SAVINGS HOUSE MOZNOSTI DOO SKOPJE

Financial Statements

For the year ended

31 December 2016

with the Independent auditors' report

Contents

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Independent Auditors' report to the management 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 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Savings House as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Macedonia DOO

KPMG Macedonia DOO
20 June 2017
Skopje

Statement of comprehensive income
For the year ended 31 December

	Note	in MKD '000	
		Current year 2016	Previous year 2015
Interest income		178.524	193.488
Interest expense		(42.589)	(49.043)
Net interest income	6	135.935	144.445
Fee and commission income		1.758	2.493
Fee and commission expense		(2.096)	(1.726)
Net fee and commission income	7	(338)	767
Net foreign exchange gains	8	(243)	(329)
Other operating income	9	9.765	10.313
Net impairment loss on financial assets	15,16,18	(4.307)	(1.968)
Net impairment loss on foreclosed assets		(2.806)	(20)
Personnel expenses	10	(76.347)	(80.106)
Depreciation and amortisation	11	(6.401)	(7.477)
Other expenses	12	(46.942)	(51.553)
Profit before tax		8.316	14.072
Income tax expense	13	(1.950)	(2.568)
Profit for the year		6.366	11.504
Other comprehensive income		-	-
Total comprehensive income		6.366	11.504

The financial statements were authorised for issue by the Savings House founder on 20 June 2017 and were signed on its behalf by:

Snezana Andova
Chief executive officer

Скопје

Statement of financial position As at 31 December 2016	Note	*in MKD '000* Current year 2016	Previous year 2015
Assets			
Cash and cash equivalents	14	113.225	212.554
Loans and advances to banks	15	30.552	-
Loans and advances to customers	16	1.344.726	1.312.223
Investment securities	17	60.338	-
Current tax assets		1.030	-
Other assets	18	3.843	3.507
Assets acquired through foreclosure procedure	19	12.714	15.520
Intangible assets	20	1.756	2.226
Property and equipment	21	47.024	47.875
Total assets		1.615.208	1.593.905
Liabilities			
Deposits from customers	22	667.121	640.676
Other borrowed funds	23	499.364	507.144
Subordinated liabilities	24	12.298	-
Provision for employee benefits	25	694	696
Current tax liabilities		-	1.772
Deferred tax liabilities	13	980	870
Other liabilities	26	8.831	9.936
Total liabilities		1.189.288	1.161.094
Equity			
Issued capital	27	300.152	300.152
Reserves		111.573	108.259
Retained earnings		14.195	24.400
Total equity attributable to the owners of the Saving house		425.920	432.811
Total liabilities and equity		1.615.208	1.593.905

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Chief executive officer

Statement of changes in equity

In MKD '000	**Issued Capital**	**Statutory reserves**	**Retained earnings**	**Total equity and reserves**
Balance at 1 January 2015	300.152	105.258	18.899	424.309
Total comprehensive income for the year				
Profit for the year	-	-	11.504	11.504
Total comprehensive income for the year	-	-	11.504	11.504
Transactions with owners, recognized in the equity				
Allocation of statutory reserve	-	3.001	(3.001)	-
Dividends paid	-	-	(3.002)	(3.002)
Transactions with owners, recognized in the equity	-	3.001	(6.003)	(3.002)
Balance at 31 December 2015	**300.152**	**108.259**	**24.400**	**432.811**
Balance at 1 January 2016	300.152	108.259	24.400	432.811
Total comprehensive income for the year	-	-	-	-
Profit for the year	-	-	6.366	6.366
Total comprehensive income for the year	-	-	6.366	6.366
Transactions with owners, recognized in the equity				
Allocation of statutory reserve	-	3.314	(3.314)	-
Dividends paid	-	-	(13.257)	(13.257)
Transactions with owners, recognized in the equity	-	3.314	(16.571)	(13.257)
As of December 31 2016	**300.152**	**111.573**	**14.195**	**425.920**

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Snezana Andova
Chief executive officer

