SAVINGS HOUSE MOZNOSTI DOO SKOPJE

Financial Statements

For the year ended

31 December 2019

with the Independent auditors' report

Contents

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAVINGS HOUSE MOZNOSTI DOO - Skopje

We have audited the accompanying financial statements of Savings House Moznosti DOO - Skopje ("The Savings House"), which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period 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 the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Law and International Standards on Auditing which are accepted and published in the Official gazette of the Republic of Macedonia (79/2010). 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 judgement, 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 polices used and the reasonableness of accounting estimates made by the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
SHAREHOLDERS OF
SAVINGS HOUSE MOZNOSTI DOO - Skopje

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Savings House Moznosti DOO as of 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards.

Skopje, 29 June 2020

Certified Auditor	Manager and Certified Auditor
Milena Jovanova Dimoska	Antonio Veljanov

Друштво за ревизија
МУР
СТИВЕНС
ДОО
СКОПЈЕ

Statement of comprehensive income
For the year ended 31 December 2019

	Note	*in MKD '000* Current year 2019	Previous year 2018
Interest income		189.863	191.797
Interest expense		(36.939)	(37.855)
Net interest income	6	**152.924**	**153.942**
Fee and commission income		1.845	1.979
Fee and commission expense		(1.092)	(1.127)
Net fee and commission income	7	**753**	**852**
Net foreign exchange gains	8	(200)	(288)
Other operating income	9	17.736	17.323
Net impairment loss on financial assets	15,16,18	(13.241)	(9.136)
Net impairment loss on foreclosed assets		(23)	(24)
Personnel expenses	10	(88.058)	(85.529)
Depreciation and amortisation	11	(10.095)	(7.941)
Other expenses	12	(45.455)	(49.444)
Profit before tax		**14.341**	**19.755**
Income tax expense	13	(2.747)	(3.220)
Profit for the year		**11.594**	**16.535**
Other comprehensive income			
Total comprehensive income		**11.594**	**16.535**

The financial statements were authorised for issue by the Savings House sole owner on 25 June 2020 and were signed on its behalf by:

Emilija Krajčeva
Chief executive officer

Штедилница
МОЖНОСТИ
ДОО
Скопје

(all amounts are stated in MKD '000 unless otherwise indicated)

Statement of financial position
As at 31 December 2019

	Note	in MKD '000 Current year 2019	Previous year 2018
Assets			
Cash and cash equivalents	14	211.931	181.075
Loans and advances to banks	15	-	-
Loans and advances to customers	16	1.513.416	1.451.509
Investment securities	17	370	16.790
Current tax assets		213	-
Other assets	18	2.912	2.764
Assets acquired through foreclosure procedure	19	8.434	8.457
Intangible assets	20	10.222	13.587
Property and equipment	21	52.492	54.646
Total assets		**1.799.989**	**1.728.828**
Liabilities			
Deposits from customers	22	791.532	783.410
Other borrowed funds	23	498.177	443.355
Subordinated liabilities	24	38.353	38.357
Provision for employee benefits	25	1.948	1.844
Current tax liabilities		-	634
Deferred tax liabilities	13	843	846
Other liabilities	26	31.002	20.596
Total liabilities		**1.361.855**	**1.289.042**
Equity			
Issued capital	27	300.152	300.152
Reserves		118.777	115.466
Retained earnings		19.205	24.168
Total equity attributable to the owners of the Saving house		**438.134**	**439.786**
Total liabilities and equity		**1.799.989**	**1.728.828**

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Chief executive officer

Штедилница МОЖНОСТИ ДОО Скопје

Statement of changes in equity

In MKD '000	Issued Capital	Statutory reserves	Retained earnings	Total equity and reserves
Balance at 1 January 2018	300.152	112.649	21.719	434.520
Total comprehensive income for the year				
Profit for the year	-	-	16.535	16.535
Total comprehensive income for the year	-	-	16.535	16.535
Transactions with owners, recognized in the equity				
Allocation of statutory reserve	-	2.817	(2.817)	-
Dividends paid	-	-	(11.269)	(11.269)
Transactions with owners, recognized in the equity	-	2.817	(14.086)	(11.269)
Balance at 31 December 2018	**300.152**	**115.466**	**24.168**	**439.786**
Balance at 1 January 2019	300.152	115.466	24.168	439.786
Total comprehensive income for the year				
Profit for the year	-	-	11.594	11.594
Total comprehensive income for the year	-	-	**11.594**	**11.594**
Transactions with owners, recognized in the equity				
Allocation of statutory reserve	-	3.311	(3.311)	-
Dividends paid	-	-	(13.246)	(13.246)
Transactions with owners, recognized in the equity	-	3.311	(16.557)	(13.246)
As of December 31 2019	**300.152**	**118.777**	**19.205**	**438.134**

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Emilija Krajčeva
Chief executive officer

Штедилница
МОЖНОСТИ
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Statement of cash flows
For the year ended 31 December 2019

	Note	in MKD '000 current year 2019	in MKD '000 previous year 2018
Cash flows from operating activities			
Profit before income tax		14.341	19.755
Adjustment for:			
Depreciation and amortisation			
intangible assets	11	3.968	2.130
property and equipment	11	6.128	5.811
Gain on sale from:			
property and equipment	9	(60)	(427)
Loss on sale of:			
property and equipment	12	-	-
assets acquired through foreclosed procedure	12	5	-
Interest income	6	(189.863)	(191.797)
Interest expenses	6	36.939	37.855
Impairment losses on financial assets	15,16,17	59.172	9.136
Impairment loss on foreclosed assets		23	24
Employee benefits provision		(45.930)	-
additional		410	535
release		(162)	(102)
Interest received		-	-
Interest paid		(12.133)	(14.957)
Other		151.568	159.220
Operating profit before changes in operating assets		**24.406**	**27.183**
Change in loans and advances to banks			
Change in loans and advances to customers		(61.907)	(53.414))
Change in assets acquired through foreclosure procedure		-	-
Change in other assets		(148)	403
Change in deferred tax assets		(3.199)	(2.746)
Change in deposits from customers		8.122	61.349
Change in other liabilities		10.406	9.593
		22.320	**42.367**
Income taxes paid		(398)	(885)
Net cash (used in)/from operating activities		**(22.718)**	**41.482**
Cash flows from investing activities			
Acquisition of investment securities		16.421	56.977
Acquisition of intangible assets		(603)	(10.623)
Acquisition of property and equipment		(3.980)	(7.430)
Proceeds from sale of property and equipment		60	427
Net cash (used in)/from investing activities		**11.898**	**39.351**
Cash flows from financing activities			
Repayment of other borrowed funds		161.926	(466.901)
Proceeds from other borrowed funds		(107.105)	426.401
Proceeds from subordinated liabilities		(4)	26.057
Dividends paid		(13.245))	(11.268)
Other proceeds from financing activities		104	(238)
Net cash used in financing activities		**41.676**	**(25.949)**
Net (decrease)/ increase in cash and cash equivalents		**30.856**	**54.885**
Cash and cash equivalents at 1 January		181.075	126.191
Cash and cash equivalents at 31 December	14	**211.931**	**181.075**

The financial statements were authorised for issue by the Savings House sole owner on 25 June 2020 and were signed on its behalf by:

Штедилница МОЖНОСТИ ДОО Скопје

Emilija Krajčeva
Chief executive officer

1. Introduction

a) General information

(i) Name of the Savings House, as per the Savings House Charter and the court registration of the Savings House

Savings House MOZNOSTI DOO, Skopje (hereinafter: the Savings House) is a limited liability company with registered offices in the Republic of North Macedonia. The founder of the Savings House is the Moznosti Centre for Education and Entrepreneurship, a partner organisation of Opportunity International. The Savings House operates in line with the regulations of the National Bank of the Republic of North Macedonia and conducts all its business operations according to licence 02-14/289-2000.

(ii) Address of the Savings House head office

111 Jane Sandanski blvd.
1000 Skopje
Republic of North Macedonia

(iii) Primary operations of the Savings House

- Accepting monetary deposits in denars from physical persons
- Approving loans to physical and legal entities in line with the regulations
- Taking loans from local banks
- Placing assets in government securities
- Fx operations

(iv) Date of approval for issuing financial statements from the Savings House sole owner

The financial statements were authorised for issue by the Savings House sole owner on 25 June 2020.

(v) Directors

The names of the directors working at top positions during the year are presented hereafter:

CEO	Snežana Andova
Finance, Accounting and Treasury Division Director	Emilija Krajčeva
Branch Network Director	Darko Nedelkovski
Director of the Logistic, Sales and Banking Operations Division	Ana Kuzmanovska Risteska
Legal and Service Division Director	Marta Trpovska
Human resources director	Suzana Kostova

b) Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and are not statutory financial statements.

(ii) Functional and presentation currency

These financial statements are presented in Macedonian denar (“MKD”), which is the Saving House’s functional currency. Except as indicated, financial information, presented in MKD has been rounded to the nearest thousand.

(iii) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects future periods as well.

Information about judgement by the management and critical estimates in applying accounting policies that have the most significant effect on the financial statements are described in Note 1. d.

(iv) Changes in accounting policies

The Saving House has consistently applied the accounting policies as set out in Note 1.c to all periods presented in these financial statements.

(v) Changes in accounting estimates

For the year ended 31 December 2019, there were no changes in the accounting estimates.

c) Significant accounting policies

The accounting policies presented hereafter have been applied consistently for all periods presented in these financial statements.

(i) Financial assets and liabilities

Recognition

The Savings House initially recognises loans and advances, deposits and borrowed funds on the date at which they are originated, at cost. All other financial assets and liabilities are initially recognised on trading date at which the Saving House becomes a party to the contractual provisions of the instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Savings House has transferred its rights to receive cash flows from the asset and all risks and rewards of ownership or in which the Saving House neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Every residual of the transferred financial assets created or withheld by the Savings House is recognized as separate assets or liability.
The Saving House derecognise financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

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

Amortized cost measurement

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, less the principal repayments, plus or minus accumulated amortization, using the effective interest method of any difference between the initially recognized amount and the maturity amount, less any impairment losses.

Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Saving House has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Saving House measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Saving House uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Saving House determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Saving House measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Saving House recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment losses

The Savings House assesses at least quarterly whether there is objective evidence that financial asset or group of financial assets is impaired. Financial assets are impaired only if there is objective evidence of impairment that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows that can be reliably estimated.

The Savings House considers evidence of impairment for loans and receivables on an individual basis.

(ii) ***Cash and cash equivalents***

Cash and cash equivalents include cash balance on hand, demand deposits with banks and government bills with original maturity of less than 3 months. Cash equivalents are short-term, highly liquid investments that mature within three months or less from the day of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position, usually equal to their nominal value, and they are readily converted into cash with insignificant risk of change in value.

(iii) **Foreign currency transactions**

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

The foreign currency the Savings House predominantly deals with is (EUR) and the exchange rates used for translation on 31 December 2019 and 2018 were as follows:

	2019	**2018**
	MKD	**MKD**
1 EUR	61,48	61,49

(iv) Loans and advances and impairment

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Savings House does not intend to sell immediately or in the near term.

Loans and receivables are initially recognized at fair value plus incremental direct costs and are subsequently carried at amortized cost using the effective interest method.

The loans derived from approving money directly to the borrower are categorised as loans approved by the Savings House, and they are recognised in the Statement of financial position less the impairment for loan receivables.

All approved undisbursed loans are stated off-balance.

The financial assets or group of financial assets are impaired only if there is objective evidence of impairment that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows that can be reliably estimated.

Criteria used by the Savings House in order to establish whether there is present objective evidence for impairment include:

- Significant financial difficulties of the issuer of financial instrument or the debtor;
- Factual violation of agreement, such as avoiding payment or being overdue regarding payment per interest or principal;
- Restructuring programme in case of financial difficulties of the creditor, which are not generally provided to the Saving house clients;
- Strong possibility that the debtor will enter a bankruptcy procedure or other type of financial reorganization;
- Disappearance of an active market for the financial asset due to financial difficulties; or
- Information indicating that a measurable decrease in assessed future cash flows from a group of financial assets, since the primary acknowledgement of the stated, even though the decrease cannot be individually linked to the financial assets including:

- negative changes in debtor's solvency (for instance an increased number of overdue payments or increased number of debtors per credit cards reaching their maximum allowed limit while paying minimal monthly amount; or
- national or local economic conditions in proportion to damage of assets (for instance increase of unemployment rate in the geographic region of the debtor, decrease of property prices in the stated region, the latter is used as security, decrease of price of oil for credits of oil producers or negative changes in the industrial conditions affecting the debtors).

The Savings House primarily carries out an assessment whether the objective evidence for impairment is present for individual financial assets with individual significance, and individually or collectively, for financial assets not individually significant. If the Savings House establishes that no objective evidence for damage is present regarding the individually assessed financial assets, regardless of their significance, it includes the assets within a group of financial assets with similar features of credit risk and carries out a group assessment of their damage.

Impairment loss on assets carried at amortized cost is measured as difference between the carrying amount of financial assets and the present value of estimated future cash flows, discounted at the asset’s original effective interest rate. Impairment losses are recognized in profit or loss and reflected in allowance account against loans and receivables. If in the subsequent period, the amount of impairment loss is decreased, the impairment loss is reversed through profit or loss.

The Savings House writes off receivables that it knows are uncollectible, where all legal remedies for collection have been exhausted and write off receivables after two years after the Savings House has allocated 100% of impairment for the receivables.

(v) Investments

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

Investments held to maturity

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

Held to maturity investments are carried at amortized cost using an effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available-for-sale and Savings House will not be able to classify investments as held-to-maturity for the current and next two years.

Available for sale investments

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available for sale investments are carried at fair value except the unquoted equity securities whose fair value cannot be reliably measured, that are carried at cost less impairment loss.

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

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

(vi) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Subsequent costs

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

Depreciation

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

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

Buildings	2,5%
Furniture and equipment	10 - 25%

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

(vii) Intangible assets

Recognition and measurement

Intangible assets acquired by the Saving House are stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditures

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

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible assets.

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

Software	25%

Amortization methods, estimated useful lives and residual values are reviewed at each financial reporting date.

(viii) Leased assets – lessee

Leases in terms of which the Saving house assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Saving house’s statement of financial position.

(ix) Impairment losses on non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. For asset that do not 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.

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 depreciation or amortisation, if no impairment loss had been recognized in the previous years.

(x) Assets acquired through foreclosed procedures

Foreclosed assets are assets acquired in exchange for uncollectible loans. Foreclosed assets are initially recorded at the lower of its fair value, less cost to sell, and the carrying amount of the loan at the date of foreclosure. After recognition the assets acquired are measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss.

(xi) Employee benefits

Defined contribution plans

The Savings House pays employee contributions towards pension and health insurance, employment and personal income tax calculated on the basis of gross salaries, in line with the regulations. The Savings House pays such contributions to the Pension and Disability Insurance Fund of Republic of North Macedonia, and to the Health Insurance Fund of Republic of North Macedonia, at the legally prescribed rates. The Savings House has no additional liability in respect to these plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Regulated contributions are part of the personnel expenditure for the current year. The expenditure for such payments is presented in the profit or loss in the same period when the expenditure for employee net salaries is stated.

Other long term employee benefits

In accordance with internal act the Savings House pays two average salaries to its employees at the moment of retirement according the terms determined with the Labour Law and the General collective agreement. The long-term employee benefits are discounted to determine their present value.

(xii) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, through other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date of 10%, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent for which is probable that 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.

(xiii) Deposits from customers

The Savings House only accepts denar savings deposits from individuals. In accordance with legislation, legal entities and charity organisations may not open savings accounts.

The Moznosti Savings House is a member of the Deposit Insurance Fund, and all savings deposits of the Savings House are insured with the Deposit Insurance Fund.

According to their term, the savings deposits may be:

- Demand deposits
- Term savings deposits

The deposits are initially recorded at their fair value, plus incremental direct costs directly linked to undertaking or issuing of the financial liability, and are subsequently carried at amortised cost using the effective interest method.

(xiv) Other borrowed funds

Other borrowed funds are initially recorded at their fair value, plus incremental direct costs, and are subsequently carried at amortised cost using the effective interest method.

(xv) Subordinated liabilities

Subordinated liabilities are initially recorded at their fair value, plus incremental direct costs, and are subsequently carried at amortised cost using the effective interest method.

(xvi) Other liabilities

Other liabilities are initially recorded at cost, which is the fair value of the consideration received on the date that they are originated and are subsequently carried at amortised cost using the effective interest method.

(xvii) Provisions

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

(xviii) Owner’s capital and reserves

Registered owners capital is classified as equity. Incremental costs directly attributable to registering of owner’s capital are recognised as a deduction from equity, net of any tax effects. Registered capital is stated on a separate account in the amount registered with the Trade Registry at incorporation, or if change in the value of the capital.

In the statutory reserves, the Savings House allocates 20% of the profit, until the amount of the statutory reserve reaches 30% of the owner’s capital.

If the reserve created is reduced, it must be compensated for until it reaches the stipulated minimum.

The legally required reserve may be used to cover loss.

Dividends

Dividends are recognized as a liability in the period in which they are declared by the Savings House’s owner.

(xix) Interest income and expenses

Interest income and expense are recognised in the profit or loss using the effective interest method when:

- it is likely that the economic benefits of the transaction will present revenue/expenditure for the Savings House;

- there is a possibility for reliable measurement of interest revenue/expenditure.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. If an analysis determines that the fees for financial services, related to interest-bearing instruments that are not measured at fair value through profit or loss, are part of the effective interest rate of the financial instrument.

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

Interest income and expense presented in the statement of comprehensive income include:

• interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis.

(xx) Fees and commission income and expenses

Fees and commission income are recognised as the related services are performed. Fees and commission are recognised on an accrual basis.

The first thing to distinguish is whether the fees and commission are:

- Integral part of the effective interest rate - and they are treated as interest income/expenses.

- Earned at the moment of providing the services - such commissions and fees are recognised as fees and commission income and expenses at the moment when the respective service has been rendered.

(xxi) Lease payments made

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

(xxii) Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Savings House recognizes as expenses the related costs for which the grants are intended to compensate. Government grants are not recognized until there is reasonable assurance that the Savings House will comply with the conditions attaching to them and that the grants will be received.
Government grants related to income are presented as part of profit or loss, under Other income.

d) Use of estimates and judgments

(i) Preparation of financial statements is in accordance with the IFRS and requires managerial judgments, estimates and assumptions that impact the application of IFRS and the presentation of assets and liabilities, contingences and the income and expenses at the reporting date. The actual results might differ from these estimates.

Additional information is stated in the accounting policies and the corresponding notes to the financial statements.

Variability/uncertainties of the accounting estimation

Allowance for impairment of loans and advances

Assets accounted for at amortised cost are assessed for impairment on a basis described in accounting policy 1 c (i).

The Savings House reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit and loss the Savings House 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 adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in a group.

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

Information about significant areas of estimation uncertainty that have the most significant effect on the amount recognized in the financial statements are described below:

Valuation of financial instruments

The fair value measurements is disclosed in the accounting policy 1 c(i).

The Savings House measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

e) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the Savings House are set out below. The Savings House does not plan to adopt these standards early.

New and revised standards effective for annual periods beginning on or from 1 January 2019

At the date of authorization of these financial statements, certain new standards and amendments and interpretations of existing standards have been published by the IASB. All relevant publications have been applied to the Savings House's accounting policies in the first period beginning at the effective date of the publication. New standards / amendments have no significant effect over the Savings House's financial statements.

