,461	12,700,503
Non-residents, other than banks					
Current accounts	1,082,891	-	-	1,039,734	-
Demand deposits	1,492	-	-	1,491	-
Time deposits	120,808	-	316,470	183,669	293,042
Restricted deposits	116,609	-	11,746	115,286	11,748
Other deposits	-	-	-	-	-
Interest payable on deposits	1,257	-	-	1,367	-
	1,323,057	328,216	328,216	1,341,547	304,790
Current maturity	6,427,721	-	(6,427,721)	5,465,163	(5,465,163)
Total other deposits	97,208,661	9,979,414	9,979,414	89,750,812	9,354,424

34 Deposits (continued)**34.2 Other deposits (continued)**

Restricted deposits are deposits that the Bank makes payments abroad, opens letters of credit, acquires foreign currency assets for payment on behalf of its clients, and part of it serve as a collateral under loans and guaranties issued that the Bank has approved to certain companies, deposits as collateral under approved consumption loans and retail loans and prematurely received payments under consumption and housing loans.

35 Issued debt securities

<i>in thousands of Denars</i>	
Current year 2019	Previous year 2018
-	-
-	-
-	-
-	-
-	-
-	-
-	-

Money market instruments

Deposit certificates

Issued bonds

Other

Interest payable on issued securities

Total issued debt securities

36. Borrowings

A Borrowings structure according to liability type and creditor's sector

	<i>in thousands of denars</i>			
	Current year 2019		Previous year 2018	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	551	398,187	1,097	694,546
Repo-transactions	-	-	-	-
Interest payables	841	-	1,482	-
Non-residents				
Loans payable	-	321,029	-	115,825
Repo-transactions	-	-	-	-
Interest payables	1,618	-	1,193	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Loans payable	-	114,782	-	114,782
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Loans payable	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-residents, except for banks				
Non-financial entities				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Households				
Loans payable	-	-	-	-
Interest payables	-	-	-	-
Current maturity	347,369	(347,369)	289,609	(289,609)
Total loans payable	350,379	486,629	293,381	635,544

36 Borrowings (continued)

B Borrowings according to the creditor

<i>in thousands of Denars</i>					
		Current year 2019		Previous year 2018	
		short-term	long-term	short-term	long-term
<i>domestic sources:</i>					
Development Bank of North Macedonia - DBNM (previously MDBP) – ZKDF	556	3,620	1,106	6,050	
NBRNM – Primary issue	-	8,809	-	8,809	
DBNM-EIB	836	385,758	1,473	679,687	
Agency for Managing Accounts	-	114,782	-	114,782	
	1,392	512,969	2,579	809,328	
<i>foreign sources:</i>					
EBRD	1,597	136,429	1,193	115,825	
EBRD - IPA	21	184,600			
	1,618	321,029	1,193	115,825	
Current maturity	347,369	(347,369)	289,609	(289,609)	
Total borrowings	350,379	486,629	293,381	635,544	

Lender	Currency	Interest rate	Year of maturity	Type of collateral
DBNM – ZKDF	MKD/EUR	0,5%	According to the agreements concluded with final users	3 bills of exchange
NBRNM – Primary issue	MKD	-	2020	1 bill of exchange
DBNM - EIB	EUR	1%	According to the agreements concluded with final users	10 bills of exchange in form of Notary deed * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
Agency for accounts management	MKD	-	2020	Unsecured
EBRD	EUR	6,5% fixed, 5% adjustable	According to the agreements concluded with final users	Unsecured
EBRD - IPA	EUR	4,25% or 4.5% variable	28.09.2026	Unsecured

36 Borrowings (continued)**B Borrowings according to the creditor (continued)**

The Bank has pledged a lien in the form of a notary deed in favor of DBNM based on receivables from sub-loan agreements concluded with final users approved from the credit line from EIB, both administered through DBNM. As at 31 December 2019 the amount of borrowings for which the Bank has pledged receivables is 385,758 thousands of denars (2018: 679,687 thousands denars).

