STEDILNICA MOZNOSTI DOO SKOPJE

TRANSLATION

Financial Statements
For the year ended 31 December 2008

Content

PricewaterhouseCoopers Revizija DOO Skopje
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Independent auditor's report

TRANSLATION

To the Management and Board of Directors of Stedilnica Moznosti DOO Skopje

Financial statements report

We have audited the accompanying financial statements of Stedilnica Moznosti DOO Skopje, which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stedilnica Moznosti DOO Skopje as of 31 December 2008, and of its financial performance and its cash flows for the year than ended in accordance with Laws and Regulations of the Republic of Macedonia**.**

PriceWaterhouseCoopers Revizija doo – Skopje

General Manager	Certified auditor
Ljube Gjorgjievski	Ljube Gjorgjievski

Skopje

16 April 2009

Income statement

	Note	31 December 2008	2007
Interest income	4	270,442	189,853
Interest expense	4	(115,356)	(64,509)
Net interest income		**155,086**	**125,344**
Fee and commission income	5	42,132	36,791
Fee and commission expense	5	(8,239)	(3,997)
Net fee and commission income		**33,893**	**32,794**
Foreign exchange differences (net)		(3,543)	5,031
Other operating income	6	4,295	3,025
Other operating expenses	7	(134,075)	(120,013)
Impairment losses	8	(31,046)	(8,133)
Profit before income tax		**24,610**	**38,048**
Income tax expenses	9	(3,056)	(5,188)
Net profit for the year		**21,554**	**32,860**

The notes on pages 7 to 42 are an integral part of these financial statements.

Balance sheet

	Note	31 December 2008	31 December 2007
ASSETS			
Cash and balances with the NBRM	10	23,573	19,447
Loans and advances to banks	11	40,100	39,000
Loans and advances to customers	12	2,033,154	1,474,561
Interest receivables	13	24,444	17,898
Property and equipment	14	74,044	72,655
Intangible assets	15	1,986	1,513
Other assets	16	3,515	2,941
Total assets		**2,200,816**	**1,628,015**
LIABILITIES AND EQUITY			
Deposits	17	254,691	209,835
Borrowings	18	1,483,440	984,711
Interest and fee liabilities	19	24,916	13,894
Other liabilities	20	47,098	43,886
Total liabilities		**1,810,145**	**1,252,326**
SHAREHOLDERS' EQUITY			
Share capital	23	300,152	300,152
Retained earnings		41,406	32,996
Reserves		49,113	42,541
Total equity		**390,671**	**375,689**
Total liabilities and equity		**2,200,816**	**1,628,015**

Statement of changes in equity

	Share capital	Statutory reserve	Revaluated reserve	Retained earnings	Total equity
Balance at 1 January 2007	**300,152**	**37,342**	**136**	**25,998**	**363,628**
Net profit for the year	-	-	-	32,860	32,860
Transfer from accumulated earnings to statutory reserve	-	5,199	-	(5,199)	-
Transfer from revaluation reserve to retained earnings	-	-	(136)	136	-
Payments to owners (withdrawals)	-	-	-	(20,799)	(20,799)
Balance at 31 December 2007	**300,152**	**42,541**	**-**	**32,996**	**375,689**
Balance at 1 January 2008	**300,152**	**42,541**	**-**	**32,996**	**375,689**
Net profit for the year				21,554	21,554
Transfer from retained earnings to statutory reserve	-	6,572	-	(6,572)	-
Payments to owners (withdrawals)	-	-	-	(6,572)	(6,572)
Balance at 31 December 2008	**300,152**	**49,113**	**-**	**41,406**	**390,671**

The shared capital of the Saving House is MKD 300,152,000. The Saving house's statutory reserves represent the Saving house's own capital serving as a loss covering resource, which comes as a result of the risk exposure during the usual activities of the Saving house. According to the law regulations the Saving house should calculate and set aside15% of the profit for the year as statutory reserve until it reaches amount of one fifth of the shared capital.

Notes to the financial statements for the year ended 31 December 2008
(All amounts in MKD thousands unless otherwise stated)

Cash flow statement

	Notes	Year ended 31 December 2008	2007
Cash flows from operating activities			
Profit before tax		24,610	38,048
Adjustments for:			
Depreciation of property and equipment and amortization of intangible assets	7	10,828	10,217
Impairment losses	8	31,046	8,133
Cash flows from operating profits before changes in operating assets		**66,484**	**56,398**
Increase/(Decrease) in operating assets			
Balances with NBRM		(1,758)	(2,133)
Loans and advances to customers		(592,270)	(525,254)
Other assets		(4,823)	(2,935)
Increase/(Decrease) in operating liabilities			
Amounts owed to other depositors		44,856	97,748
Other liabilities		15,460	23,522
Income tax paid		(4,741)	(3,621)
Net cash (used in) operating activities		**(476,792)**	**(356,275)**
Cash flows from investing activities			
Acquisition of property and equipment		(11,898)	(7,993)
Net cash (used in) investing activities		**(11,898)**	**(7,993)**
Cash flows from financing activities			
Proceeds from borrowed funds		498,729	337,128
Dividends paid		(6,572)	(20,779)
Net cash from financing activities		**492,157**	**316,349**
Net increase in cash and cash equivalents		**3,467**	**(47,919)**
Cash and cash equivalents at 1 January		**53,825**	**101,744**
Cash and cash equivalents at 31 December	**24**	**57,292**	**53,825**

1 General Information

Stedilnica Moznosti DOO, Skopje (further referred to as "the Saving House") presents limited liability legal entity with its head office in the Republic of Macedonia. Parent company and founder of the Saving House is the Moznosti Education and Entrepreneurship Centre Skopje, partner-organization of Opportunity International. The Saving House is regulated by the National Bank of the Republic of Macedonia ("Central Bank") and conducts its business under license number 02-14/289-2000. The principal activities of the Saving House are as follows:

- Cash deposits in Denars from retail customers;
- Loans to physical persons and legal entities according to current laws and regulations;
- Borrowings from domestic banks;
- Investment of funds in government securities;
- Purchase and sale of short term securities;
- Exchange activities;

The address of its registered office is as follows:
Bulevar Jane Sandanski 111.
1000 Skopje
Republic of Macedonia

These financial statements have been approved for issue by the Board of Directors on 24 February 2009.