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

Statement of cash flows
For the year ended 31 December

	Note	in MKD '000 current year 2016	previous year 2015
Cash flows from operating activities			
Profit before income tax		8.316	14.072
Adjustment for:			
Depreciation and amortisation			
intangible assets	11	1.107	1.060
property and equipment	11	5.294	6.417
Gain on sale from:			
property and equipment	9	(297)	(105)
Loss on sale of:			
property and equipment	12	75	15
assets acquired through foreclosed procedure	12	-	448
Interest income	6	(178.524)	(193.488)
Interest expenses	6	42.589	49.043
Impairment losses on financial assets	15,16,17	4.307	1.968
Impairment loss on foreclosed assets		2.806	20
Employee benefits provision			
additional		57	114
release		(59)	(11)
Interest received		177.490	195.156
Interest paid		(43.015)	(52.612)
Other		(1)	(77)
Operating profit before changes in operating assets		**20.145**	**22.020**
Change in loans and advances to banks		(30.100)	87.000
Change in loans and advances to customers		(36.062)	75.381
Change in assets acquired through foreclosure procedure		-	2.359
Change in other assets		(502)	(205)
Change in deposits from customers		26.692	(65.328)
Change in other liabilities		(1.105)	1.205
		(20.932)	**122.432**
Income taxes paid		(4.642)	(2.051)
Net cash (used in)/from operating activities		**(25.574)**	**120.381**
Cash flows from investing activities			
Acquisition of investment securities		(60.338)	71.028
Acquisition of intangible assets		(637)	(381)
Acquisition of property and equipment		(4.591)	(1.361)
Proceeds from sale of property and equipment		371	192
Net cash (used in)/from investing activities		**(65.195)**	**69.478**
Cash flows from financing activities			
Repayment of other borrowed funds		(313.319)	(309.367)
Proceeds from other borrowed funds		305.716	167.530
Proceeds from subordinated liabilities		12.300	-
Dividends paid		(13.257)	(3.002)
Net cash used in financing activities		**(8.560)**	**(144.839)**
Net (decrease)/ increase in cash and cash equivalents		**(99.329)**	**45.020**
Cash and cash equivalents at 1 January		212.554	167.534
Cash and cash equivalents at 31 December	14	**113.225**	**212.554**

The financial statements were authorised for issue by the Savings House founder on 20 June 2017 and were signed on its behalf by:

Snezana Andova
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 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 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 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 founder

The financial statements were authorised for issue by the Savings House founder on 20 June 2017.

(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
Business Development and Risk Department Division Director	Ilija Belevski
Branch Network Director	Darko Nedelkovski
Director of the Logistic, Sales and Banking Operations Division	Ana Kuzmanovska

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 2016, 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 2016 and 2015 were as follows:

	2016 MKD	**2015 MKD**
1 EUR	61,48	61,59

(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 writes 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 Macedonia, and to the Health Insurance Fund of Republic of 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 Saving 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 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Saving House are set out below. The Saving House does not plan to adopt these standards early.

IFRS 9 Financial Instruments (2014)

(Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since the classification and the measurement of the Saving House's financial instruments are expected to change.

Based on its preliminary assessment, the Saving House, expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortised cost under IFRS 9.

At this stage it is still unclear what portion of the Entity's debt securities will be measured at FVTPL, at FVOCI or amortized cost as this determination will depend on the outcome of the business model test. It is expected that a significant portion of debt securities will be reclassified under IFRS 9 either into or out of FVOCI.

It is expected that deposits from customers will be continued to be measured at amortised cost under IFRS 9.

Based on the preliminary assessment, the application of IFRS 9 impairment requirements is expected to result in an increase in loss allowance at the moment of transition and moderate increase of impairment losses. The new hedge accounting requirements will not affect the financial statements as the Saving House does not apply hedge accounting.

IFRS 15 Revenue from contracts with customers

(Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Saving House is assessing the potential impact on its financial statement resulting from IFRS 15 and expects a minor impact on its financial statments.