37 Subordinated liabilities

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
<i>Subordinated deposits liabilities</i>		
Interest payables	-	-
<i>Subordinated loans liabilities</i>		
Interest payables	-	-
<i>Subordinated issued debt securities liabilities</i>		
Interest payables	-	-
Redeemable preference shares	-	-
Total subordinated debt	-	-

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
38 Special reserves and provisions

	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on litigations	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for unfavorable agreements	Other provisions	Total
<i>in thousands of denars</i>							
Balance at January 1, 2018 (previous year)	183,395	-	60,032	-	-	-	243,427
Additional provisions during the year	491,431	-	10,148	-	-	-	501,579
(provisions used during the year)	-	-	(3,207)	-	-	-	(3,207)
(release of provisions during the year)	(237,155)	-	(1,612)	-	-	-	(238,767)
Exchange rate effect	(111)	-	-	-	-	-	(111)
As at 31 December 2018 (previous year)	437,560	-	65,361	-	-	-	502,921
Balance at January 1, 2019 (current year)	437,560	-	65,361	-	-	-	502,921
Additional provisions during the year	260,851	-	3,311	-	-	-	264,162
(provisions used during the year)	-	-	(3,382)	-	-	-	(3,382)
(release of provisions during the year)	(428,550)	-	(2,346)	-	-	-	(430,896)
Exchange rate effect	(40)	-	-	-	-	-	(40)
As at 31 December 2019 (current year)	269,821	-	62,944	-	-	-	332,765

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38 Special reserves and provisions (continued)

Off-balance sheet items in the assets, exposed to credit risk for which the special reserve is determined, are classified in different risk categories appropriately to the estimated risk for potential losses. As at 31 December 2019, 94.2% of total off-balance sheet items in the assets are classified in the risk category a, risk category B participates with 2.64%, and risk categories C, D and E with 3.16%.

39 Other liabilities

	<i>in thousands of denars</i>	
	current year 2019	Previous year 2018
Trade payables	22,662	27,489
Received advances	18,818	10,853
Fee and commission liabilities	9,471	8,157
Accrued expenses	15,040	65,373
Deferred income from previous years	-	-
Short - term liabilities to employees	-	-
Short - term liabilities for employee benefits	274	104
Other:		
(liabilities more than 10% of the total other liabilities)		
Other liabilities on other basis	27,792	28,614
Bank credit card settlement transactions	617,386	438,751
Liabilities to entities in the process of founding a company	3,726	118,584
Delayed payments liabilities based on collections from abroad	150,871	116,355
VAT liabilities	4,616	68,344
Liabilities in foreign currency for establishing legal entities	12,608	8,156
Liabilities upon activities with credit cards issued by foreign banks	43,009	68,631
Other liabilities (liabilities less than 10% of the total other liabilities)	32,695	11,899
Total other liabilities	958,968	971,310

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
40 Subscribed Capital
A Subscribed Capital

	<i>in Denars</i>		<i>number of issued shares</i>				<i>in thousands of denars</i>	
	Nominal value per share		Ordinary shares		Preference shares non-redeemable		Total subscribed capital	
	ordinary shares	Preference shares- non-redeemable	Current year 2019	previous year 2018	Current year 2019	Previous year 2018	Current year 2019	Previous year 2018
As at 1 January-fully paid	1,000	-	2,279,067	2,279,067	-	-	2,279,067	2,279,067
Subscribed shares during the year	-	-	-	-	-	-	-	-
Realization of share options	-	-	-	-	-	-	-	-
Division/ increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
Conversion of preference shares into ordinary	-	-	-	-	-	-	-	-
As at 31 December – fully paid	1,000	-	2,279,067	2,279,067	-	-	2,279,067	2,279,067

The issued ordinary shares of the Bank are fully paid. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the shareholders' Assembly of the Bank. All shares rank equally with regard to the Bank's residual assets. According to the Bank's shareholders book as at 31 December 2019, 206,571 ordinary shares from the total shareholders' equity of the Bank or 9.06% (as at 31 December 2018, 207,644 ordinary shares i.e. 9.11%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2019 the Bank does not hold treasury shares. The Open-end Investment Funds managed by the Bank's subsidiary KB Publikum Invest AD Skopje owns a total of 23,093 ordinary shares or 0.013% from the total shareholders' equity of the Bank, where KB Publikum - Balanced owns 4,137 ordinary shares, i.e. 0.182% of the total share capital of the Bank and KB Publikum MBI 10 owns 18,956 ordinary shares, i.e. 0.832% of the total share capital of the Bank (as at 31 December 2018 KB Publikum- Balanced owns 3,789 ordinary shares, i.e. 0.166% of the total share capital of the Bank and KB Publikum MBI 10 owns 10,417 ordinary shares, i.e. 0.457% of the total share capital of the Bank).