Directors
The names of the Directors of the Bank serving during the financial year and to the date of this report are as follows:

Chief Executive Officer	Snezana Andova
Chief Finance Officer	Emilija Krajceva

1.1 The business environment of the Savings House

The Macedonian economy

The upward trend of economic growth of 2007 lingered on in the beginning of 2008. In the first quarter of 2008, the gross domestic product grew by 5.2% compared to the first quarter of the previous year, primarily as a result of the increase in industrial production, reaching 8.3% for the first five months. The upturn in economic activity was reflected in the foreign segment, contributing to the fact that in the first four months of 2008 the aggregate foreign trade, compared to the same period in 2007, jumped 41%, in US dollars, expanding the physical volume of export by 7.3%. This situation of higher imports than exports has led, on the other hand, to a deeper trade deficit.

Furthermore, the first quarter of 2008 was overshadowed by a substantial growth of the inflation rate, reaching 9.7% in May 2008, expressed in the cost of living, mainly due to foreign shocks, price spillover from abroad and a rise in the prices of food and energy.

On the other hand, the unemployment rate continued to fall inconsequentially in the first quarter of 2008, a drop of 1 percentage point compared to the same period in the previous year.

In the fourth quarter of 2008, the gross domestic product retained the 5.5% sound growth trend. In that, 80% of the high growth in industry was due to the boost in metal production. There has been a decrease, however, in the transport industry as a result of a downturn in commodity transport, as well as in financial brokering. In December, plunging oil prices cut the annual inflation rate to 4.1% and the average one to 8.3%.

The foreign exchange rate of the Republic of Macedonia is pegged to the Euro. In spite of foreign exchange market pressure, in 2008, the Macedonian Denar (MKD) marked a slight depreciation (0.34%) to the Euro. The central bank (NBRM) exchange rate for the Euro grew from MKD 61.2016 on 31 December 2007 to 61.4123 on 31 December 2008, while Macedonia's foreign exchange reserves, according to official data, grew from EUR 1.524 billion on 31 December 2007 to EUR 1.689 billion on 30 September 2008.

Nevertheless, as a result of the global economic slowdown, in particular in EU countries that are the strategic export markets for Macedonian companies, the final quarter of 2008 saw a restricted growth of investment activities and a cutback in export demand that only further exacerbated the trade deficit, affecting the lower GDP growth rate. In the Macedonian economy, the worldwide halt of positive trends caused a slump in prices and quantities of export commodities, resulting in a reduction or cancellation of orders with the most prominent Macedonian export companies. The impact of global consumption on the export and import dependant Macedonian economy induced a slowdown of economic growth, reduced exports and lower domestic demand.

The banking sector in the Republic of Macedonia

In the banking sector in the Republic of Macedonia, the first three quarters of 2008 were marked by greater and stronger competition in an environment of a relaxed monetary policy. Such conditions allowed banks and savings houses to swell their credit portfolio by nearly 40% annually, stimulating local demand and import, as well as augmenting the potential risk in the banking system.

In order to remain in control of such risks – in particular considering the immediate danger of the current world economic crisis spilling over into the country – in mid 2008, NBRM started tightening the monetary policy. In effect, NBRM raised treasury bills interest rates to 7% (5% in 2007), it raised the capital requirements for current account and credit card overdraft up to 125%, and it introduced monitoring of the growth of retail loans. The above mentioned measures severely hampered retail commercial financing in the final two months of 2008, extending into 2009, considering the decision by NBRM to introduce an even more stringent 11% ceiling on annual growth in retail loans for 2009.
In the last quarter of 2008, as a result of the turbulences that caused the world economic and financial crisis, the upward trends in bank and savings house operations of the first three quarters were reversed. The unrelenting international financial instability created further insecurity. Near the end of the year, lending to the private sector – a continuously growing segment in the first three quarters – marked a slowdown in monthly dynamics as a result of the banks' perception of the risk of further restriction of alternative sources of finance, the reduction of the deposit potential in the final months of 2008, as well as the above mentioned monetary policy measures on the part of NBRM.

In a situation of global economic recession, substantial drops in demand, expressed negative trends, and a shortage of liquidity in the banking sector, as well as plummeting stock market indices, there has been an evident slowdown of economic activity in all segment of everyday operations.

In Macedonia, in 2008, the immediate impact of the banking sector crisis was inconsiderable as the banks had not been exposed to subprime lending abroad and largely relied on local savings (around 80%) as a principal source of lending.

The global crisis spilled over to the national economy via a negative impact on securing sources of finance for local financial institutions. The limited access to foreign sources of finance at growing prices, as well as the competition on the local market in attracting retail and corporate savings, have caused an initial rise in the price of credit, and, later, a narrower offer of lending products. Stimulating local saving – a broadly accepted strategy of local financial institutions – has ensured an adequate source of finance for lending. However, in a situation of limited deposit potential and stringent foreign debt conditions, credit growth has fizzled out, in particular for retail lending.

Nevertheless, 2009 promises a likely multiplication of the indirect ramifications of the crisis that swept over the real sector near the end of 2008. In addition, the latest increase of commercial interest rates, in tandem with the NBRM measures to restrict lending growth will be the cause of substantial consequences on bank growth and profits.

The future economic orientation of the Republic of Macedonia will predominantly hinge on the efficiency of the economic, fiscal, and monetary measures undertaken by the Government of RM and NBRM, and their timely adjustment in order to maintain external stability, as well as on ensuring stimulus for local investment by means of tax, legal, regulatory, and political relaxing measures. Safeguarding the Denar foreign exchange rate remains a priority of the monetary policy in 2009.

Bearing in mind the events brought about by the global economic and financial crisis, the Savings House management is not in a position to forecast the events that will affect the banking sector and the broader economy, as well as the ramifications, if any, on the future financial position of the Savings House.

General

Impact of the global economic and financial crisis

The ongoing global financial and economic that emerged out of the severe reduction in global liquidity, which commenced in the middle of 2007, has resulted in a lower level of capital market funding, higher interbank lending rates and very high volatility in stock and currency markets. While liquidity levels of banking sector and wider global economy decreased on lower levels, the liquidity levels across the banking sector in Republic of Macedonia remained high.

The full extent of the impact of the ongoing global financial an economic crisis is providing to be difficult to anticipate or completely guard against.

In order to preserve structural liquidity NBRM has imposed minimum 100% fulfilment of obligatory limits for one and six month liquidity. Additionally, to preserve higher foreign currency liquidity, starting from 2009, NBRM will organize foreign currency deposits auctions with interest rates equal to those of central banks in euro zone, international financial institutions and yields of government bills of countries in euro zone.

Impact on liquidity

The volume of wholesale financing has reduced in 2008 compared to 2007. Such circumstances may affect the ability of the Saving House to obtain new favourable long-term borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. However, the funding base of the Bank is mostly dependant on stable deposit base. The overall market pressure towards increasing interest on domestic savings, which began in early 2008, may influence the future costs of funding and pricing policy.