IFRS 16 Leases

(Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

IFRS 16 is expected to have an impact on the recognition, measurement, presentation and disclosure of leases. The overall impact of the standard is currently being assessed.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.)

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and

a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The Saving House expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Saving House does not enter into share-based payment transactions.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

(Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively.)

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

The Saving House is not an insurance provider and therefore does not expect any impact on its financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

(The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments will not have an impact on the Saving House's financial statements.

Amendments to IAS 7

(Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted.)

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

The Saving House expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

(Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.)

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Saving House expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements.

Amendments to IAS 40 Transfers of Investment Property

(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.).

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Saving House does not expect that the amendments will have a material impact on the financial statements because currently it does not have investment property.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

(Effective for annual periods beginning on or after 1 January 2018).

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Saving House does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Saving House uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Annual Improvements to IFRSs

The improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after either 1 January 2017 or 1 January 2018; to be applied retrospectively.

Neither of these amendments are expected to have a significant impact on the financial statements of the Saving House.

None of these amendments are expected to have a significant impact on the financial statements of the Saving House.

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 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 Board of Directors 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 Board of Directors. 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, there are 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 (categories A and B).

2.1.6.1 Loans

a) Outstanding loans and Saving 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 for an additional eighteen months in risk category B. Following the restructuring a loan may not be placed in risk category A for at least 24 months thereafter.

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 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).

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

Exposure to credit risk

in MKD '000	Loans and advances to banks		Loans and advances to customers	
	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Individually impaired				
Grade A	30.583	-	1.325.221	1.285.928
Grade B	-	-	30.860	38.491
Grade C	-	-	7.346	7.569
Grade D	-	-	5.011	3.281
Grade E	-	-	26.636	97.714
Gross amount	30.583	-	1.395.074	1.432.983
Allowance for impairment	(31)	-	(50.348)	(120.760)
Carrying amount	**30.552**	**-**	**1.344.726**	**1.312.223**
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	**30.552**	**-**	**1.344.726**	**1.312.223**

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 2016				
Individually impaired				
Grade A	30.583	30.552	1.325.221	1.304.936
Grade B	-	-	30.860	29.043
Grade C	-	-	7.346	5.196
Grade D	-	-	5.011	2.743
Grade E	-	-	26.636	2.808
	30.583	**30.552**	**1.395.074**	**1.344.726**
31 December 2015				
Individually impaired				
Grade A	-	-	1.285.928	1.266.780
Grade B	-	-	38.491	36.213
Grade C	-	-	7.569	5.319
Grade D	-	-	3.281	1.793
Grade E	-	-	97.714	2.118
	-	**-**	**1.432.983**	**1.312.223**

Fair value of collateral held against loans and advances to customers

	Loans and advances to customers	
in MKD '000	Current year 2016	Previous year 2015
Cash collateral	14.902	23.131
Corporate guarantees (other than from banks and from insurance companies)	14.495	24.336
Apartments	159.175	170.974
Business premises	116.796	128.850
Movable lien	2.239	3.254
Total	**307.607**	**350.545**

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 2016 and 2015.

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

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 2016	Previous year 2015	Current year 2016	Previous year 2015
Agriculture, forestry and fisheries	-	-	31.980	27.257
Ore and rock extraction	-	-	2.991	703
Food industry	-	-	14.942	8.437
Textile industry and production of garments and footwear	-	-	2.387	2.945
Chemical industry, production of construction materials, oil production and processing, pharmaceutical industry	-	-	4.150	2.029
Production of metals, machines, tools and equipment	-	-	2.385	1.462
Other types of processing industry	-	-	5.348	3.881
Construction	-	-	11.996	19.124
Wholesale and retail trade; reparation of motor vehicles and motorcycles	-	-	30.039	37.225
Transport and storage	-	-	22.995	17.934
Accommodation premises and catering service	-	-	3.244	4.096
Information and communication	-	-	976	1.075
Financial and insurance operations	30.552	-	7.024	8.493
Activities for properties	-	-	2.762	451
Professional, scientific and technical activities	-	-	1.098	2.205
Administration and associated service activities	-	-	4.273	4.176
Education	-	-	39	-
Operations in compulsory social and health insurance	-	-	3.851	4.827
Other service activities	-	-	1.440	1.321
Individuals	-	-	1.190.806	1.164.582
Total	**30.552**	**-**	**1.344.726**	**1.312.223**