The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2019:

- IFRS 16 "Leases" – contains the principles of recognition, measurement and disclosure of leases for both parties of the lease. The implementation of this standard does not have significant effect on the financial statements of the Savings House.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements 2015-2017 cycle
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Interpretation 23 Uncertainty over Income Tax Treatments

Standards, amendments to and interpretations of the existing standards that are not effective yet and have not been applied prior to the effective date by the Savings House

The following standards and amendments will become effective for the annual periods beginning on or after 1 January 2020:

- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8 Definition of Material
- Revised Conceptual Framework for Financial Reporting
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The following standards and amendments will become effective for the annual periods beginning on or after 1 January 2021:

- IFRS 17 Insurance Contracts

2. Risk management disclosures

In its operation, the Savings House is exposed to a variety of financial risks, making adequate risk management a main objective of the Savings House. There are perpetual efforts to maintain an adequate balance between an acceptable level of risk, on one hand, and stability and profitability in operations, on the other. In this respect, operative risk entails its continuous monitoring, assessment and management.

The most important types of risk are credit risk, liquidity risk, market risk, and operative risk. Market risk includes change of interest rates of financial assets and liabilities (without trading assets) and currency risk.

Risk management framework

The sole owner has full responsibility to establish the risk management framework. It appoints the management body, the Credit Board, and the Assets and Liabilities Management Committee. These bodies are responsible for monitoring and developing the risk management policies in particular areas.

The Risk and Bad Loan Management Department is in charge of monitoring, reporting and managing the overall credit risk exposure, whereas the organisational units of the Savings House creating risk exposure are responsible for the acceptance and operative management of credit risk, in line with the Credit Risk Management Policy and the Portfolio Management Policy.

In line with the Savings House risk management policies, including a set of adequate risk limits and controls, certain risks are identified, existing risks are continuously monitored and analysed on a daily basis.

2.1 Credit risk

2.1.1 Nature of and exposure to risk

The Savings House is exposed to credit risk, a risk that the client might not be able to settle partially or fully their liabilities when due. Credit risk is the most important risk in the Savings House operation. In principle, credit exposure arises from lending.

Credit risk follows the operation from the moment of submission of the loan application and until the client settles their liabilities in full. In the approval process a decision is made whether the Savings House is prepared to accept the risk and place assets under certain terms. The approval process includes several stages, analyses, visits, and is concluded with a decision. All credit exposures are regularly monitored through information systems, contact is established with each and every client, reports are prepared, and corrective actions are taken. Managing the risk portfolio is an inevitable part of regular operations. The purpose of this activity is to reduce the adverse effects and collect the receivables, as well as to introduce corrections in the Savings House Credit Policy on the bases of the established deficiencies.

2.1.2 Credit risk management (Goals, policies and processes of the Savings House, and methods for measuring risk)

The sole owner is in charge of creating and implementing of the Credit Policy and the procedures for monitoring the implementation of that policy, and the procedures for evaluating loans and their management. All credit exposures are approved by different types of Credit Committee appointed by the Savings House sole owner. The maximum exposure should not exceed 5% of the Savings House own funds, for bank credit exposures, savings houses, foundation organizations, insurance companies, leasing companies, local self-government units and other legal entities regulated by special laws, i.e. maximum EUR

200,000 for other individuals and legal entities, to persons associated with them, which is within the exposure limit of 10% of own assets.

Risk Management Board is in charge of establishing and following credit risk management policy and proposing its future review, assessment of risk management systems, analysis of statements for exposure of the Savings House to this risk and following the activities undertaken in order to manage credit risks, establishment and regular review of limits of credit risk exposure, defining possible exceptions regarding the defined limits and delegating responsibility when deciding upon application of stated exceptions, granting restructuring of receivables.

Client application credit committee is responsible for making a decision regarding all client applications in relation to contractual assignment of debt to new debtor, collateral replacement, issuing documents and other requests, agreements and documents.

2.1.3 Credit risk assessment

Loans

The Savings House assesses the probability of default using internal assessment tools adapted to the various client categories. They have been developed internally and are a combination of statistical analyses and the individual assessment of the loan officer, and, if possible, they are verified by comparison to externally available data. In the process of preparing a loan application, as well as in the loan approval process, there are multiple analyses carried out for assessment of the credit risk. It implies an analysis of the principal parameters of the applicant, and analysis of official financial statements, an analysis of cash flows, projections of future cash flows and the development component of operations, the attractiveness of the industry and the quality of the collateral.

At this stage of assessing the credit risk, the analysis of the loan application involves:

-analysis of credit exposure to a client, based on an creditworthiness assessment, considers the cash flows to be in sufficient to settle due liabilities on time, regardless of the presented current financial weaknesses, provided that there are no signs of future worsening of the client's financial condition;

- analysis of the client's cash flows that would allow them timely settlement of their liabilities;

- analysis of available information;

-analysis of client's liquidity and solvency.

The losses in case of untimely settlement of liabilities represent the expectations of the

Savings House regarding the level of loss from unpaid receivables. It is calculated as a percentage loss per unit of exposure and it usually varies depending on the type of the client, the type of the receivable, and the availability of collateral or other credit security.

2.1.4 Control of risk exposure limits and risk protection policies

The Savings House manages and controls credit risk concentration on individual and collective basis, as well as by sectors.

The Savings House structures the level of accepted credit risk by an analysis of the level of acceptable risk per borrower, or group of borrowers, as well as per geographic and sector segments. Such risks are continuously monitored on the basis of internal databases, and they are subject to daily analysis.

Type of the collateral is prescribed in the internal policies of the Savings House for credit activities and procedures as a method for the measurement and specific control for credit risk reduction.

(a) Collateral

The collateral is always considered as a secondary factor in assessing the creditworthiness. The collateral alone, without the ability to generate cash flow, is insufficient to justify the approval of the loan. The principal types of collateral include:

(1) For legal entities

- Deposits
- Real estate
- Movable property (equipment, motor vehicles)
- Inventory
- Receivables
- Guarantees (bank guarantees and guarantees by legal entities)
- Individuals - guarantors
- Bills of exchange

(2) For individuals

- Deposits
- Movable property (equipment, motor vehicles)
- Real estate
- Guarantees (guarantees by legal entities)
- Physical persons - guarantors
- Bills of exchange

2.1.5 Impairment losses policies

The Savings House has established a method for determination of impairment losses. In line with the Savings House policy starting from 01.01.2019, there are three credit risk groups (2018: five internal credit risk categories (A, B, C, D and E). Last two categories are with highest % of impairment).

2.1.6 Maximum exposure to credit risk without taking into account collateral

The management is convinced that the credit risk exposure can be controlled and maintained to minimums as a result of the high quality of the credit portfolio (group 1).

2.1.6.1 Loans

a) Outstanding loans and Savings House placements not subject to impairment

In line with the procedure for the classification of exposure and the individual assessment of impairment for regular loans, as well when in the process of discounting cash flows there is a negative difference between the carrying amount value and the present value of the cash flows, the Savings House determines additional allowance for impairment.

b) Past due, but not impaired

In line with the procedure for the classification of exposure and the individual assessment of impairment, the Savings House, as a rule, assesses impairment for all loans that are fall due.

c) Loans subject to individual impairment

Due receivables which are not collected are subject to individual impairment, according to the procedure for classification of exposure and impairment determination on individual bases, according to the legal regulations.

d) Restructured loans

Restructured loans are loans that are restructured as a result of the worsened financial condition of the client, or when the Savings House estimates that the loan exposure cannot be treated differently.
Once a loan is restructured, it is placed in risk category C for at least six months following the restructuring, and an additional six months in risk category B.
The restructured credit exposure can be placed in risk category A, if it is in the last year of the probation period. "Probation period" shall denote a period of two years from the date of the restructuring or from the date of the fulfillment of the conditions for exclusion of credit exposure from the category of restructured non-performing credit exposure.

2.1.7 Concentration of risk from financial assets with credit risk exposure

a) Industry

Overall credit exposure is analysed and categorised by industry.

b) Location

In line with the legal regulations and the Savings House policies, all credit activities are carried out on the territory of the Republic of North Macedonia.

c) Concentration of exposure by target groups, segments, sectors and products

According to internal policies, the Savings House monitors and prepares reports for the exposure concentration and the quality of the portfolio in different categories (target group, segment, sector and product).

Exposure to credit risk

	Loans and advances to banks		**Loans and advances to customers**	
in MKD '000	Current year 2019	Previous year 2018	Current year 2019	Previous year 2018
Individually impaired				
Group 1	-	-	1.491.538	1.429.470
Group 2	-	-	24.674	29.163
Group 3	-	-	46.384	49.729
Gross amount	-	-	1.562.595	1.508.362
Allowance for impairment	-	-	(49.178)	(56.852)
Carrying amount	**-**	**-**	**1.513.417**	**1.451.510**
Grade A	-	-	-	-
Grade B	-	-	-	-
Grade C	-	-	-	-
Grade D	-	-	-	-
Grade E	-	-	-	-
Gross amount	-	-	-	-
Allowance for impairment	-	-	-	-
Carrying amount	**-**	**-**	**-**	**-**
Past due but not impaired:				
Up to 30 days	-	-	-	-
30 – 60 days	-	-	-	-
60 – 90 days	**-**	**-**	**-**	**-**
90 – 180 days	-	-	-	-
180 days +	-	-	-	-
Carrying amount	**-**	**-**	**-**	**-**
Neither past due nor impaired:				
Restructured	-	-	-	-
Not restructured	-	-	-	-
Carrying amount	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**
Total carrying amount	**-**	**-**	**1.513.417**	**1.451.510**

For more details regarding the allowance for impairment of loans and advances to customers see note 16.

2.1 Credit risk (continued)

Individually impaired assets by risk grade

Set out below is an analysis of the gross and net (of allowance for impairment) of individually impaired assets by risk grade:

	Loans and advances to banks		**Loans and advances to customers**	
in MKD ‘000	Gross	Net	Gross	Net
31 December 2019				
Individually impaired				
Group 1	-	-	1.491.538	1.476.854
Group 2	-	-	24.674	23.378
Group 3	-	-	46.384	13.185
	-	**-**	**1.562.595**	**1.513.417**
31 December 2018				
Individually impaired				
Group 1	-	-	1.429.470	1.412.659
Group 2	-	-	29.163	27.213
Group 3	-	-	49.729	11.638
			1.508.362	**1.451.510**

Fair value of collateral held against loans and advances to customers

	Loans and advances to customers	
in MKD ‘000	Current year 2019	Previous year 2018
Cash collateral	3.857	7.606
Corporate guarantees (other than from banks and from insurance companies)	44.915	27.914
Apartments	86.445	95.865
Business premises	82.119	92.745
Movable lien	7.562	4.805
Total	**224.898**	**228.935**

The table above does not include fair value of collateral such as bills of exchange, since their fair value cannot be determined.