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Impact on customers/borrowers

The Saving house's clients, both the borrowers and depositors, may be adversely affected by the financial and economic environment which could in turn impact their liquidity and their ability to repay the amounts owed. Deteriorating operating conditions for borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Impact on collateral (especially real estate)

The amount of the reserve for bad loans is based on the management's assessment of such assets on the day of the balance sheet, previously taking into account the cash flows that may emerge by activating the collateral less acquisition and auction costs. The market in Macedonia for a number of collateral types, real estate in particular, has not been significantly hit by the recent changes on the global financial markets, considering that the supply of real estate – residential in particular – is still lower than the demand. Nevertheless, anticipated lower household income and the potential dive of corporate liquidity in 2009 may reduce liquidity for certain types of collateral. In consequence, the actual value at which collateral assets may be foreclosed could deviate from the value assigned when appraising the reserve.

Fair value of financial assets and liabilities (excluding financial assets and liabilities directly affected by the credit crunch (e.g. mortgage backed securities)

The fair values of quoted investments in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). If there is no active market for a financial instrument, the Saving House establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

The financial statements of Stedilnica Moznosti DOO, Skopje have been prepared in accordance with Trade Law (Official Gazette No. 28/2004), the requirements of the Law on Banks (Official Gazette No. 67/2007),Decision for the conditions and activities of the Saving Houses (Official Gazette No. 79/2007) and Rule Book for accounting (Official Gazette No. 94/2004 and 11/2005 and Official Gazette No. 40/1997 and 73/1999) and they are showed in MKD thousands .

The preparation of financial statements in conformity with generally excepted accounting policies requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions.
Additional information is presented in the accounting policies and notes to the financial statements.

2.2 Foreign currencies

Assets and liabilities denominated in foreign currency are translated into MKD at exchange rates of NBRM valid at the end of the accounting period. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange rate:	**31 December 2008 MKD**	**31 December 2007 MKD**
USD	43.56	41.66
EUR	61.41	61.20
CHF	41.04	36.86

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously..

2.4 Interest income and expense

Interest income and expenses for all interest-bearing receivables and liabilities, are recognized within 'interest income' and 'interest expense.
Interest income and expenses are calculated and collected in accordance with the Macedonian legal laws or the agreement made between debtor and borrower.
Impairment is made when loans become doubtful of collection.

2 Summary of significant accounting policies (continued)

2.5 Fee and commission income and expense

Fees and commissions consist mainly of fees received from enterprises arising from loans and other banking activities. Fees and commissions are generally recognized on an accrual basis in the Income statement when the service has been provided.

2.6 Loans and advances to customers and impairment of bad and doubtful debts

Loans as a result of money approval directly to the customer are categorized as loans approved by the Saving House and are presented in the Balance sheet reduced for the special reservation.

Costs toward third parties for example court costs that come as a result of loan collateral are treated as transaction costs.

All loans are recognized when cash is advanced to the customer.

Special reservations are based on conducted analysis of the loan portfolio carried out by the management of the Saving house, according to the laws of the Republic of Macedonia.

The Saving house does not have write offs due to the fact that there are no loans that are considered to be uncollectible, and for which all legal possibilities are used.

If the impairment of bad and doubtful debts is reduced as a result of an event after the impairment, the reservation release is reflected as income at that moment.

The structure of the impairment of bad and doubtful debts is presented at note 8.

2.7 Tangible and intangible assets

Tangible and intangible assets are initially recognized at cost and subsequently decreased by accumulated depreciation.
Investments in progress are recognized at cost including the costs that increase their value. Depreciation is not calculated while the assets are categorized as investment in progress.

By activating the investments in progress, all accumulated costs are transformed at the relevant categories of tangible and intangible investments with calculated depreciation for annual rates that are relevant to the appropriate category of assets.

The decrease of tangible and intangible investments comprises of sales and expenditures decreased for the accumulated depreciation. Capital gains and losses that come out of these transactions are recognized in the Income statement.

Depreciation of tangible and amortization on intangible assets is calculated on a straight-line basis.
The depreciation rates are determined in a way that provides the value of tangible and intangible assets to be allocated in costs in the estimated period of usefulness according to the life cycles as shown below:

2 Summary of significant accounting policies (continued)

	Useful life
Buildings	40 years
Furniture and equipment	4-10 years

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash and balances with NBRM and government treasury bills.

2.9 Employee benefits

The Saving House, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax that are calculated on the basis of gross salaries and wages, food allowances and travel expenses according to the legislation. The Saving House makes these contributions to the Government's health and retirement funds, according to the legislative rates.

The regular contributions constitute costs for employees for the current year. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Savings house uses MCC19 - Employee benefits and has long-term responsibility to employees for severance wage, according to the legislative.
The Saving house recognizes liability and expense for share in profit and payments for bonuses to employees, members of the managing board and management.

2.10 Taxation

The income tax is paid in accordance with the Law on Profit tax. Monthly payments are made in advance. Income tax is calculated at the determined profit from the Income statement, corrected for certain items according to the legislative at a tax rate of 10%. (2007:12%).

2.11 Borrowings

Borrowings are recognized initially at cost which is the fair value of the received compensation.

2.12 Comparatives

Where necessary there is a change of comparative information in order to satisfy the comparability concept regarding the presentation changes in the current year.

3 Financial risk management in Savings House Moznosti

The Savings house's activities expose it to a variety of financial risks and therefore the adequate risk management is basic Savings house's aim. The efforts to maintain adequate balance between acceptable risk level and business stability and profitability are permanent. In that direction the operative risk is being monitored, evaluated and managed on a regular basis.

The most important types of risk are credit risk, liquidity risk, market risk and operative risk. Market risk includes interest rate risk and currency risk.

Risk management framework

Board of Directors has overall responsibility for the establishment and oversight of the Savings house's risk management framework. The Board of Directors has established the Management Board, Credit Committee and Liquidity Committee, which are responsible for monitoring and developing risk management policies in specific areas.

Regarding the organizational structure of the Savings house, the Risk and bad loan Management Department is responsible for monitoring and reporting of global risk exposure, while the Savings house's organizational units which create risk exposure are responsible for accepting and operative credit risk management, according to the Credit risk management policy and Portfolio management policy. Internal audit is responsible for the independent review of risk management.

According to the Savings house's risk management policies which include set of appropriate risk limits and risk controls, identifying, monitoring and risk's analysis are made on regular basis.

3.1 Credit risk

The Savings house takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay its liabilities, partially or in full, when they are due. Credit risk is the most important risk of the Savings house's business and therefore the Savings house carefully manages its exposure to credit risk. Principally, credit exposure arises in the lending activities.