40 Subscribed Capital (continued)**B Dividends****B.1 Announced and paid dividends by the Bank**

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

Declared dividends and paid dividends for the year

<i>in Denars</i>	
Current year 2019	Previous year 2018
-	-
-	-

Dividend per ordinary share

Dividend per preference share

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

<i>in thousands of Denars</i>	
Current year 2019	previous year 2018
1,253,487	957,208

Announced dividends after December 31

<i>in Denars</i>	
Current year 2019	previous year 2018
550	420
-	-

Dividend per ordinary share

Dividend per preference share

B Shareholders with ownership over 5% of the shares with the right of vote

Shareholder's name	<i>in thousands of 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
ADORA INZENERING DOOEL eksport-import	260,306	229,996	11,42%	10.09%
Total	260,306	229,996	11,42%	10.09%

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
41 Earnings per share
A Basic earnings per share
Net - Profit attributable to holders of ordinary shares

Net profit for the year	1,806,756	1,780,292
(Dividend for non-redeemable priority shares)	-	-
Correction of net profit entitled to the holders of the ordinary shares		
Value of issued shares	-	-
Value of withdrawn shares	-	-
Value of dividend paid in shares	-	-
Net - Profit attributable to holders of ordinary shares	1,806,756	1,780,292

<i>in thousands of denars</i>	
Current year 2019	previous year 2018
1,806,756	1,780,292
-	-
-	-
-	-
-	-
1,806,756	1,780,292

Weighted average number of ordinary shares

Issued ordinary shares as of January 1	2,279,067	2,279,067
Effects of the changes in the number of ordinary shares during the year		
Effect from conversion of non-redeemable priority shares into ordinary shares	-	-
Effect from sale of treasury shares on the market	-	-
Effects of new issue of ordinary shares	-	-
Weighted average number of ordinary shares on 31 December	2,279,067	2,279,067
Basic earnings per share (in Denars)	793	781

<i>Number of shares</i>	
Current year 2019	previous year 2018
2,279,067	2,279,067
-	-
-	-
-	-
2,279,067	2,279,067
793	781

B Diluted earnings per share
Net profit entitled to the holders of the ordinary shares (diluted)

Net gain for the year entitled to the holders of the ordinary shares (diluted)	1,806,756	1,780,292
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares (list separately)		
Dividend from priority shares converted into ordinary shares	-	-
Income from realized options	-	-
Value of redeemable treasury shares	-	-
Net gain entitled to the holders of the ordinary shares (diluted)	1,806,756	1,780,292

<i>in thousands of denars</i>	
Current year 2019	Previous year 2018
1,806,756	1,780,292
-	-
-	-
-	-
1,806,756	1,780,292

Weighted average number of the ordinary shares (diluted)

Ordinary shares issued on 1 January	2,279,067	2,279,067
Effect from issue of potential ordinary shares	-	-
Weighted average number of the ordinary shares (diluted) on 31 December	2,279,067	2,279,067
Diluted earnings per share (in Denars)	793	781

<i>number of shares</i>	
Current year 2019	previous year 2018
2,279,067	2,279,067
-	-
2,279,067	2,279,067
793	781

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Unsecured payment guarantees		
in Denars	718,822	660,245
in foreign currency	1,131,688	822,776
in Denars with foreign currency clause	172,331	95,588
Unsecured performance guarantees		
in Denars	5,021,114	4,707,822
in foreign currency	830,008	873,985
in Denars with foreign currency clause	1,336,709	926,237
Unsecured letter of credit		
in Denars	-	-
in foreign currency	2,219,866	2,821,496
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	1,917,766	1,747,296
Unused credit card limits	1,110,936	1,208,254
Foreclosed liabilities for crediting and unused credit limits	2,199,573	1,552,067
Issued secured guarantees	720,603	676,603
Covered letter of credit	2,386	99,483
Other secured contingent liabilities	2,071,424	1,117,791
Total contingent liabilities before provisions	19,453,226	17,309,643
(Provisions)	(269,821)	(437,560)
Total contingent liabilities, net of provisions	19,183,405	16,872,083

42.1 Contingent liabilities

For part of the contingent liabilities in the amount of 258,409 thousands of denars there is a litigation proceeding upon issued letter of guarantee for Granit AD Skopje. The case was initiated in front of an authorized court in Poland on September 16th 2011 by the State Treasury – General Directorate for National Roads and Motorways from Warsaw (beneficiary of the guarantee) against Komercijalna Banka AD Skopje, which was received in the Bank on 2 July 2012, requesting a payment upon the issued letter of guarantee in the amount of 17.897.404,09 PLN, equivalent to 258,409 thousands of denars. The letter of guarantee was issued based on a contract for building a motorway concluded on May 5th, 2010 between the plaintiff (State Treasury – General Directorate for State Roads and Motorways) and Granit AD Skopje (requestor of the guarantee).