Financial and non-financial assets obtained by foreclosure of the collateral

There are no foreclosures in 2019 and 2018.

2.1 Credit risk (continued)

Concentration of credit risk by industries and activity

	Loans and advances to banks		Loans and advances to customers	
in MKD '000	Current year 2019	Previous year 2018	Current year 2019	Previous year 2018
Agriculture, forestry and fisheries	-		25.897	32.675
Ore and rock extraction	-	-	852	1.095
Food industry	-	-	22.195	21.967
Textile industry and production of garments and footwear	-	-	255	877
Chemical industry, production of construction materials, oil production and processing, pharmaceutical industry	-	-	2.518	1.795
Production of metals, machines, tools and equipment	-	-	552	558
Other types of processing industry	-	-	1.502	2.412
Construction	-	-	12.029	11.584
Wholesale and retail trade; reparation of motor vehicles and motorcycles	-	-	23.092	25.772
Transport and storage	-	-	23.457	29.064
Accommodation premises and catering service	-	-	5.871	4.885
Information and communication	-	-	571	494
Financial and insurance operations	-	-	-	-
Activities for properties	-	-	-	-
Professional, scientific and technical activities	-	-	1.570	2.831
Administration and associated service activities	-	-	4.077	6.709
Education	-	-	642	230
Operations in compulsory social and health insurance	-	-	2.221	2.380
Art, amusement and recreation		-	1.893	1.099
Other service activities	-		2.965	2.943
Individuals	-	-	1.381.258	1.302.142
Total	**-**	-	**1.513.417**	**1.451.510**

Concentration of credit risk by geographical location

	Loans and advances to banks		Loans and advances to customers	
in MKD '000	Current year 2019	Previous year 2018	Current year 2019	Previous year 2018
Concentration by location				
Republic of North Macedonia	-	-	1.513.417	1.451.510
Total	**-**	**-**	1.513.417	**1.451.510**

2.2 Liquidity risk

2.2.1 Nature and exposure

Liquidity risk is the risk that the Savings House will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

2.2.2 Management of liquidity risk (Goals, policies and processes of the Savings House, and methods used to measure risk)

The liquidity risk management policy of the Savings House defines the method of managing the liquidity of the Savings House. The established liquidity policy is executed through a defined risk management process, including projecting and managing cash flows, maintaining an adequate structure of assets and liabilities, defining the financial instruments used for liquidity risk management, adequate diversification of deposits and other liabilities by maturity and clients, monitoring the maturity of assets and liabilities, monitoring off-balance items, monitoring liquidity indicators, stress scenarios and emergency situation plans, informing the competent body in the Savings House and an adequate information system and responsibilities of the organisation units in the Savings House in the processes of liquidity risk management.

Within liquidity risk management, the Savings House has established an appropriate tracking system of its asset resources, starting from its major depositors and persons related to them as well as a system accomplishing certain level of asset resources diversity, defined by:

- Liquidity management system;
- Maintaining appropriate liquidity level;
- Reporting to NBRNM.

The system contains the following components:

- Organizational structure for liquidity risk management;
- Procedures and policies of internal control and audit;
- Adequate information system;
- Stress tests;
- Plan for emergency situation

The sole owner of the Savings House is responsible for:

- Approves the policies and procedures for liquidity risk management, which are monitored by the Supervisory Board;
- Approves the liquidity risk management policy and monitors its implementation Approves and follows the plan for liquidity risk management in extraordinary circumstances;
- Reviews the adequacy of the adopted policy (at least annually);
- Approves limits on exposure to liquidity risk;
- Approves and revises internal liquidity indicators;
- Approves the internal liquidity ratios.

(all amounts are stated in MKD '000 unless otherwise indicated)

Supervisory Board is responsible for:

- Reviews the liquidity risk management policies;
- Reviews the liquidity risk reports.

The Risk Management Committee is responsible for:

- Reviews and assesses the liquidity risk and determines the acceptable level of liquidity risk in order to minimize losses;
- Establishing and monitoring the policy for liquidity risk management and making suggestions for its revision;
- Assessment of the system for managing liquidity risk;
- Determines the short term and long term liquidity risk strategies;
- Analysis of reports on the Saving House's exposure to liquidity risk and monitoring activities undertaken for risk management;
- Determination and regular review of internal liquidity indicators and exposure limits to liquidity risk;
- Defining the possible exceptions to the defined limits and assignment of responsibility for deciding on the application of these exceptions;
- Establishing procedures and manner of performing stress testing;
- Reports to the Supervisory Board on a monthly basis and Audit Committee on a quarterly basis for any amendments of the liquidity risk strategies, liquidity position, effects and undertaken measures.

Maturity analysis of financial liabilities

Financial liabilities **2019**	Carrying amount	Gross nominal outflow	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	**More than 5 years**
Deposits from customers	791.532	(819.353)	(56.554)	(62.855)	(279.748)	(263.514)	(156.655)	(27)
Other borrowed funds	498.177	(530.278)	(29.088)	(11.526)	(106.219)	(115.766)	(263.811)	(3.867)
Subordinated debt	38.353	(43.009)	-	-	(1.290)	(1.227)	(40.491)	-
Other liabilities	31.845	(31.845)	(15.732)	(891)	(4.633)	(3.738)	(6.851)	-
Total financial liabilities	**1.359.907**	**(1.424.485)**	**(101.375)**	**(75.272)**	**(391.891)**	**(384.246)**	**(467.808)**	**(3.894)**

Financial liabilities **2018**	Carrying amount	Gross nominal outflow	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	**More than 5 years**
Deposits from customers	783.410	(811.892)	(45.742)	(56.436)	(314.368)	(273.583)	(121.736)	(28)
Other borrowed funds	443.355	(471.284)	(21.187)	(28.450)	(103.029)	(113.989)	(169.677)	(34.952)
Subordinated debt	38.357	(43.503)	-	-	(1.290)	(1.043)	(30.870)	(10.300)
Other liabilities	21.442	(21.442)	(4.942)	(1.851)	(7.273)	(3.053)	(4.323)	-
Total financial liabilities	**1.286.564**	**(1.348.121)**	**(71.871)**	**(86.737)**	**(425.960)**	**(391.668)**	**(326.606)**	**(45.280)**

2.3 Market risk

2.3.1 Risk of change in interest rates and the Fx rates in the Savings House operations portfolio

Nature and exposure

Market risk management

Market risk management includes adequate identification, measurements and control of the changes of the assets and liabilities that may be affected by the market movements of interest rates and foreign exchange rates.
Steps for market risk management are:

- Measurement of market risk:
  - defined stress test procedures
  - adequate internal information system

Measurement of market risk includes assessment of losses during normal market conditions and losses during extra ordinary market conditions. The Savings House analyses the effect of the market movement over the own funds and net profit taking into account the complexity of its financial activities.
The Savings House has established General procedure for stress testing and appropriate information system which allows appropriate measurement and assessment of market risk. The system provides regular reporting to management regarding the market risk.

(all amounts are stated in MKD '000 unless otherwise indicated)

2.3 Market risk (continued)
Analysis of assets and liabilities sensitive to fluctuations in market risk

	Profit/ (loss)	**Own Funds**	**Risk Weighted Assets**	**Capital adequacy**
	in MKD '000	*in MKD '000*	*in %*	*in %*
2019 (current year)				
Amount prior to analyses of sensitivity/ stress-tests (balance on 31.12.2019)	11.594	445.365	2.053.419	21.69%
Effects from applied scenarios				
Risk from Fx rate change (state different scenarios separately, including scenario's basic features)				
Change of middle MKD rate to foreign currencies, i.e. increase of middle Fx rate by: - 0,5% increase of middle Fx rate of MKD to EUR - 3% increase of middle Fx rate of MKD to US Dollar	11.607	445.378	2.053.421	21.69%
Change of middle Fx rate of MKD to foreign currencies, i.e. decrease of middle Fx rate by: - 0,5% decrease of middle Fx rate of MKD to EUR - 3% decrease of middle Fx rate of MKD to US Dollar	11.581	445.365	2.053.417	21.69%
Risk from interest rates change (state different scenarios separately, including basic scenario's features)				
Increase of active and passive interest rates by 100 basic points	20.081	453.852	2.053.961	22.10%
Decrease of active and passive interest rates by 100 basic points	3.107	445.365	2.052.877	21.69%

	Profit/ (loss)	**Own Funds**	**Risk Weighted Assets**	**Capital adequacy**
	in MKD '000	*in MKD '000*	*in %*	*in %*
2018 (current year)				
Amount prior to analyses of sensitivity/ stress-tests (balance on 31.12.2018)	16.535	447.034	1.936.285	23.09%
Effects from applied scenarios				
Risk from Fx rate change (state different scenarios separately, including scenario's basic features)				
Change of middle MKD rate to foreign currencies, i.e. increase of middle Fx rate by: - 0,5% increase of middle Fx rate of MKD to EUR - 3% increase of middle Fx rate of MKD to US Dollar	16.554	447.053	1.936.288	23.09%
Change of middle Fx rate of MKD to foreign currencies, i.e. decrease of middle Fx rate by: - 0,5% decrease of middle Fx rate of MKD to EUR - 3% decrease of middle Fx rate of MKD to US Dollar	16.516	447.034	1.936.282	23.09%
Risk from interest rates change (state different scenarios separately, including basic scenario's features)				
Increase of active and passive interest rates by 100 basic points	19.634	450.133	1.936.827	23.24%
Decrease of active and passive interest rates by 100 basic points	13.436	447.034	1.935.743	23.09%

2.3.2 Managing the risk of interest rate fluctuations in the portfolio of the banking activities

The Savings House has established a management system of fluctuation of interest rates risk in the Savings House operations portfolio, in line with the scale, nature and complexity of the financial activities it carries out. The stated system comprises the following:

- Organizational structure of managing the fluctuation of interest rates risk in the Savings House operations portfolio, Policy and procedures to manage fluctuation of interest rates risk in the Savings House operations portfolio;
- Assessment, monitoring and control of fluctuation of interest rates risk in the Savings House operations portfolio and reporting as well as including an appropriate information system and
- Actions and procedures on internal control and audit.