3.1.1 Credit risk management

Credit risk management is performed as following:

1. Board of Directors is responsible for creation and implementation of the Credit Policy and Procedures for monitoring the implementation of the policy and procedures for assessment of loans and their management. All loans exposures that exceed 30.000 euros are approved by the Credit committee appointed by the Board of Directors of the Savings house. The maximum amount that the Savings house approves is 200.000 euros in denar counter value to one client (related parties included) within the frames of exposure of 10% from its own funds in accordance with the Decision for terms and manners of operating savings houses.

3 Financial risk management in Savings House Moznosti (continued)

3.1.1 Credit risk management (continued)

2. Credit Committee for clients' requests approvals is responsible for approval of all requests from clients, that refer to changes in terms of loans' payments (change in the interest rate, extended payment term, restructuring of the remaining debt and other)
3. Savings house's Credit committee is responsible of credit exposure approvals, according to the Board of Directors' decision for forming operative Credit Committees, that ensure functionality, flexibility and time efficiency in the process of decision making.
4. According to the law for banks and the regulations of the National Bank of the Republic of Macedonia (Central Bank) the Board of Directors has the authority to make decisions for write-offs of Savings house's claims.

3.1.2 Credit risk assessment

Loans

In assessing credit risk of loans and advances to customers and to Savings houses at a counterparty level, the Savings house uses three components: (1) the 'probability of default' by the client or counterparty on its contractual obligation (expected cash flows); (2) the likely recovery ratio on the defaulted obligations, the 'loss given default'; (3) the amount and quality of the collateral for the exposure.

(1) The Savings house assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. In the process of loan application as well as the process of loan approval more analysis are made to determine credit risk evaluation. That means analysis of the basic parameters of the customer, analysis of the official financial reports, analysis of the cash flow, assumptions for future cash flow and activities, attractiveness and collateral quality.
At this phase of the evaluation of the credit risk the subject of analysis of the application form is:

-analysis of the credit exposure towards the client, for which the Saving house on basis of assessment of the credibility evaluates that cash inflow are sufficient for payment of due commitments, not considering the financial weaknesses, as long as there are no indicating signs for further bed conditions of the customer;
-analysis of the cash flows of the customer that will provide fulfillment of the commitments at the due term;
-analysis of available information i.e. needed documentation for loan files;
-analysis of the customer liquidity and solvency.

(2) Loss given default or loss severity represent the Savings house's expectations of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigations.
Loan receivables are ranked in 5 risk categories.

Savings house internal rating grade

Savings house's rating grade A includes:

- Claims from the National Bank of the Republic of Macedonia and the Republic of Macedonia
- Credit exposure towards customer who settles its obligation towards the Savings house at maturity or up to 15 days overdue
- Credit exposure being fully secured by first class security instruments, as defined in NBRM Decision on classification of claims of banks, up to realization of the instrument, provided that the realization is not in term longer than 30 days after the claim's maturity.

Savings house's rating grade B includes:

- Credit exposure towards customer who repays its due obligations up to 45 days

Savings house's rating grade C (Sub-standard) includes:

- Credit exposure towards customer who repays its due obligations up to 46-90 days

Savings house's rating grade D+E includes:

- Credit exposure towards customer for whom there is a proposal at court for its lliquidation or bankruptcy and from whom the Savings House expects partial collection of its receivables
- Credit exposure towards a customer for whom a proposal is submitted to the authorized court and at the same time it is not being secured with a qualitative security instrument
- Credit exposure towards customer who usually fulfils its obligations with a delay from 91 up to 365 days, or towards customer who usually fulfils its obligations with delay longer than 365 days or does not fulfill them at all.

(3) The amount and quality of the collateral depends on the type (non movables, movables - inventories, receivables) and the possibility for its enforcement. The Savings house compulsory determines the market value of the property that is on lease (movables or non movables), with authorized valuator.

3.1.3 Risk limit control and mitigation policies

The Savings house manages and controls concentration of credit risk to individual and group basis, and to industries.

The Savings house structures the levels of credit risk it undertakes by analysis on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are constantly monitored on a basis of internal database and are subject to a daily analysis..

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate.

As measures for specific control and mitigation of credit risk prescribed in Saving house's internal act that regulates credit activities and procedures are obtaining collateral and credit-related contingencies.

(a) Collateral

Collateral is always considered as a secondary factor in granting a credit facility. Security by itself, in lack of ability to generate cash flow, is insufficient to justify the granting of credit facilities. The principal collateral types for loans and advances are:

(1) For corporate entities
- Deposits
- Non movables
- Movables (equipment, motor vehicles)
- Inventory
- Receivables
- Guarantees (bank guarantees, guarantees from legal entities)
- Physical persons –quarantors
- Bill of exchange

Loans approved to corporate entities are generally always secured with collateral.

(2) For individual entities
- Deposits
- Movables (equipment, motor vehicles)
- Non movables
- Guarantees (guarantees from legal entities)
- Physical persons – quarantors
- Bill of exchange

Loans to individual entities are generally always secured.

3.1.4 Impairment and provisioning policies

The Savings house establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss component that relates individually significant exposures.
According to the Savings house's policy, there are five internal rating grades. The majority of the impairment provision comes from the bottom two gradings. The table below shows the structure of Savings house's loans and advances portfolio regarding internal rating system and the associated impairment provision for each internal rating grade:

	2008		2007	
Risk category	**Loans %**	**Impairment%**	**Loans %**	**Impairment%**
Pass/acceptable for financing (A)	89.98	1.99	92.55	1.98
Watch (careful) (B)	5.86	10.00	4.65	10.00
Sub-standard (C)	1.56	25.00	0.98	25.00
Suspicious (doubtful)+Loss (D) + (E)	2.60	62.97	1.83	74.50
Total	**100**	**4.40**	**100**	**3.91**

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancement

	2008	**2007**
Loans and advances to banks	40,100	39,000
Loans to customers		
Loans to individuals		
-loans to individuals (mortgage, student, consumer loans)	446,843	425,577
-loans to individuals (business loans)	1,115,526	671,023
Loans to corporate entities	470,785	377,961
Treasury bills	-	-
Other assets	3,515	2,941
Total	**2,076,769**	**1,516,502**

The table above presents the worst case scenario of Saving House's credit risk exposure as at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet items, the exposure set out above is based on net carrying amounts as reported in the balance sheet.

As shown above, 2% of the total exposure is derived from loans and advances to banks (2007: 3%) and Loans to customers 98% (2007: 97%);
Management is confident in its ability to continue to control and sustain minimum exposure to credit risk resulting from loans and advances because of the sustained high quality of the loans and advances portfolio (category A).