Concentration of credit risk by geographical location

	Loans and advances to banks		**Loans and advances to customers**	
in MKD ‘000	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Concentration by location				
Republic of Macedonia	30.552	-	1.344.726	1.312.223
Total	**30.552**	**-**	**1.344.726**	**1.312.223**

2.2 Liquidity risk

2.2.1 Nature and exposure

Liquidity risk is the risk that the Saving 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 NBRM.

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 Shareholder's Board 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.

Maintaining current liquidity of the Savings House is managed by the Assets and liabilities committee.

Maturity analysis of financial liabilities

Financial liabilities **2016**	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	667.121	(694.241)	(55.344)	(57.609)	(268.792)	(215.482)	(81.580)	(15.435)
Other borrowed funds	499.364	(534.764)	(5.247)	(20.802)	(148.629)	(185.022)	(110.797)	(64.267)
Subordinated debt	12.298	(14.327)	-	-	(371)	(369)	(1.107)	(12.480)
Other liabilities	8.831	(8.831)	(5.261)	(8)	(3.550)	(12)	-	-
Total financial liabilities	**1.187.614**	**(1.252.163)**	**(65.852)**	**(78.419)**	**(421.342)**	**(400.885)**	**(193.484)**	**(92.182)**

Financial liabilities **2015**	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	640.675	(666.719)	(55.687)	(64.004)	(239.295)	(243.465)	(64.268)	-
Other borrowed funds	507.144	(538.218)	(32.530)	(53.016)	(154.146)	(108.875)	(173.337)	(16.313)
Other liabilities	9.938	(9.938)	(6.359)	(29)	(704)	(2.834)	(12)	-
Total financial liabilities	**1.157.757**	**(1.214.875)**	**(94.577)**	**(117.049)**	**(394.144)**	**(355.175)**	**(237.617)**	**(16.313)**

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 Saving 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 Saving 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 %*
2016 (current year)				
Amount prior to analyses of sensitivity/ stress-tests (balance on 31.12.2016)	6.366	423.883	1.712.925	24,75%
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	6.459	423.976	1.712.941	24,75%
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	6.273	423.883	1.712.909	24,75%
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	9.774	427.291	1.713.521	24,94%
Decrease of active and passive interest rates by 100 basic points	2.958	423.883	1.712.329	24,75%

	Profit/(loss)	**Own Funds**	**Risk Weighted Assets**	**Capital adequacy**
	in MKD ‘000	*in MKD ‘000*	*in %*	*in %*
2015(previous year)				
Amount prior to analyses of sensitivity/ stress-tests (balance on 31.12.2015)	11.504	408.168	1.683.320	24.25%
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 od 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	13.410	410.074	1.683.654	24.36%
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	9.598	408.168	1.682.986	24.25%
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	19.794	416.459	1.684.771	24.72%
Decrease of active and passive interest rates by 100 basic points	3.214	408.168	1.681.869	24.27%

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.

Shareholders Board 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
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**	**2 to 5 years**	**over 5 years**	**Total interest-bearing assets/liabilities**
2016 (current year)							
Financial assets							
Cash and cash equivalents	67.326	20.991	-	-	-	-	88.317
Loans and advances to banks	-	30.070	-	-	-	-	30.070
Loans and advances to customers	-	-	817.305	520.381	-	-	1.337.686
Investment securities	-	-	60.338	-	-	-	60.338
Total interest sensitive financial assets	**67.326**	**51.061**	**877.643**	**520.381**	-	-	**1.516.411**
Financial liabilities							
Deposits from customers	(22.072)	-	(635.136)	-	-	-	(657.208)
Other borrowed funds	(17.955)	(316.063)	(73.771)	(61.475)	(29.353)		(498.617)
Subordinated debt	-	-	-	-	-	(12.296)	(12.296)
Total interest sensitive financial liabilities	**(40.027)**	**(316.063)**	**(708.907)**	**(61.475)**	**(29.353)**	**(12.296)**	**(1.168.121)**
Total based position, net	**27.299**	**(265.002)**	**168.736**	**458.906**	**(29.353)**	**(12.296)**	**348.290**