The management of the Savings House through an adequate analysis and reporting processes, on regular basis follows the interest rates fluctuation due to market movements and internal decisions, and their impact on interest-bearing assets and liabilities and the interest margin. The goal of the Savings House is to maximise stability and profitability by applying and optimal combination of the Fx structure and the interest rate of assets and liabilities. The Savings House is exposed to risk from the fluctuation of interest rates by virtue of the fact that interest-bearing assets (including investments) and interest-bearing liabilities mature or their interest rate fluctuates in various periods or in various amounts.

The appropriate organizational structure implies:

- Clearly defined powers and responsibilities of the bodies of the Savings House;

- Defining the tasks and responsibilities of the respective organizational units responsible for measuring, monitoring and controlling the risk of fluctuations in interest rates;

- Clear separation and independence of the function of measuring and monitoring the risk of fluctuations in interest rates from the function of investment in items that represent exposure to risk from fluctuations in interest rates.

Sole Owner is responsible for:

- Approves the policies and procedures for interest rate risk management, which are monitored by the Supervisory Board;
- Approves the interest rate risk management policy;
- Reviews the adequacy of the adopted policy (at least annually);
- Approves limits on exposure to interest rate risk;
- Approves and revises internal interest rate risk indicators and ratios;

Supervisory Board is responsible for:

- Reviews the interest rate risk management policies;
- Reviews the interest rate risk reports.

The Risk Management Committee is responsible for:

- Establishing and monitoring the policy for interest rate risk management and making suggestions for its revision;
- Determination and regular review of interest rate risk indicators and exposure limits to the risk;
- Defining the possible exceptions to the defined limits and assignment of responsibility for deciding on the application of these exceptions;
- Establishing procedures and manner of performing stress testing;

Reports to the Supervisory Board on a monthly basis and Audit Committee on a quarterly basis for any amendments of the interest rate risk strategies, liquidity position, effects and undertaken measures.

2.3 Market risk (continued)
Exposure to interest rate risk

in MKD '000	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years
2019 (current year)				
Financial assets				
Cash and cash equivalents	133.237	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	34.961	63.553	336.652	435.451
Investment securities	370	-	-	-
Total interest sensitive financial assets	**168.568**	**63.553**	**336.652**	**435.451**
Financial liabilities				
Deposits from customers	(47.959)	(46.305)	(292.982)	(249.062)
Other borrowed funds	(5.310)	(298.337)	(129.000)	-
Subordinated debt	-	-	-	-
Total interest sensitive financial liabilities	**(53.269)**	**(344.642)**	**(421.982)**	**(249.062)**
Total based position, net	**115.299**	**(281.089)**	**(85.330)**	**186.389**

Summary of interest rate gap position is as follows:

in MKD '000	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years
2018 (current year)				
Financial assets				
Cash and cash equivalents	123.978	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	24.655	43.286	437.351	464.722
Investment securities	-	10.871	5.920	-
Total interest sensitive financial assets	**148.633**	**54.157**	**443.271**	**464.722**
Financial liabilities				
Deposits from customers	(34.616)	(23.002)	(382.721)	(220.220)
Other borrowed funds	(4.473)	(317.657)	(81.100)	-
Subordinated debt	-	-	-	-
Total interest sensitive financial liabilities	**(39.089)**	**(340.659)**	**(463.821)**	**(220.220)**
Total based position, net	**109.544**	**(286.502)**	**(20.550)**	**244.502**

2.3.3 Currency risk

Nature and exposure

Currency risk management (goals, policies and processes of the Savings House, and method used to measure risk)

Risk management policy implies anticipation of risk by establishing and function of an effective risk management system. It should enable protection from unforeseen events and possible threats towards prevented planned policy.

The Savings House has established a currency risk management system which includes:

Analysis of the effects of currency risk management on results from the Savings House operations;
Analysis of reports regarding the Savings House’s exposure to currency risk and following activities undertaken for risk management;
Following economic and other conditions of the Savings House operations as well as economic events in its environment.

Identification, measurement and control of currency risk comprises all activities and transactions which are registered in the balance and off-balance evidence in Fx and denars indexed by Fx clause and which according to the book regulations are being rated on regular basis.

Basic indicators for currency risk exposure are as follows:

Ratio of Fx and denar exposure of the Savings House;
Ratio of Fx and denar exposure of the Savings House regarding equity;
Ratio of aggregated Fx position with the Savings House’s own assets.

As regards the management and measurement of this risk, the Savings House management regularly follows by means of adequate analysis and reporting processes: the changes in the foreign exchange rates as regards the assets and liabilities presented in foreign exchange and the maintenance of an adequate structure regarding Fx risk exposure

The goal of the Savings House is to maximise stability and profitability by applying an optimal combination of the Fx structure and interest rate of assets and liabilities.

The appropriate organizational structure for managing currency risk includes clearly defined powers and responsibilities of the Savings House bodies, and defining the tasks and responsibilities to appropriate departments in the Savings House in charge of monitoring the currency risk of the Savings House and its management (same as for other risks explained above).

2.3 Market risk (continued)

2.3.3 Currency risk (continued)

in MKD '000	MKD	EUR	Total
2019 (current year)			
Financial assets			
Cash and cash equivalents	165.803	46.128	211.931
Loans and advances to banks	-	-	-
Loans and advances to customers	1.191.072	329.162	1.520.234
Investments securities	370	-	370
Other assets	2.912	-	2.912
Total	**1.360.157**	**375.290**	**1.735.447**
Liabilities			
Deposits from customers	(791.532)	-	(791.532)
Other borrowed funds	(149.928)	(348.249)	(498.177)
Subordinated debt	(13.725)	(24.628)	(38.353)
Other liabilities	(33.644)	(1.799)	(31.845)
Total	**(988.829)**	**(371.078)**	**(1.359.907)**
Net balance	**371.328**	**4.212**	**375.540**

in MKD '000	MKD	EUR	Total
2018 (previous year)			
Financial assets			
Cash and cash equivalents	156.143	24.932	181.075
Loans and advances to banks	-	-	-
Loans and advances to customers	1.092.455	367.526	1.459.981
Investments securities	16.680	110	16.790
Other assets	2.764	-	2.764
Total monetary assets	**1.268.042**	**392.568**	**1.660.610**
Liabilities			
Deposits from customers	(783.410)	-	(783.410)
Other borrowed funds	(79.541)	(363.814)	(443.355)
Subordinated debt	(13.725)	(24.632)	(38.357)
Other liabilities	(21.090)	(352)	(21.442)
Total liabilities	**(897.766)**	**(388.798)**	**(1.286.564)**
Net balance	**370.276**	**3.770**	**374.046**

2.4 Other operating risks

2.4.1 Nature and exposure

Operational risk is risk of the possibility for the occurrence of negative effects upon the financial result and the capital of the Savings House due to flaws in the work of employees, inadequate, weak internal procedures and processes, inadequate management of the information and other systems in the Savings House, as well as of unpredictable external events.

Operational risk is the risk of loss due to misfits, inadequate or week internal processes and systems or external events. Operational risk also encompasses legal risk. Legal risk is the current or future risk on the profit from the Savings House equity, caused by an infringement or non-compliance of laws and bylaws, agreements, stipulated practices, ethical standards and other legal documents. Also, operational risk includes the risk of money laundering and terrorist financing, the risk of using outsourcing, using the business continuity plan and the contingency plan, and the establishment of regulations for physical security in the Savings House.

The sources of operational risks are many and they are present at all decision making and executive levels in the business processes, with every enforcer and in every segment of business transactions and operations.

In the policy for operational risk management, they are broken up in four groups:
1. Risks caused by a human factor;
2. Process risks;
3. System risks; and
4. External risks.

2.4.2 Organizational structure and responsibilities for operational risk management

Effective operational risk management largely depends on the involvement of different bodies of supervision and management of the Savings House, in order to establish and implement appropriate policies, procedures and practices to manage this risk. According to the policy for the management of operational risk, the Savings House defines the role and responsibilities of the Sole owner, Risk Management Committee, the CEO of the Savings House, the Risk management unit and other organizational units in the Savings House.

2.4.3 Identifying operational risk

The process of identifying the operational risk provides coverage of the greatest number of risk events that the Savings House is exposed to, whether it comes to events that may or may not be easily quantified. The established way of identifying operational risk provides coverage of all future events and risk factors such as internal and external factors that can have a negative impact on the risk profile of the Savings House, the changes in its organizational structure, quality and change of human resources, system of introducing new products or activities, investments in new application solutions and software, the use of outsourcing, economic and political situation in the country, changes in banking operations and technology development. The internal and external factors that can have a negative impact on the risk profile of the Savings House, the changes in its organizational structure, quality and change of human resources, the system of introducing new products or activities, investments in new application solutions and software, use services from outsiders, economic and political situation in the country, changes in banking operations and technology development.

2.4.4 Evaluation of operational risk

Besides identifying operational risk, the Savings House assess the sensitivity of this risk, enabling better understanding of its own risk profile and better allocation of resources needed to manage operational risk. In the Savings House operational risk assessment is carried out through the model of self-assessment, or through own risk assessment. This model is based on an internal assessment of one's own work in the Savings House and own activities that are performed, to identify potential risk events.

2.4.5 System for monitoring operational risk

Regular monitoring of operational risk enables timely identification of problems or shortcomings in policies, procedures or practices for the management of this risk. It is the basis for taking timely measures to eliminate identified problems / deficiencies and contributes to reducing the number and size of realized losses. Efficient monitoring of operational risk involves developing and monitoring risk indicators (factors), determining the limits of these risk indicators and identification of early warning indicators.