3.1.6 Loan and advances

Loans and advances are summarized as follows:

	31 December 2008		31 December 2007	
	Loans and advances to customers	**Loans and advances to banks**	**Loans and advances to customers**	**Loans and advances to banks**
Neither past due nor impaired	2,038,280	40,100	1,491,492	39,000
Past due but not impaired	33,261	-	15,001	-
Impaired	55,250	-	28,028	-
Gross	**2,126,791**	**40,100**	**1,534,521**	**39,000**
Less: allowance for impairment	(93,637)	-	(59,960)	-
Net	**2,033,154**	**40,100**	**1,474,561**	**39,000**

a) Loans and advances neither past due nor impaired

	Degree of investment (A) 2008	**Degree of investment (A) 2007**
Loans and advances to banks	40,100	39,000
Loans to customers		
Loans to individuals:		
- loans to individuals (mortgage, student,, consumer loans)	450,297	429,853
-loans to individuals (business loans)	1,115,095	680,688
Loans to corporate entities	472,888	380,951
Total	**2,078,380**	**1,530,492**

The quality of the of loans and advances that are neither past due nor impaired is evaluated according to the internal system of the Saving house.

b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class of customer that were past due but not impaired were as follows:

31 December 2008

	Up to 30 days	Up to 90 days	Over 90 days	Total
Loans to individuals				
-loans to individuals (mortgage, student, consumer loans)	-	4,962	-	4,962
-loans to individuals (business loans)	-	18,426	-	18,426
Loans to corporate entities	-	9,873	-	9,873
Total	**-**	**33,261**	**-**	**33,261**
Value of collateral	**-**	**34,919**	**-**	**34,919**

31 December 2007

	Up to 30 days	Up to 90 days	Over 90 days	Total
Loans to individuals				
-loans to individuals (mortgage, student, consumer loans)	-	4,570	-	4,570
-loans to individuals (business loans)	-	4,517	-	4,517
Loans to corporate entities	-	5,914	-	5,914
Total	**-**	**15,001**	**-**	**15,001**
Value of collateral	**-**	**36,041**	**-**	**36,041**

c) Loans and advances individually impaired

1) The breakdown of individually impaired loans and advances to customers by class and the fair value of related collateral are as follows:

	2008	2007
Loans to individuals		
- loans to individuals (housing, student, consumer)	10,934	7,591
-loans to individuals (business loans)	30,006	7,143
Loans to corporate entities	14,310	13,294
Total	**55,250**	**28,028**
	47,294	**33,906**

(2) As at 31 December 2008 and 2007 the Saving House doesn't have individually impaired loans and advances to banks. The Saving House doesn't have nor keeps collateral for loans and advances to banks.

d) Loans and advances renegotiated

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position or if the Savings House has made concession that it would not otherwise consider. Once the loan is restructured it remains in the same rating grade at least two quarters independent of satisfactory performance after restructuring, except when the quality of the loan was improved and the loan was transferred in a less risky category.

31 December 2008	**Carrying amount**
Re-structured loans	20,121

31 December 2007	**Carrying amount**
Re-structured loans	4,824

3.1.7 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

According to the law regulation and the policy of the Saving House, all activities are placed on the territory of the Republic of Macedonia.
(b) Industry sector

The following table breaks down the Saving House's credit exposure at their carrying amount, categorized by industry sector of its counterparties.

	Total	Financial services	Industry	Commerce	Consumer loans	Agriculture	Other	Services
Assets								
Loans and advances to banks	40,100	40,100	-	-	-	-	-	
Loans and advances to customers								
Loans to individuals	1,629,720	-	49,111	210,302	466,194	683,558	24,303	196,252
Loans to corporate entities	497,071	-	95,793	181,704	-	26,971	29,637	162,966
Other assets	3,515	-	-	-	-	-	3,515	
Total assets as at 31 December 2008	**2,170,406**	**40,100**	**144,904**	**392,006**	**466,194**	**710,529**	**57,455**	**359,218**
Less: Impairment	(93,637)	-	(9,256)	(20,044)	(19,350)	(27,326)	(1,602)	(16,059)
Net portfolio as at 31 December 2008	**2,076,769**	**40,100**	**135,648**	**371,962**	**446,844**	**683,203**	**55,854**	**343,159**
Total assets as at 31 December 2007	**1,576,462**	**39,000**	**118,083**	**265,972**	**442,012**	**455,325**	**34,261**	**221,809**
Less: Impairment	(59,960)	-	(7,116)	(13,277)	(16,435)	(13,359)	(1,154)	(8,619)
Net portfolio as at 31 December 2007	**1,516,502**	**39,000**	**110,967**	**252,695**	**425,577**	**441,966**	**33,107**	**213,190**

3.2 Interest rate risk and currency risk

The Savings house takes on exposure to interest rate risk and currency risk. Interest rate risk and currency risk arises from open positions in interest rate and currency, all of which are exposed to general and specific market movements. The Savings house estimates the interest rate risk and currency risk of positions held and the maximum losses expected based upon a number of assumptions for various changes in market conditions.

3.2.1 Interest rate risk and currency risk measurement

Regarding management and measuring of these risks, the Savings house's management through adequate analysis and reporting process, is monitoring on a regular basis:

- the interest rate changes regarding market movements and internal decisions and their influence on interest bearing assets and liabilities and the interest rate margin;
- changes of foreign currency rates regarding foreign currency assets and liabilities and maintenance of adequate structure regarding foreign exchange risk exposure;

The aim of the Savings house is maximizing the stability and profitability, by applying the optimum combination of foreign currency and interest rate structure of the assets and liabilities.

3.3 Foreign currency risk

The Savings house is exposed to the effects of foreign currency fluctuation that influence the Savings house's income statement and cash flow.
Foreign currency risk management comprises of:
- Analysing the effects of managing the foreign currency risk on Savings house's results
- Establishing internal limits for foreign currency risk position by different currency – related to Savings house's own funds
- Analysing reports for Savings house's foreign currency risk exposure and monitoring the undertaken activities for managing such risk
- Monitoring of economic and other circumstances in witch the Savings house operates, as well as monitoring of the circumstances of the environment.