in MKD '000	**up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 5 years**	**over 5 years**	**Total interest-bearing assets/liabilities**
2015 (previous year)							
Financial assets							
Cash and cash equivalents	110.056	83.748	-	-	-	-	193.804
Loans and advances to banks	-	-	761.072	544.708	-	-	1.305.780
Total interest sensitive financial assets	**110.056**	**83.748**	**761.072**	**544.708**	**-**	**-**	**1.499.584**
Financial liabilities							
Deposits from customers	(20.409)	-	(610.107)	-	-	-	(630.516)
Other borrowed funds	(119.925)	(345.553)	(12.319)	-	(28.403)	-	(506.200)
Total interest sensitive financial liabilities	**(140.334)**	**(345.553)**	**(622.426)**	**-**	**(28.403)**	**-**	**(1.136.716)**
Total based position, net	**(30.278)**	**(261.805)**	**138.646**	**544.708**	**(28.403)**	**-**	**362.868**

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
2016 (current year)			
Financial assets			
Cash and cash equivalents	75.818	37.407	113.225
Loans and advances to banks	30.552	-	30.552
Loans and advances to customers	1.053.905	290.821	1.344.726
Investments securities	60.338	-	60.338
Other assets	3.843	-	3.843
Total	**1.224.456**	**328.228**	**1.552.684**
Liabilities			
Deposits from customers	(667.121)	-	(667.121)
Other borrowed funds	(157.233)	(342.131)	(499.364)
Subordinated debt	-	(12.298)	(12.298)
Other liabilities	(8.271)	(560)	(8.831)
Total	**(832.625)**	**(354.989)**	**(1.187.614)**
Net balance	**391.831**	**(26.761)**	**365.070**

in MKD ‘000	MKD	EUR	Total
2015 (previous year)			
Financial assets			
Cash and cash equivalents	181.372	31.182	212.554
Loans and advances to customers	951.505	360.717	1.312.223
Other assets	3.507	-	3.507
Total monetary assets	**1.136.384**	**391.899**	**1.528.284**
Liabilities			
Deposits from customers	(640.676)	-	(640.676)
Other borrowed funds	(127.250)	(379.894)	(507.144)
Other liabilities	(11.232)	(1.346)	(12.579)
Total liabilities	**(779.158)**	**(381.240)**	**(1.160.399)**
Net balance	**357.226**	**10.659**	**367.885**

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 Board of directors, 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 Board of directors, 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 Macedonia (NBRM). Namely, in the above policy, the Savings House prescribes regular monitoring of regulations concerning capital and capital adequacy according to changes prescribed by the NBRM.

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 23%.

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 Board of directors

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 Board of director.