The guarantee has been activated and a payment is requested as a result of a breach of contract for building a motorway between the State Treasury – General Directorate for National Roads and Motorways of Warsaw and Granit AD Skopje. There is a separate legal dispute related to this contract, which is handled in front of the authorized court in Warsaw, Poland. On 7th of March 2016, the court passed a verbal verdict in which it ruled in favour of the plaintiff and ordered Komercijalna banka AD Skopje to pay the amount under the activated guarantee, interest and court expenses. The verdict was appealed and the procedure is in decision making stage by higher court.

The Bank has not performed a payment upon this issued letter of guarantee as a result of a Decision for temporary suspension issued on the 4th of April 2011 by the Basic Court in Skopje 2, on request of Granit AD Skopje. The temporary suspension prohibits the beneficiary of the guarantee to undertake any activities which would protest or enforce the guarantee, at the same time imposing a restriction on the Bank to make payments upon the issued letter of guarantee.

42 Contingent liabilities and contingent assets**42.1 Contingent liabilities (continued)**

With final and enforceable Verdict no. 56 TA-465/11 of the Skopje Court of First Instance 2 Skopje, rendered after the main legal proceedings on 05 May 2018, obliges the Respondent State Treasury - General Directorate of State Roads and Highways of Warsaw to return to the Plaintiff the Granit Bank Guarantee issued by Komercijalna Banka and it is determined that it has no right to take any action that would mean protesting or refunding the bank guarantee, thereby extinguishing all consequences of the said bank guarantee within 8 days of receipt of the judgment.

Given that the procedure in which the Group has been sued before a Polish court has not been finalized, if the Group makes payment under this bank guarantee based on a final and recognized decision of the Polish court, it will constitute a claim against Granit AD Skopje and the Group's management do not expect collection problems and adverse financial consequences.

On January 24, 2018, a lawsuit against the Bank was filed before the Court in Amsterdam along with 12 other entities. According to the complaint, there is allegedly a claim from Cunico Resources N.V., International Mineral Resources B.V., Summerside Investments S.a.r.l and Cunico Marketing FZE for alleged damage caused by initiating of FENI Industry AD Kavadarci's bankruptcy proceedings. The lawsuit should be rejected due to the lack of jurisdiction of the Amsterdam court, but even if the court decides to engage in a dispute, it will be rejected due to the complete unfounded allegations of the lawsuits. According to the management and the Bank's lawyers, the final outcome of this legal case is not expected to have negative consequences on the Bank

The Bank provides banks guarantees and letters of credit to guarantee the operation of customers to third parties. These agreements have fixed limits and generally are approved for a period up to one year. Due dates are not concentrated in any period.

These contingent liabilities have off balance sheet credit risk, because in the balance sheet are recognized only the fees and accruals for potential losses until such contingent liabilities and commitments are fulfilled or expire. A large part of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The amount of the revocable contingent liabilities is in the amount of 2,071,424 thousands of denars, and amount of irrevocable are in the amount of 4,117,339 thousands of denars (2018: 1,117,792 thousands of denars, and the amount of irrevocable is 4,449,663 thousands of denars).

Taxation risk

The Bank's accounting records and regulations are subject to tax audit by the tax authorities for a period of 5 years subsequent to the reported tax year, and may eventually impose additional tax liabilities. According to the estimates of the Bank's management at the date of these financial statements, they are not aware of any additional conditions that may cause potential materially significant liabilities on this basis.