Savings house's exposure to foreign currency risk

Total assets and liabilities expressed in thousands euros MKD analyzed as denar and foreign currency balance are presented in the table below:

	EUR	USD	MKD	Other	Total
Assets					
Cash at banks and balances with the NBRM	2,316	202	20,812	243	23,573
Loans and advances to banks	-	-	40,100	-	40,100
Loans and advances to Customers	2,031,287	-	1,867	-	2,033,154
Interest receivables	24,444	-	-	-	24,444
Other assets	-	-	3,515	-	3,515
Total assets as to 31 December 2008	**2,058,047**	**202**	**66,294**	**243**	**2,124,786**
Liabilities					
Deposits	-	-	254,691	-	254,691
Borrowings	1,292,182	23,958	117,081	50,219	1,483,440
Other liabilities	50,999	653	20,326	36	72,014
Total liabilities as to 31 December 2008	**1,343,181**	**24,611**	**392,098**	**50,255**	**1,810,145**
Net balance sheet position 2008	**714,866**	**(24,409)**	**(325,804)**	**(50,012)**	**314,641**
As at 31 December 2007					
Total assets	**1,494,393**	**125**	**59,116**	**213**	**1,553,847**
Total liabilities	**935,069**	**27,806**	**230,418**	**59,033**	**1,252,326**
Net balance sheet position 2007	**559,324**	**(27,681)**	**(171,302)**	**(58,820)**	**301,521**

The sensitive analysis of the change in the exchange rates is as a result of changes of certain currencies on basis of statistical data that indicate stability of the rate of the euro against the denar and instability of the rate of the dollar.
At 31 December 2008, had the exchange rate between the MKD and EUR increased or decreased by 0.5%; between MKD and USD increased or decreased by 3%; between MKD and swiss frank increased or decreased by 1%; the potential effect on the Income statement for 2008 will be positive/negative for MKD 2,920,000 (2007: MKD 3,401,000 negative/positive).

3.4 Interest rate risk analysis

The Savings house's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Savings house is also exposed to basic risk, which is a result of the difference in reprising characteristics of the various floating rate indices, such as the savings rate, three or six months EURIBOR/LIBOR and different types of interest. Risk management activities are aimed at optimizing net interest income at given market interest rate levels consistent with the Savings house's business strategies. Assets-liability risk management activities are conducted in the context of the Savings house's sensitivity to interest rate changes. In general, the Savings house is asset sensitive because of the majority of the interest-earning assets and liabilities; the Savings house has the right simultaneously to change the interest rates. However the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

As at 31 December 2008	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Tota
Assets							
Cash at banks and balances with the NBRM	-	-	-	-	57,345	6,328	63,67
Loans and advances	67,083	117,728	569,181	1,115,996	163,166	-	2,033,15
Interest receivables	-	-	-	-	24,444	-	24,44
Other assets	-	-	-	-	-	3,515	3,51
Total assets as at 31 December 2008	**67,083**	**117,728**	**569,181**	**1,115,996**	**244,955**	**9,843**	**2,124,78**
Liabilities							
Deposits	65,162	40,865	121,459	27,205	-	-	254,69
Borrowings	72,321	392,095	120,947	796,493	101,584	-	1,483,44
Other liabilities	-	-	-	-	24,549	47,465	72,01
Total liabilities as at 31 December 2008	**137,483**	**432,960**	**242,406**	**823,698**	**126,133**	**47,465**	**1,810,14**
Total interest re - pricing gap	**(70,400)**	**(315,232)**	**326,775**	**292,298**	**118,822**	**(37,622)**	**314,64**
As at 31 December 2007							
Total assets	**48,465**	**89,151**	**394,821**	**843,932**	**169,361**	**8,117**	**1,553,84**
Total liabilities	**131,039**	**199,318**	**105,448**	**717,608**	**54,839**	**44,074**	**1,252,32**
Total interest re- pricing gap 2007	**(82,574)**	**(110,167)**	**289,373**	**126,324**	**114,523**	**(35,957)**	**301,52**

The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. At 31 December 2008, if interest rates had been 100 basis points higher/lower with all other variables were held constant, the effect on Saving house's

Income statement for 2008 be MKD 3,916,000 positive/negative (2007: MKD 3,400,000 positive/negative). There is no impact of interest rate change to equity.

3.5 Maturity analysis

Liquidity risk is the risk that the Savings house is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of liquidity risk may be Saving house's failure to meet obligations to repay savings depositors and fulfill commitments to lend.

3.5.1 Liquidity risk management process

Liquidity risk management policy of the Savings house defines the method of managing the Savings house's liquidity. Perception and monitoring of Savings house's liquidity is a postulate of its stability and successful working. Implementation of the liquidity risk management policy is done by using defined risk management process which includes planning and managing with cash flows, maintaining adequate structure of assets and liabilities, financial instruments for liquidity risk management, adequate diversification of deposits and other liabilities by maturity and client, monitoring the maturity of assets and liabilities, monitoring the off-balance sheet items, monitoring liquidity ratios, liquidity stress testing and continuity plan in irregular conditions, reporting to Savings house's bodies and adequate management information system and responsibilities of Savings house's organizational units in liquidity risk management process. Savings house's aim is maximizing the profitability, by applying the optimum combination of maturity and foreign currency structure of the assets and liabilities.

The table below analyses Savings house's assets and liabilities according to their maturity structure, so that the remaining liabilities are presented according to their maturity date on the Balance Sheet date and the expected maturity for assets.

Maturities of assets and liabilities

As at 31 December 2008	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits	65,161	40,865	121,459	27,206	-	254,691
Borrowings	38,310	73,108	315,498	1,235,624	81,676	1,744,216
Other liabilities	50,874	2,754	17,393	876	117	72,014
Total liabilities	**154,345**	**116,727**	**454,350**	**1,263,706**	**81,793**	**2,070,921**
Total assets	**149,415**	**119,218**	**569,604**	**1,115,997**	**246,582**	**2,200,816**

As at 31 December 2007	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits	48,383	32,566	105,448	23,438	-	209,835
Borrowings	55,059	45,792	194,720	832,727	10,985	1,139,283
Other liabilities	42,834	6,675	7,393	846	32	57,780
Total liabilities	**146,276**	**85,033**	**307,561**	**857,011**	**11,017**	**1,406,898**
Total assets	**120,956**	**89,577**	**395,957**	**843,935**	**177,590**	**1,628,015**

3.6 Financial Instruments

Fair value

The financial assets and liabilities reflected in the accompanying balance sheets include cash and cash equivalents, securities, receivables from banks and approved loans to clients, deposits from customers and credit liabilities. The financial instruments are grouped as assets, liabilities or owners equity in accordance with the appropriate risk. The accounting value of cash and cash equivalents, securities, loans to clients as well as deposits and credit liabilities in the balance sheet is approximate to their respective objective value.

3.7 Capital management

The Savings house's objectives regarding capital managements are:

- To comply with the capital requirements by the regulative of NBRM;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are regularly monitored by the Savings house's management, using techniques prescribed by national regulatory authority (National Bank of the Republic of Macedonia). The required information is submitted to regulatory authority on a quarterly basis.

NBRM requires that each Savings house has to maintain capital adequacy ratio above 8%.