2.4.6 Reporting system

The Savings House has developed a system of reporting to the relevant persons or authorities. The system involves the preparation of quarterly reports at department / unit level to the Risk management unit, which based on the submitted separate reports, prepares a general quarterly report on operational risk, for the entire Savings Houses, which is submitted to the Sole owner, the CEO and the Risk management committee. Reports on exposure to operational risk include different data that present a picture of the areas (sectors / units, transactions, operations or other events) where operational risk is present.

2.5 Capital adequacy

(1) Within the Savings House, the system for capital adequacy management and its coverage is according to the nature, size and complexity of the financial activities performed.

The system for capital adequacy management includes:

1. Policy for capital adequacy management
2. Appropriate organizational structure for managing capital adequacy,
3. Process of internal assessment and evaluation of the required capital adequacy ratio of the Savings House.

2.5.1. Policy for capital adequacy management

The policy for managing capital adequacy regulates the scope of activities of the Savings House in this area.

The policy is regularly reviewed in accordance with changes in decisions on the methodology for determining capital adequacy issued by the National Bank of the Republic of North Macedonia (NBRNM). Namely, in the above policy, the Savings House prescribes regular monitoring of regulations concerning capital and capital adequacy according to changes prescribed by the NBRNM.

2.5.2 Appropriate organizational structure for managing capital adequacy

The organizational structure for managing capital adequacy is comprised of several elements:

1. Clear organizational structure;
2. Efficient process for the management and analysis of required capital adequacy;
3. An effective system of internal control and audit.

2.5.3. Process of internal assessment and evaluation of the required capital adequacy of the Savings House

In accordance with the Law on Banks, Article 65, the Savings House is obliged to maintain continuously a capital adequacy rate no lower than 20%. According to the nature, type and scope of activities performed by the Savings House and risks it is exposed to, and also in accordance with the commitments to creditors, the Savings House has set internal limits on the annual rate of capital adequacy.

The annual internal rate limit of capital adequacy must not be less than the statutory limit on the rate of capital adequacy.

The internal rate limit of capital adequacy of the Savings House should be minimum 20%.

Internal rate of capital adequacy established by the Savings House is revised by the Risk management committee at least annually, and is adopted by the Sole owner.

The amount of capital adequacy is projected and planned in short-and long-term financial projections and the business policy of the Savings House.

2.5.3.1 Process of internal assessment, measurement and evaluation of the required capital adequacy of Savings House Moznosti

The process of internal assessment, measurement and evaluation of the required capital adequacy of Savings House Moznosti is defined in the following way:

1. Process of determining the annual internal rate of capital adequacy

Process of determining the annual rate of capital adequacy means determining the minimum capital adequacy rate for the next year. The determination of the minimum capital adequacy rate is closely related with the covenants with lenders and according to the volume and type of work of the Savings House and the appropriate management of risks the Savings House faces in its operations.

The proposal for a minimum rate of capital adequacy is submitted to the Risk management committee and the Sole owner.

2. Process of internal measurement and assessment of capital adequacy rate on a quarterly basis

Process of internal measurement and assessment of capital adequacy rate means calculating the rate of capital adequacy on a quarterly basis in accordance with the legislation and its measurement in relation to the projected rate of capital adequacy as per the annual financial projections of the Savings House adopted by the Sole owner. Within the financial projections capital adequacy rate is projected on quarterly basis.

(all amounts are stated in MKD '000 unless otherwise indicated)

Capital adequacy	**Amount**	**Amount**
Report on the Saving house's own funds	**31.12.2019**	**31.12.2018**
Own funds	**445.365**	**447.034**
Tier 1 capital	**416.804**	**412.672**
Common Equity Tier 1 capital (CET1)	**416.804**	***412.672***
Positions in CET1	*418.929*	*415.618*
Capital instruments of CET1	***300.152***	***300.152***
Premium on the capital instruments of CET1		
Mandatory general reserve (general reserve fund)	***118.777***	***115.466***
Retained undistributed profit		
(-) Accumulated loss from previous years		
Current profit or year-end profit		
Accumulated other comprehensive income		
(-) Deductions of CET1	*(2.125)*	*(2.946)*
(-) Loss at the year-end or current loss		
(-) Intangible assets	***(2.125)***	***(2.946)***
(-) Deferred tax assets that rely on bank's future profitability		
(-) Investments in own capital instruments of CET1	-	-
(-) Direct investments in own capital instruments of CET1		
(-) Indirect investments in own capital instruments of CET1		
(-) Synthetic investments in own capital instruments of CET1		
(-) Investments in own capital instruments of CET1 that the bank is contractually required to purchase		
(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities, where such entities have investments in the bank		
(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank has no significant investment		
(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank has a significant investment		
(-) Amount of deductions from AT1 which exceeds the total amount of AT1		
(-) Amount of excess of limits on investments in non-financial institutions		
(-) Tax costs		
(-) Difference between the amount of required and actual impairment/special reserve		
Regulatory adjustments of CET1	-	-
(-) Increase in CET1 which stems from securitization positions		
(-) Gains or (+) losses from protection against cash flow risk		
(-) Gains or (+) losses on bank's liabilities measured at fair value		
(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value		

Positions as a result of consolidation	-	-
Minority interest recognized in CET1 on a consolidated basis		
Other		
Other positions of CET1		
Additional Tier 1 capital (AT1)	-	-
Positions in AT1	-	-
Capital instruments of AT1		
Premium on the capital instruments of AT1		
(-) Deductions of AT1	-	-
(-) Investments in own capital instruments of AT1	-	-
(-) Direct investments in own capital instruments of AT1		
(-) Indirect investments in own capital instruments of AT1		
(-) Synthetic investments in own capital instruments of AT1		
(-) Investments in own capital instruments of AT1 that the bank is contractually required to purchase		
(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities, where such entities have investments in the bank		
(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the bank has no significant investment		
(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the bank has a significant investment		
(-) Amount of deductions from T2 which exceeds the total amount of T2		
(-) Tax costs		
Regulatory adjustments of AT1	-	-
(-) Increase in AT1 which stems from securitization positions		
(-) Gains or (+) losses from protection against cash flow risk		
(-) Gains or (+) losses on bank's liabilities measured at fair value		
(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value		
Positions as a result of consolidation	-	-
Qualifying Additional Tier 1 capital recognized in AT1 on a consolidated basis		
Other		
Other positions of AT1	-	-
Tier 2 capital (T2)	***28.561***	***34.362***
Positions in T2	***28.561***	***34.362***
Capital instruments of T2		
Subordinated loans	***28.561***	***34.362***
Premium on the capital instruments of T2		
(-) Deductions of T2	-	-
(-) Investments in own capital instruments of T2	-	-
(-) Direct investments in own capital instruments of T2		
(-) Indirect investments in own capital instruments of T2		

(-) Synthetic investments in own capital instruments of T2		
(-) Investments in own capital instruments of T2 that the bank is contractually required to purchase		
(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities, where such entities have investments in the bank		
(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities in which the bank has no significant investment		
(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities in which the bank has a significant investment		
Regulatory adjustments of T2	-	-
(-) Increase in T2 which stems from securitization positions		
(-) Gains or (+) losses from protection against cash flow risk		
(-) Gains or (+) losses on bank’s liabilities measured at fair value		
(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value		
Positions as a result of consolidation	-	-
Qualifying Tier 2 capital recognized in T2 on a consolidated basis		
Other		
Other positions of T2		
Risk weighted assets	**2.053.419**	**1.936.285**
CAPITAL ADEQUACY	**21,69%**	**23,09%**

(all amounts are stated in MKD '000 unless otherwise indicated)

Financial asset and liability classification

The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments.

	Note	Loans and receivables	Held to maturity	Other amortized cost	Total carrying amount
31 December 2019					
Cash and cash equivalents	*14*	211.931	-	-	211.931
Loans and advances to banks	*15*	-	-	-	-
Loans and advances to customers	*16*	1.513.416	-	-	1.513.416
Investments securities	*17*	-	370	-	370
Other assets	*18*	-	-	2.912	2.912
Total assets		**1.725.347**	**370**	**2.912**	**1.728.629**
Deposits from customers	*22*	-	-	791.532	791.532
Other borrowed funds	*23*	-	-	498.177	498.177
Subordinated liabilities	*24*	-	-	38.353	38.353
Other liabilities	*26*	-	-	31.002	31.002
Total liabilities		**-**	**-**	**1.359.064**	**1.359.064**
31 December 2018					
Cash and cash equivalents	*14*	181.075	-	-	181.075
Loans and advances to banks	*15*	-	-	-	-
Loans and advances to customers	*16*	1.451.509	-	-	1.451.509
Investments securities	*17*	-	16.790	-	16.790
Other assets	*18*	-	-	2.764	2.764
Total assets		**1.632.584**	**16.790**	**2.764**	**1.652.138**
Deposits from customers	*22*	-	-	783.410	783.410
Other borrowed funds	*23*	-	-	443.355	443.355
Subordinated liabilities	*24*	-	-	38.357	38.357
Other liabilities	*26*	-	-	20.596	20.596
Total liabilities		**-**	**-**	**1.285.718**	**1.285.718**

6. Net interest income

	in MKD '000	
	Current year 2019	Previous year 2018
Interest income		
Cash and cash equivalents	1.164	1.492
Loans and advances to banks	-	-
Loans and advances to customers	186.431	186.505
Investments securities	72	900
(Impairment of interest income, net based)	(1.214)	(1.049)
Collected previously written off interest	3.410	3.949
Total interest income	**189.863**	**191.797**
Interest expense		
Deposits from customers	22.772	22.026
Other borrowed funds	13.043	15.406
Subordinated liabilities	1.124	423
Total interest expenses	**36.939**	**37.855**
Net interest income	**152.924**	**153.942**

7. Net fee and commission income

	in MKD '000	
	Current year 2019	Previous year 2018
Fee and commission income		
Lending	1.845	1.979
Total fee and commission income	**1.845**	**1.979**
Fee and commission expense		
Lending operations	57	64
Payment operations in the country	875	977
Letters of credit and guarantees	160	86
Other	-	-
Total fee and commission expense	**1.092**	**1.127**
Net fee and commission income	**753**	**852**

8. Net foreign exchange gain/(loss)

	in MKD '000	
	Current year 2019	Previous year 2018
Realised net foreign exchange gain/losses	4.109	2.691
Unrealised net foreign exchange gain/losses	(4.309)	(2.979)
Net foreign exchange gain/(loss)	**(200)**	**(288)**

9. Other operating income

	in MKD '000	
	Current year 2019	Previous year 2018
Capital gain from sale of:		
Properties and equipment	60	427
Assets acquired through foreclosed procedure	-	-
Income from court cases won	48	63
Collected previously written off receivables	11.994	11.634
Other		
Discount for premature closing of credit line - Habitat	-	-
Income from premature liquidation of savings deposits	601	1.136
Income from collected receivables from court cases	256	175
Government grants	3.672	2.515
Other	1.501	1.373
Total other operating income	**17.736**	**17.323**

Other operating income in the amount of 3.672 thousand denars from government grants for the year ended 31 December 2019 arises from concluded contract for sub-award of Project assistance with MFO (Non-government association of microfinance organizations), signed on 21 January 2016. Deadline for the implementation of the project is 27 September 2019.