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 Board of directors. 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	**31.12.2016**	**31.12.2015**
Principal capital		
Paid up and registered ordinary and non-cumulative preference shares and premium for such shares	300.152	300.152
Nominal value	300.152	300.152
Nominal value of ordinary shares	300.152	300.152
Nominal value of non-cumulative preference shares	-	-
Premium	-	-
Ordinary shares premium	-	-
Non-cumulative preference shares premium	-	-
Provisions and retained profit or loss	111.573	108.259
Reserve fund	111.573	108.259
Retained profit limited to distribution to shareholders	-	-
Accumulated loss from previous years	-	-
Current profit	-	-
Positions as a result of consolidation	-	-
Minority share	-	-
Provisions for Fx rate differences	-	-
Other margins	-	-
Deductible items	139	243
Loss at the year-end or current loss	-	-
Treasury shares	-	-
Intangible assets	139	243
Net negative revaluation provisions	-	-
Margin between the amount of required and effected impairment/special reserve	-	-
Amount of unallocated impairment and special reserves	-	-
Ordinary shares, provisions and retained profit and deductible items	411.586	408.168
Amount of other positions		
PRINCIPAL CAPITAL	**411.586**	**408.168**
Additional capital	**-**	**-**
Paid up and registered cumulative preference shares and the premium for such shares	-	-
Nominal value	-	-
Premium	-	-
Revaluation reserve	-	-
Hybrid capital instruments	-	-
Subordinated instruments	**12.296**	**-**
Amount of subordinated instruments	12.296	-
Deductible items from principal capital and additional capital	**12.296**	
Investments in the equity of other banks or financial institutions exceeding 10% of the capital of such institutions	-	-
Investments in subordinated and hybrid capital instruments and other instruments of the institutions	-	-
Sum of investments in equity, subordinated and hybrid instruments, and other instruments exceeding 10%	-	-
Direct investments in the equity of insurance companies and pension fund management companies	-	-
DEDUCTABLE ITEMS	**-**	**-**
Principal capital after deductible items	**411.586**	**408.168**
Additional capital after deductible items	**12.296**	**-**
Principal capital	**411.586**	**408.168**
Additional capital	**12.296**	**-**
Own funds	**423.883**	**408.168**
Risk weighted assets	**1.712.925**	**1.683.320**
CAPITAL ADEQUACY	**24,75%**	**24,25%**

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

5. Fair value of financial assets and financial liabilities and classification of financial assets and liabilities

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analysed them by the level in the fair value hierarchy into which each fair value measurement is categorized.

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Assets					
Cash and cash equivalents	-	113.225	-	113.225	113.225
Loans and advances to banks	-	30.552	-	30.552	30.552
Loans and advances to customers	-	-	1.322.799	1.322.799	1.344.726
Held-to-maturity investment securities	-	60.338	-	60.338	60.338
Liabilities					
Deposits from customers	-	667.121	-	667.121	667.121
Other borrowed funds	-	499.364	-	499.364	499.364
Subordinated	-	-	12.298	12.298	12.298
31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Assets					
Cash and cash equivalents	-	212.554	-	212.554	212.554
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	-	-	1.484.806	1.484.806	1.312.223
Liabilities					
Deposits from customers	-	640.676	-	640.676	640.676
Other borrowed funds	-	507.144	-	507.144	507.144

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime and market interest rates.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

(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 2016					
Cash and cash equivalents	*14*	113.225	-	-	113.225
Loans and advances to banks	*15*	30.552	-	-	30.552
Loans and advances to customers	*16*	1.344.726	-	-	1.344.726
Investments securities	*17*	-	60.338	-	60.338
Other assets	*18*	-	-	3.843	3.843
Total assets		1.488.503	60.338	3.843	1.552.684
Deposits from customers	*22*	-	-	667.121	667.121
Other borrowed funds	*23*	-	-	499.364	499.364
Subordinated liabilities	*24*	-	-	12.298	12.298
Other liabilities	*26*	-	-	8.831	8.831
Total liabilities		**-**	**-**	**1.187.614**	**1.187.614**
31 December 2015					
Cash and cash equivalents	*14*	212.554	-	-	212.554
Loans and advances to customers	*16*	1.312.223	-	-	1.312.223
Other assets	*18*	-	-	3.507	3.507
Total assets		1.524.777	-	3.507	1.528.284
Deposits from customers	*22*	-	-	640.676	640.676
Other borrowed funds	*23*	-	-	507.144	507.144
Other liabilities	*26*	-	-	9.936	9.936
		-	**-**	**1.157.756**	**1.157.756**