The Savings house's regulatory capital is divided in two groups:

- Basic capital that includes: ordinary and non-cumulative non-voting shares and share premium, statutory reserves and retained earnings or loss, items as result of consolidation, less: intangible assets;
- Additional capital I that includes: cumulative non-voting shares and share premium, hybrid capital instruments and subordinated instruments.

According to national regulations, the risk-weighted assets (on-balance and off-balance) are measured by means of a hierarchy of four risk weights (0%, 20%, 50% and 100%) classified according to the nature of assets, taking into consideration the collateral or guarantees.

The capital adequacy ratio is calculated by dividing the Saving house's own funds with total credit risk-weighted assets (both on-balance sheet and off-balance sheet).

The table bellow summarizes the compositions of Savings house's regulatory capital and the capital adequacy ratio for the years ended 31 December regarding the requirement of the National Bank of the Republic of Macedonia and the submitted quarter financial statements to NBRM.

Notes to the financial statements for the year ended 31 December 2008
(All amounts in MKD thousands unless otherwise stated)

Tire 1 capital	**2008**
Ordinary and non-cumulative non-voting shares and share premium	300,152
Statutory reserves and retained earnings or loss	68,966
Items as result of consolidation	-
Deductions from Tire 1 capital (from intangible assets)	3,805
Total qualifying Tire 1 capital	**365,313**
Tire 2 capital	
Cumulative non-voting shares and share premium	-
Hybrid capital instruments	-
Subordinated instruments	-
Total qualifying Tire 2 capital	-
Deductions from regulatory capital	-
Total regulatory capital	**365,313**
Credit risk-weighted assets	
On-balance sheet	2,068,571
Off-balance sheet	-
Total credit risk-weighted assets	**2,068,571**
FX risk-weighted assets	**-**
Capital adequacy ratio	**17.7%**

Notes to the financial statements for the year ended 31 December 2008
(All amounts in MKD thousands unless otherwise stated)

Tire 1 capital	**2007**
Ordinary and non-cumulative non-voting shares and share premium	300,152
Statutory reserves and retained earnings or loss	42,677
Items as result of consolidation	-
Deductions from Tire 1 capital (from intangible assets)	1,810
Total qualifying Tire 1 capital	**341,019**
Tire 2capital	
Cumulative non-voting shares and share premium	-
Hybrid capital instruments	-
Subordinated instruments	-
Total qualifying Tire 2 capital	**-**
Deductions from regulatory capital	-
Total regulatory capital	**341,019**
Credit risk-weighted assets	
On-balance sheet	1,522,994
Off-balance sheet	-
Total credit risk-weighted assets	**1,522,994**
FX risk-weighted assets	**-**
Capital adequacy ratio	**22%**

4. Net interest income

	2008	2007
Interest and similar income		
Loans and advances:		
- to corporate entities	58,324	54,451
- to individuals	211,667	134,391
Government and state institutions	-	574
Banks	451	437
	270,442	**189,853**
Interest expense and similar charges		
Banks	96,063	52,812
Individuals	19,205	11,675
Other	88	22
	115,356	**64,509**

5 Net fee and commission income

	2008	2007
Fee and commission income		
Corporate entities	8,057	9,210
Individuals	34,075	27,581
	42,132	**36,791**
Fee and commission expense		
Banks and financial institutions	8,239	3,997
	8,239	**3,997**

6 Other operating income

	2008	2007
Other	4,295	3,025
	4,295	**3,025**

7 Other operating expenses

	2008	2007
Salaries and wages	65,844	61,319
Materials and services	33,283	31,615
Depreciation of property and equipment and amortization of intangible assets	10,828	10,308
Administration and marketing costs	8,561	5,612
Rent	7,099	5,625
Costs for temporary contracts	350	247
Business trip costs	2,973	1,584
Insurance premiums	1,620	3,018
Other	3,517	685
	134,075	**120,013**

8 Impairment charge for credit losses

	2008	2007
Impairment of loans and advances to customers	33,677	11,895
Impairment of interest	(2,631)	(3,762)
	31,046	**8,133**

9 Income tax expense

	2008	2007
Profit before tax	**24,610**	**38,049**
Tax calculated at a tax rate of 10% (2007: 12%)	2,461	4,566
Increase for:		
- expenses non tax deductible according to local regulations	595	865
Decrease for:		
- investments in property and equipment	-	-
- collected written-off receivables	-	(243)
Income tax expense	**3,056**	**5,188**

The Public revenue office has the authority to make tax control for the year that ends 31 December 2008. The tax authorities may at any time inspect the books and records up to 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Saving house's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

10 Cash and balances with the NBRM

	2008	2007
Cash in hand	6,328	5,176
Local currency accounts with banks	9,168	7,949
Foreign currency exchange account with bank	1,696	1,700
Included in cash and cash equivalents (Note 24)	**17,192**	**14,825**
Statutory reserves with NBRM	6,381	4,622
Total cash and balances with the NBRM	**23,573**	**19,447**

The Saving house is obliged to provide mandatory reserve at the National Bank of the Republic of Macedonia in MKD.

The mandatory reserve in MKD at 31 December 2008 presents 2,5 % of the average daily balance of the total MKD savings deposits during the preceding month. The National Bank of the Republic of Macedonia pays 2% (2007: 2%) interest on the mandatory reserve's amount in MKD.

11 Loans and advances to banks

	2008	2007
Placements with domestic banks	40,100	39,000
Included in cash and cash equivalents (Note 24)	40,100	39,000
Current	**40,100**	**39,000**

12 Loans and advances to customers

	2008	2007
Individuals (retail customers)	1,629,720	1,134,361
Corporate entities	497,071	400,160
Less: allowance for impairment	(93,637)	(59,960)
	2,033,154	**1,474,561**
Current	753,993	532,437
Non-current	1,279,161	942,124

Movement in provisions for impairment for 2008 are as follows:

	Loans to individuals	Loans to corporate entities	Total
Balance at 1 January	37,762	22,198	59,960
Provision for loan impairment	29,589	4,088	33,677
Write-off	-	-	-
Balance at 31 December	**67,351**	**26,286**	**93,637**

Movement in provisions for impairment for 2007 are as follows:

	Loans to individuals	Loans to corporate entities	Total
Balance at 1 January	26,827	21,474	48,301
Provision for loan impairment	11,171	724	11,895
Write – off	(236)	-	(236)
Balance at 31 December	**37,762**	**22,198**	**59,960**

13. Interest receivables

	2008	2007
Interest receivable	9,043	5,638
Accrued interest	23,084	17,015
	32,127	**22,653**
Less: impairment provision	(7,683)	(4,755)
Balance at 31 December	**24,444**	**17,898**