The funds obtained for completion of the project amount to 373.625 USD.

The main objective of the project is improved access to finance, tailored to the needs of low income households, entrepreneurs and medium and small enterprises. The received funds from MFO are non-refundable.

(all amounts are stated in MKD ‘000 unless otherwise indicated)

10. Personnel expenses

	in MKD ‘000	
	Current year 2019	Previous year 2018
Short-term employee benefits		
Wages and salaries	59.434	59.015
Compulsory social security contributions	21.616	21.201
	81.050	80.216
Other	7.008	5.313
Total personnel expenses	**88.058**	**85.529**

11. Depreciation and amortisation

	in MKD ‘000	
	Current year 2019	Previous year 2018
Amortisation of intangible assets		
Software purchased from external suppliers	3.147	1.743
Other intangible assets	821	387
	3.968	**2.130**
Depreciation of property and equipment		
Buildings	1.448	1.448
Transport vehicles	1.488	1.251
Office equipment and furniture	471	513
Other equipment	1.967	1.866
Other property and equipment	149	199
Leasehold improvements	604	534
	6.127	**5.811**
Total depreciation and amortisation	**10.095**	**7.941**

12. Other expenses

	in MKD ‘000	
	Current year 2019	Previous year 2018
Software licensing costs	2.007	1.594
Deposit insurance premiums	1.992	1.893
Property and employee insurance premiums	1.058	1.072
Materials and services	23.510	28.438
Administrative and marketing costs	1.318	1.254
Other taxes and contributions	42	43
Rents	11.571	11.503
Court dispute costs	40	35
Provision for employee benefits	248	433
Loss from sales of:		
Property and equipment	5	-
Assets acquired through foreclosed procedure	-	-
Other	3.664	3.179
Total other expenses	**45.455**	**49.444**

13. Income tax expense

	in MKD '000 Current year 2019	Previous year 2018
Current tax expense		
Current year	2.750	3.222
Deferred tax expense		
Origination of temporary differences	(3)	(2)
Total income tax expenses	**2.747**	**3.220**

Reconciliation of effective tax rate:

	%	*in MKD '000* Current year 2019	%	Previous year 2018
Profit before income tax		14.341		19.755
Income tax using the domestic corporation tax rate	10,00%	1.434	10,00%	1.976
Non-deductible expenses	9,16%	1.313	6,94%	1.244
Total income tax expenses	**19,16%**	**2.747**	**16,94%**	**3.220**

Movements in deferred tax balances

	Net balance at 1 January	**Recognized profit or loss**	**Recognized in OCI**	**Balance at 31 December** Net	**Deferred tax liabilities**
2019					
in MKD '000					
Assets acquires through foreclosure procedure	(846)	3	-	(843)	(843)
Tax assets/(liabilities)	(846)	3	-	(843)	(843)

	Net balance at 1 January	**Recognized profit or loss**	**Recognized in OCI**	**Balance at 31 December** Net	**Deferred tax liabilities**
2018					
in MKD '000					
Loans and advances to customers and other financial assets	-	-	-	-	-
Assets acquires through foreclosure procedure	(848)	2	-	(846)	(846)
Tax assets/(liabilities)	(848)	2	-	(846)	(846)

14. Cash and cash equivalents

	in MKD '000	
	Current year 2019	Previous year 2018
Cash on hand	13.605	14.035
Account and deposits with NBRM	19.983	19.326
Current accounts with domestic banks	140.343	147.714
Government bills tradable at the secondary market with original maturity up to three months	-	-
Term deposits with original maturity up to three months	38.000	-
Interest receivables	-	-
Total	**211.931**	**181.075**

15. Loans and advances to banks

	in MKD '000	
	Current year 2019	Previous year 2018
Term deposits with maturity over three months in domestic banks	-	-
(Allowance for impairment)	-	-
Total loans and advances to banks less allowance for impairment	**-**	**-**

	in MKD '000	
	Current year 2019	Previous year 2018
Specific allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Additional impairment	-	-
(Release of impairment)	-	-
Balance at 31 December	**-**	**-**

16. Loans and advances to customers

A Loans and advances to customers at amortised cost

	in MKD '000	
	Current year 2019	Previous year 2018
Corporate customers	139.604	160.575
Retail customers		
Housing	10.684	14.559
Consumer loans	905.330	822.978
Other loans	506.976	510.248
Total loans and advances to customers before allowances for impairment	1.562.594	1.508.360
(Allowance for impairment)	(49.178)	(56.851)
Total loans and advances to customers less allowance for impairment	**1.513.416**	**1.451.509**

16. Loans and advances to customers (continued)

A Loans and advances to customers at amortised cost (continued)

	in MKD '000	
	Current year 2019	Previous year 2018
Specific allowance for impairment		
Balance at 1 January	56.851	53.742
Impairment loss for the year		
Additional impairment	13.863	9.328
(Assets acquires through foreclosure procedure)	-	-
(Write offs)	(21.536)	(6.219)
Balance of 31 December	**49.178**	**56.851**

At 31 December 2019 MKD 1.032.047 thousand (2018: MKD 961.503 thousand) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

B Loans and advances to customers according the type of the collateral

	in MKD '000	
	Current year 2019	Previous year 2018
Carrying amounts of loans and advances		
Cash deposits (depot and/or restricted at bank's account)	3.816	5.606
Bank guarantees		
Corporate guarantees (excluding guarantees from banks and insurance companies)	99.322	54.141
Property for personal use (apartments, houses)	47.040	48.221
Property for business operations	12.645	14.692
Pledge on movable lien	3.567	3.192
Other types of collateral	1.347.026	1.325.657
Total loans and advances to customers less allowance for impairment	**1.513.416**	**1.451.509**

Other types of collateral include bills of exchange and administrative ban on salary.

17. Investments securities

Held to maturity investments securities	*in MKD '000*	
	Current year 2019	Previous year 2018
Government bills	370	16.790
Total	**370**	**16.790**

18. Other assets

	in MKD '000	
	Current year 2019	Previous year 2018
Trade receivables	1.699	2.523
Prepayments	2.289	2.094
Receivables from employees	571	544
Advances for property and equipment	97	-
Other	260	229
Total other assets	**4.916**	**5.390**
(Allowance for impairment)	(2.004)	(2.626)
Total other assets less allowance for impairment	**2.912**	**2.764**

	in MKD '000	
	Current year 2019	Previous year 2018
Specific allowance for impairment		
Balance at 1 January	2.626	2.818
Impairment loss for the year		
Additional impairment	-	-
(Release of impairment)	(622)	(192)
(Write offs)	-	-
Balance of 31 December	**2.004**	**2.626**

19. Assets acquired through foreclosure procedure

	in MKD '000	
	Current year 2019	Previous year 2018
Buildings		-
Apartments	8.434	8.457
	8.434	**8.457**

20. Intangible assets

in MKD '000	Software purchased from external suppliers	Other intangible assets	Construction in progress	**Total**
Cost				
Balance at 1 January 2018	8.750	6.572	**-**	**19.263**
Acquisitions	11.622	8.885	**-**	**20.507**
Balance at 31 December 2018	**20.372**	**9.514**	**-**	**29.886**
Balance at 1 January 2019	**20.372**	**9.514**	**-**	**29.886**
Acquisitions	603	-	**-**	**603**
(Disposals / transfers)	-	(8)	-	**(8)**
Balance at 31 December 2019	**20.975**	**9.506**	**-**	**30.481**
Amortisation and impairment				
Balance at 1 January 2018	7.933	6.237	**-**	**14.170**
amortisation for the year	1.742	**387**	**-**	**2.129**
Balance at 31 December 2018	**9.675**	**6.624**	**-**	**16.299**
Balance at 1 January 2019	**9.675**	**6.624**	**-**	**16.299**
amortisation for the year	3.147	813	**-**	**3.960**
Balance at 31 December 2019	**12.822**	**7.437**	**-**	**20.259**
Carrying amount				
Balance at 1 January 2018	**817**	**4.276**	**-**	**5.093**
Balance at 31 December 2018	**10.697**	**2.890**	**-**	**13.587**
Balance at 31 December 2019	**8.153**	**2.069**	**-**	**10.222**