42.2 Contingent Assets

List separately the more significant contingent assets:

Total contingent assets

<i>in thousands of denars</i>	
Current year 2019	Previous year 2018
-	-
-	-

43 Operations on behalf and for account of third parties/commission operations

<i>in thousands of denars</i>						
Current year 2019			Previous year 2018			
Assets	Liabilities	Net position	Assets	Liabilities	Net position	
Administration of assets on behalf and for account of third parties						
Denar deposits	43,068	44,464	(1,396)	43,068	44,464	(1,396)
Foreign currency deposits	-	-	-	-	-	-
Denar loans	234,564	233,666	899	407,118	405,718	1,400
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	36	(36)	-	9	(9)
Other foreign currency receivables	-	-	-	-	-	-
Asset management on behalf and for account of third parties						
Denar deposits	-	-	-	-	-	-
Foreign currency deposits	-	-	-	-	-	-
Denar loans	-	-	-	-	-	-
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	-	-	-	-	-
Other foreign currency receivables	-	-	-	-	-	-
Trust accounts	51,894	51,597	296	20,694	20,694	-
Other	638	2,932	(2,294)	713	2,980	(2,267)
Total	330,164	332,695	(2,531)	471,593	473,865	(2,272)

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
44 Related party transactions
A Balance sheet
in thousands of denars
As at 31 December 2019 (current year)
Assets

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	80,675	-	80,675
consumer loans	-	-	-	32,466	-	32,466
Financial lease receivables						
Factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	377	-	674,746	-	675,123
Investment in securities	-	12,738	289,650	-	-	302,388
(Allowance for impairment)	-	(6)	-	(8,302)	-	(8,308)
Other assets	-	-	-	-	-	-
Total	-	13,110	289,650	779,585	-	1,082,344
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	76,424	13,148	721,857	-	811,429
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	-	76,424	13,148	721,857	-	811,429

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
44 Related party transactions (continued)
A Balance sheet (continued)

In thousands of denars

As at 31 December 2019 (current year)
Contingent liabilities

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Issued guarantees	-	-	-	57,575	-	57,575
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	305	70,525	-	70,830
(Provision)	-	-	(8)	(769)	-	(777)
Total	-	-	297	127,331	-	127,628
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

In thousands of denars

As at 31 December 2018 (previous year)
Assets

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
mortgage loans	-	-	-	68,296	-	68,296
consumer loans	-	-	-	23,954	-	23,954
claims under financial leasing	-	-	-	-	-	-
Factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	-	-	693,574	-	693,574
Investment in securities	-	12,738	274,037	-	-	286,775
(Allowance for impairment)	-	-	-	(6,130)	-	(6,130)
Other assets	-	-	-	-	-	-
Total	-	12,738	274,037	779,694	-	1,066,469

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

44 Related party transactions (continued)

A Balance sheet (continued)

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	68,396	8,939	685,519	-	762,855
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	-	68,396	8,939	685,519	-	762,855
Contingent liabilities						
Issued guarantees	-	-	-	43,053	-	43,053
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	305	46,296	-	46,601
(Provision)	-	-	(8)	(421)	-	(429)
Total	-	-	297	88,928	-	89,225
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
44 Related parties transactions (continued)
B Income and expenditures arising from related party transactions
in thousands of Denars
As at 31 December 2019 (current year)
Income

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Interest Income	-	-	-	28,815	-	28,815
Income from fees and commissions	-	892	198	4,821	-	5,911
Net gains from trading	-	-	-	-	-	-
Dividend income	-	15,075	-	-	-	15,075
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	3	60,832	959	-	61,794
Transfers between entities	-	-	-	-	-	-
Total	-	15,970	61,030	34,595	-	111,595

Expense

Interest expense	-	1,248	-	8,669	-	9,917
Fees and commissions expense	-	-	-	-	-	-
Net trading losses	-	-	-	-	-	-
Expenditures for procurement of non-current assets	-	-	-	-	-	-
Impairment of financial assets, on net basis	-	7	-	2,560	-	2,567
Other expenditures	-	-	-	438	-	438
Transfers between entities	-	-	-	-	-	-
Total	-	1,255	-	11,667	-	12,922

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
44 Related parties transactions (continued)
B Income and expenditures arising from related party transactions (continued)
in thousands of Denars
As at 31 December 2018 (previous year)
Income

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Interest Income	-	-	-	21,207	-	21,207
Income from fees and commissions	-	51	188	4,298	-	4,537
Net gains from trading	-	-	-	-	-	-
Dividend income	-	5,400	-	-	-	5,400
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	8	64,237	1,983	-	66,228
Transfers between entities	-	-	-	-	-	-
Total	-	5,459	64,425	27,488	-	97,372