Movement in impairment is as follows:

	2008	2007
Balance at 1 January	4,755	4,001
Net charge to income statement	(2,631)	(3,762)
Accrued interest	5,559	4,516
Balance at 31 December	**7,683**	**4,755**

14 Property and equipment

Cost of property and equipment and relevant depreciation on 31 December 2008 is presented bellow:

	Leasehold improvements	Buildings	Equipment	Assets in course of construction	Total
At 1 January 2007					
Cost	5,672	47,565	33,404	4,127	90,768
Accumulated depreciation	(1,598)	(1,266)	(13,431)	-	(16,295)
Net book amount	**4,074**	**46,299**	**19,973**	**4,127**	**74,473**
Year ended December 2007					
Opening net book amount	4,074	46,299	19,973	4,127	74,473
Additions	-	-	6,443	737	7,180
Transfers	-	-	3,543	(3,543)	-
Disposals and write off	-	-	(93)	-	(93)
Depreciation charge	(1,135)	(1,188)	(6,582)	-	(8,905)
Closing net book amount	**2,939**	**45,111**	**23,284**	**1,321**	**72,655**
At 31 December 2007					
Cost	5,672	47,565	43,297	1,321	97,855
Accumulated depreciation	(2,733)	(2,454)	(20,013)	-	(25,200)
Net book amount	**2,939**	**45,111**	**23,284**	**1,321**	**72,655**
Year ended 31 December 2008					
Opening net book amount	2,939	45,111	23,284	1,321	72,655
Additions	-	-	9,490	1,865	11,355
Transfers	-	-	1,449	(1,449)	-
Disposals and write off	-	-	(906)	-	(906)
Depreciation charge	(1,069)	(1,189)	(6,802)	-	(9,060)
Closing net book amount	**1,870**	**43,922**	**26,515**	**1,737**	**74,044**
At 31 December 2008					
Cost	5,672	47,565	53,331	1,737	108,305
Accumulated depreciation	(3,802)	(3,643)	(26,816)	-	(34,261)
Net book amount	**1,870**	**43,922**	**26,515**	**1,737**	**74,044**

As at 31.12.2008, the Savings House has put under mortgage buildings with net carrying value of MKD 39,646,000 (2007: MKD 40,924,000) as a collateral for revolving loan from NLB Tutunska Banka A.D Skopje (Note 18).

15 Intangible assets

	2008	2007
Cost		
Balance at 1 January	5,628	4,818
Additions	1,454	811
Balance at 31 December	**7,082**	**5,629**
Accumulated amortisation		
Balance at 1 January	(4,116)	(2,804)
Charge for the year	(980)	(1,312)
Balance at 31 December	**(5,096)**	**(4,116)**
Net book value at 31 December	**1,986**	**1,513**

16 Other assets

	2008	2007
Pre-payments	719	1,649
Inventory of office materials	1,009	610
Receivables for advance payments for payroll' tax and contributions	1,290	6
Other assets	497	676
	3,515	**2,941**
Current	3,515	2,938
Non-current	-	3

17 Other deposits

	2008	2007
Individuals		
- Demand deposits	18,090	20,900
- Time deposits	236,601	188,935
	254,691	**209,835**
Current	227,483	186,397
Non-current	27,208	23,438

18 Borrowings

	2008	2007
Financing sources		
Taiwan Credit line	23,960	27,077
Macedonian Bank for Development Promotion	93,838	75,033
Macedonian enterprise development foundation for employment support and development of micro and small businesses	183,267	190,110
Ministry of Finance –IFAD	81,600	81,725
HABITAT	77,624	14,056
Humanitarian association Moznosti	79,229	24,525
NLB Tutunska Banka A.D Skopje	206,975	174,375
Symbiotics	245,649	244,806
DWM	307,061	153,004
EBRD	184,237	-
	1,483,440	**984,711**
Current	343,113	219,621
Non-current	1,140,327	765,090

As at 31.12.2008, the Saving House has put under mortgage buildings with net carrying value of thousands MKD 39,645 (2007: thousands MKD 40,924) as a collateral for revolving loan from NLB Tutunska Banka A.D Skopje in amount of EUR 1,000,000 due 5 years after contract signing and approved on 31 July 2006.

19. Interest and fee liabilities

	2008	2007
Interest liabilities	126	187
Accrued interest	24,549	13,707
Fee and commission	241	-
	24,916	**13,894**
Current	24,072	13,894
Non-current	844	-

20. Other liabilities

	2008	2007
Prepayment of liabilities	33,220	27,412
Suppliers payables	3,073	6,011
Wages and salaries liabilities	5,709	4,744
Accrued costs	1,584	2,929
Liabilities for less paid Income Tax	-	1,226
Other liabilities	3,512	1,564
	47,098	**43,886**
Current	46,980	43,804
Non-current	118	82

21. Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and borrowings. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year-end, are as follows:

	Directors and Members of the Board of Directors		Related companies with directors and members of the Board of Directors		Associated companies (M)	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Income statement						
Interest income	503	548	-	149	-	-
Interest expense	-	-	-	-	3,469	221
Balance Sheet						
Loans						
Loans outstanding at 1 January	4,238	509	176	1,307	-	-
Loans issued during the year	3,701	3,487	3,729	-	-	-
Loan repayments during the year	(884)	(473)	(176)	(1,131)	-	-
Loans to members of the Board assigned in the current year	-	715	-	-	-	-
Loans outstanding at 31 December	**7,055**	**4,238**	**3,729**	**176**	**-**	**-**
Other assets	**-**	**-**	**-**	**-**	**-**	**34**
Deposits						
Balance at 1 January	8,102	1,625	-	-	-	-
Deposits received during the year	5,200	11,795	-	-	-	-
Deposits repaid during the year	(10,418)	(10,849)	-	-	-	-
Interest not due	37	16	-	-	-	-
Balance at 31 December	**2,921**	**2,587**	**-**	**-**	**-**	**-**
Borrowings						
Balance at 1 January	-	-	-	-	24,524	8,094
Loans issued during the year	-	-	-	-	60,929	18,357
Loans repayments during the year	-	-	-	-	(6,224)	(1,927)
Balance at 31 December	**-**	**-**	**-**	**-**	**79,229**	**24,524**

22. Share capital

As at 31.12.2008 share capital of the Saving house is thousands MKD 300,152 (2007: thousands MKD 300,152)

23. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are comprised of:

	2008	2007
Cash at banks and balances with the NBRM (part of Note 10)	17,192	14,825
Loans and advances to bank (Note 11)	40,100	39,000
	57,292	**53,825**

24. Post balance sheet events

After the balance sheet day, no material events that need additional disclosure in the financial statements occurred.