21. Property and equipment

in MKD '000	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment under construction	Leasehold improvements	**Total**
Cost								
Balance as of 1 January 2018	**57.923**	**13.757**	**18.685**	**43.513**	**4.491**	**-**	**10.629**	**148.998**
Additions	-	1.755	1.016	4.377	214	-	1.192	**8.554**
(disposals and write-offs)	-	(1.815)	(363)	(110)	(362)	-	(1.346)	**(3.996)**
Balance as of 31 December 2018	**57.923**	**13.697**	**19.314**	**47.151**	**4.368**	**-**	**10.475**	**152.928**
Balance as of 1 January 2019	57.923	13.697	19.314	47.151	4.368	-	10.475	152.928
Additions	-	769	356	2.805	50	-	-	**3.980**
(disposals, write-offs and transfers)	-	(728)	(1.545)	(3.299)	-	-	-	**(5.572)**
Balance as of 31 December 2019	**57.923**	**13.738**	**18.125**	**46.657**	**4.418**	**-**	**10.475**	**151.336**
Depreciation and impairment								
Balance as of 1 January 2018	15.072	11.361	17.703	39.547	4.058	-	8.776	**96.517**
Depreciation for the year	1.448	1.251	513	1.866	199	-	534	**5.811**
(Disposals and write-offs)	-	(1.815)	(363)	(160)	(362)	-	(1.346)	**(3.996)**
Balance as of 31 December 2018	**16.520**	**10.797**	**17.853**	**41.253**	**3.895**	**-**	**7.964**	**98.282**
Balance as of 1 January 2019	16.520	10.797	17.853	41.253	3.895	-	7.964	**98.282**
Depreciation for the year	1.448	1.488	470	1.967	150	-	605	**6.128**
(Disposals, write-offs and transfers)	-	(728)	(1.539)	(3.299)	-	-	-	**(5.566)**
Balance as of 31 December 2019	**17.968**	**11.557**	**16.784**	**39.921**	**4.045**		**8.569**	**98.844**
Carrying amounts								
As of 1 January 2018	**42.851**	**2.396**	**982**	**3.966**	**433**	**-**	**1.853**	**52.481**
As of 31 December 2018	**41.403**	**2.900**	**1.461**	**5.898**	**473**	**-**	**2.511**	**54.646**
As of 31 December 2019	**39.955**	**2.181**	**1.341**	**6.736**	**373**	**-**	**1.906**	**52.492**

As at 31 December 2019 property and equipment with total carrying amount of MKD 33.615 thousand (2018: MKD 34.893 thousand) are pledged as collateral for received borrowings (refer note 23).

22. Deposits from customers

	in MKD '000	
	Current year 2019	Previous year 2018
Retail		
Demand deposits	18.570	17.544
Term deposits	767.339	758.260
Restricted deposits	5.623	7.606
Total	**791.532**	**783.410**

As at 31 December 2018 MKD 397.007 thousand (2018: MKD 373.143 thousand) of deposits from customers are expected to be settled more than 12 months after the reporting date.

23. Other borrowed funds

	in MKD '000	
	Current year 2019	Previous year 2018
Domestic sources:		
DBNM – ACDF	49.119	45.066
- Habitat Macedonia	9.975	-
NLB Bank	129.153	81.170
NLB Bank - MEDF	161.154	191.054
Foreign sources:		
DBNM - GMF	136.806	126.065
CEP Moznosti	11.970	-
Total	**498.177**	**443.355**

As at 31 December 2019 MKD 366.416 thousand (2018: MKD 300.716 thousand) of other borrowed funds are expected to be settled more than 12 months after the reporting date.

In the course of 2019 Moznosti Savings House has used additional funds from the frame loan with NLB Bank , GMF,DBNM-ACDF, DBNM-GMF, CEP Moznosti, Habitat - Macedoniaand MEDF.

Borrowings from NLB Bank are secured with business premises owned by the Savings House and business premises owned by the Parent – CEP Moznosti (see Note 21).
Active borrowings on 31 December 2019 will mature until the end of 2025 (2018: Until the end of 2024). Repayment of liabilities is carried out on a regular basis in line with the contractual maturity dates.

Credit lines used by the Savings House are partly with fixed and partly with variable interest rates. Fixed interest rates range from 1% to 4,2% annually for 2018 (2018: from 1% to 5,5% annually). Variable interest rates are based on the EURIBOR rate and their amount depends on the EURIBOR rate on the designated maturity date of liabilities.

As at 31 December 2019 the Savings House does not have any unused and approved revolving credit limits (2018: MKD 47.900 thousand).

24. Subordinated liabilities

Subordinated liabilities	In MKD ‘000	
	Subordinated liabilities	
	Current year 2019	Previous year 2018
Subordinated debt	38.353	38.357
Total subordinated liabilities	**38.353**	**38.357**

During years 2016 and 2018 the Saving House has signed contracts for subordinated debts. The subordinated debts are in the form of loans received, in denars and with the euro clause, with a repayment period of five years with the individual creditors and legal entity MEDF, and of six years with legal entity CEP Moznosti.

The principal of all subordinated loans will be returned on a one-time basis at the end of the repayment period. The interest rate for subordinated loans from individuals is 2.8%, while for the legal entity CEP the interest rate is 3%, and for the MRFP is 3.7%. The calculated interest is paid on semiannual base.

25. Provision for employee benefits

in MKD ‘000	Provisions for pensions and other employee benefits
Balance as of 1 January 2018	1.645
Additional provisions during the year	535
(Used provisions during the year)	(236)
(Released provisions during the year)	(100)
Balance as of 31 December 2018	**1.844**
Balance as of 1 January 2019	1.844
Additional provisions during the year	410
(Used provisions during the year)	(144)
(Released provisions during the year)	(162)
Balance as of 31 December 2019	**1.948**

26. Other liabilities

	in MKD ‘000	
	Current year 2019	Previous year 2018
Trade payables	1.371	1.337
Advances	4.074	3.609
Accruals	18.012	11.939
Received payments	2.298	1.801
Other liabilities	5.247	1.910
Total other liabilities	**31.002**	**20.596**

27. Capital and reserves

A. Issued capital

	In MKD '000	
	Total registered capital	
	Current year 2019	Previous year 2018
Balance as of 1 January - paid up in full	300.152	300.152
Balance as of 31 December - paid up in full	**300.152**	**300.152**

27. Capital and reserves (continued)

B Dividends

B.1 Declared dividends and dividends paid by the Saving house

	in MKD '000	
	Current year 2019	Previous year 2018
Dividends paid	13.245	11.268

B.2 Declared dividends after the reporting date (the dividend liabilities are not presented in the statement of financial position)

	in MKD '000	
	Current year 2019	Previous year 2018
Declared dividends after 31 December	-	13.245

The Parent and only founder of the Savings House is Centre for Education and Entrepreneurship Moznosti, partner – organization of Opportunity International.

28. Related parties

in MKD '000	Parent	Key management personnel	Other related parties	**Total**
Balance as of 31 December 2019				
Assets				
Consumer loans	-	-	599	**599**
Other loans and receivables	-	-	-	**-**
(Impairment)	-	-	(1)	**(1)**
Total	**-**	**-**	**598**	**598**
Liabilities				
Deposits	-	1	598	**599**
Other borrowed funds	12.000	-	171.154	**183.154**
Subordinated liabilities	22.321	617	15.416	**38.354**
Other liabilities	-	-	-	**-**
Total	**34.321**	**618**	**187.168**	**222.107**
Balance as of 31 December 2018				
Assets				
Consumer loans	-	-	491	**491**
Other loans and receivables	-	-	-	**-**
(Impairment)	-	-	-	**-**
Total	**-**	**-**	**491**	**491**
Liabilities				
Deposits	-	4	569	**573**
Other borrowed funds	-	-	191.053	**191.053**
Subordinated liabilities	22.322	617	15.418	**38.357**
Other liabilities	-	-	162	**162**
Total	**22.322**	**621**	**207.202**	**230.145**

28. Related parties (continued)

In MKD '000	Parent	Key management personnel	Other related parties	**Total**
2019				
Revenue				
Interest income	-	-	51	**51**
Other income	-	-	-	**-**
Total	**-**	**-**	**51**	**51**
Expenses				
Interest expense	669	20	6.727	**7.416**
(Impairment)	-	-	-	**-**
Other expense	3.920	-	9.377	**13.297**
Total	**4.589**	**20**	**16.104**	**20.713**
2018				
Revenue				
Interest income	304	4	80	**388**
Other income	-	-	12	**12**
Total	**304**	**4**	**92**	**400**
Expenses				
Interest expense	1.674	1	7.359	**9.034**
(Impairment)	(11)	(49)	(15)	**(75)**
Other expense	3.920	-	11.230	**15.150**
Total	**5.583**	**(48)**	**18.574**	**24.109**

Transaction with key management personnel

	In MKD '000	
	Current year 2019	Previous year 2018
Short-term employee benefits	18.362	17.687
Benefits following termination of employment	26	37
Total	**18.388**	**17.724**

29. Operating leases

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows

	Total	**up to 1 year**	**from 1 to 5 years**	**up to 1 year**
2019	1.992	1992	-	-
2018	1.819	1.819	-	-

30. Subsequent events

In December 2019, there was an outbreak of a new coronavirus in the city of Wuhan, in the province of Hubeiin the People's Republic of China which has spread in a short period of time. On December 31, 2019, the World Health Organization (WHO) was notified of the new coronavirus in the PRC. On January 30, 2020, the WHO officially declared the emergence and spread of coronavirus public health emergency of international concern. Subsequently, on March 11, 2020, the outbreak of coronavirus is declared global pandemic by WHO.

On March 18, 2020, state of emergency was declared in our country on the entire territory of RNM in order to curb the spread of COVID 19.

The National Bank and the Government of RNM adopted several measures aimed at mitigating the consequences of the pandemic on the financial system in the republic. In accordance with the new situation with COVID-19, NBRNM made a Decision to amend the decision on credit risk management methodology, Official Gazette no.76/20 of 24.03.2020 and 116/20 of 05.05.2020. The purpose of the changes is to relax the conditions for taking and measuring credit risk, during the state of emergency, caused by COVID-19.

At the same time, the Government of RNM adopted a Decree on the manner of changing the contractual terms of credit exposures with the banks and saving houses, Official Gazette no. 80/20 of 27.03.2020 and 125/20 of 15.05.2020.

Given that subsequent events and circumstances related to the outbreak of COVID 19 did not exist on the date of reporting, the management of the Savings House maintains that they do not affect the financial statements as of December 31, 2019 and as such should not correct the reported data. The management of the Savings House administer adopted measurements and accordingly to that, expect to amortize the potential negative effects of COVID 19 in order to maintain the stability and solvency of the Savings House in the future.