Expense

Interest expense	-	969	-	8,739	-	9,708
Fees and commissions expense	-	-	-	-	-	-
Net trading losses	-	-	-	-	-	-
Expenditures for procurement of non-current assets	-	-	-	-	-	-
Impairment of financial assets, on net basis	-	-	-	4,163	-	4,163
Other expenditures	-	-	35	1,414	-	1,449
Transfers between entities	-	-	-	-	-	-
Total	-	969	35	14,316	-	15,320

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44 Related parties transactions (continued)

C Remuneration for the management of the bank

	<i>in thousands of denars</i>	
	Current year 2019	Previous year 2018
Short-term benefits for employees	190,918	193,658
Benefits after employment termination	-	-
Benefits due to employment termination	-	-
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	12,949	11,056
Total	203,867	204,714

45 Leases

A Lessor

A.1 Receivables from financial leases

	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in thousands of denars</i>				
As at 31 December 2019 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-
As at 31 December 2018 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-

A.2 Receivables from irrevocable operating leases

	Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in thousands of denars</i>				
As at 31 December 2019 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-
As at 31 December 2018 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-

45 Leases (continued)

A Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

*in thousands of Denars***Value of property given under operating leasehold:**

As at 31 December 2019 (current year)

As at 31 December 2018 (previous year)

Total

	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
As at 31 December 2019 (current year)	-	-	-	-	-	-	-
As at 31 December 2018 (previous year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

B Lessee

B.1 Liabilities from financial leases

in thousands of Denars

As at 31 December 2019 (current year)

Total

As at 31 December 2018 (previous year)

Total

Total finance lease receivables	Maturity period for financial lease receivables		
	up to 1 year	from 1 to 5 years	up to 1 year
As at 31 December 2019 (current year)	-	-	-
Total	-	-	-
As at 31 December 2018 (previous year)	-	-	-
Total	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Separate Financial Statements for the Year Ended December 31, 2019

45 Lease (continued)

B Lessee (continued)

B.1 Liabilities under financial lease (continued)

	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
<i>in thousands of Denars</i>							
Value of the property taken under financial leasehold:							
Cost value							
As at 1 January 2018 (previous year)	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
(disposal and write- off)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
As at 31 December 2018 (previous year)	-	-	-	-	-	-	-
As at 1 January 2019 (current year)	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
(disposal and write- off)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
As at 31 December 2019 (current year)	-	-	-	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2019
45 Lease (continued)
B Lease (continued)
B.1 Liabilities from financial lease (continued)

<i>in thousands of denars</i>	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Accumulated depreciation and impairment							
Balance at January 1, 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 31, 2018 (previous year)	-	-	-	-	-	-	-
Balance at January 1, 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 31, 2019 (current year)	-	-	-	-	-	-	-
Current carrying amount							
at January 1, 2018 (previous year)	-	-	-	-	-	-	-
At December 31, 2018 (previous year)	-	-	-	-	-	-	-
At December 31, 2019 (current year)	-	-	-	-	-	-	-

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45 Leases (continued)

B Lessee (continued)

B.2 Irrevocable operating lease liabilities

in thousands of denars

	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
Balance at December 31, 2019 (current year)	42,496	1,868	7,472	33,156
Total	42,496	1,868	7,472	33,156
Balance at December 31, 2018 (previous year)	44,364	1,868	7,472	35,024
Total	44,364	1,868	7,472	35,024

46 Share based payments

<i>in thousands of denars</i>			
Current year 2019		Previous year 2018	
Date of granting of option	-	-	-
Date of option expiry	-	-	-
Price of option realization	-	-	-
Share price on the date the option is granted	-	-	-
Variance	-	-	-
Expected dividend return	-	-	-
Interest rate	-	-	-
Fair value on the date the option is granted	-	-	-

	Current year 2019		Previous year 2018	
	number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
As at 1 January	-	-	-	-
Changes during the year:				
options given to the members of Supervisory Board	-	-	-	-
options given to the members of Board of Directors	-	-	-	-
other given options	-	-	-	-
forfeited options	-	-	-	-
realized options	-	-	-	-
options with expired deadline	-	-	-	-
As at 31 December	-	-	-	-

47 Subsequent events

No material events subsequent to the reporting date have occurred which require disclosure in the financial statements.