6. Net interest income

	in MKD '000	
	Current year 2016	Previous year 2015
Interest income		
Cash and cash equivalents	642	845
Loans and advances to banks	483	1.394
Loans and advances to customers	173.358	183.967
Investments securities	1.576	1.214
(Impairment of interest income, net based)	(679)	(980)
Collected previously written off interest	3.144	7.048
Total interest income	**178.524**	**193.488**
Interest expense		
Deposits from customers	22.674	20.687
Other borrowed funds	19.728	28.356
Subordinated liabilities	187	-
Total interest expenses	**42.589**	**49.043**
Net interest income	**135.935**	**144.445**

7. Net fee and commission income

	in MKD '000	
	Current year 2016	Previous year 2015
Fee and commission income		
Lending	1.758	2.493
Total fee and commission income	**1.758**	**2.493**
Fee and commission expense		
Lending operations	49	23
Payment operations in the country	1.064	1.307
Letters of credit and guarantees	700	266
Other	283	130
Total fee and commission expense	**2.096**	**1.726**
Net fee and commission income	**(338)**	**767**

8. Net foreign exchange gain/(loss)

	in MKD '000	
	Current year 2016	Previous year 2015
Realised net foreign exchange gain/losses	158	139
Unrealised net foreign exchange gain/losses	(401)	(468)
Net foreign exchange gain/(loss)	**(243)**	**(329)**

9. Other operating income

	in MKD '000	
	Current year 2016	Previous year 2015
Capital gain from sale of:		
Properties and equipment	297	105
Income from court cases won	98	281
Collected previously written off receivables	5.175	2.134
Other		
Discount for premature closing of credit line - Habitat	-	3.446
Income from premature liquidation of savings deposits	649	594
Income from collected receivables from court cases	473	1.215
Government grants	1.832	-
Other	1.241	2.538
Total other operating income	**9.765**	**10.313**

Other operating income from government grants for the year ended 31 December 2016 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 2018. The funds necessary for completion of the project are 353.645 USD and will be obtained in two phases:

First phase 138.997 USD, out of which 120.379 will be provided by MFO and 31.402 USD from the own funds of the Saving House as a sub-implementer of the project.

Second phase 214.618 USD, out of which 183.246 USD will be provided by MFO and 31.402 USD will be provided by the Saving House.

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.

10. Personnel expenses

	in MKD '000	
	Current year 2016	Previous year 2015
Short-term employee benefits		
Wages and salaries	52.312	55.106
Compulsory social security contributions	19.061	20.099
	71.373	75.205
Other	4.974	4.901
Total personnel expenses	**76.347**	**80.106**

11. Depreciation and amortisation

	in MKD '000	
	Current year 2016	Previous year 2015
Amortisation of intangible assets		
Software purchased from external suppliers	1.003	908
Other intangible assets	104	152
	1.107	**1.060**
Depreciation of property and equipment		
Buildings	1.292	1.292
Transport vehicles	798	444
Office equipment and furniture	661	885
Other equipment	1.888	2.505
Other property and equipment	353	504
Leasehold improvements	302	787
	5.294	**6.417**
Total depreciation and amortisation	**6.401**	**7.477**

12. Other expenses

	in MKD '000	
	Current year 2016	Previous year 2015
Software licensing costs	1.018	868
Deposit insurance premiums	3.260	3.203
Property and employee insurance premiums	1.157	1.123
Materials and services	25.170	27.716
Administrative and marketing costs	870	1.150
Other taxes and contributions	45	45
Rents	12.425	13.504
Court dispute costs	152	421
Provision for employee benefits	-	103
Loss from sales of:		
Property and equipment	75	15
Assets acquired through foreclosed procedure	-	448
Other	2.770	2.957
Total other expenses	**46.942**	**51.553**

13. Income tax expense

	in MKD '000	
	Current year 2016	Previous year 2015
Current tax expense		
Current year	1.840	3.131
Deferred tax expense		
Origination of temporary differences	110	(563)
Total income tax expenses	**1.950**	**2.568**

Reconciliation of effective tax rate:

	in MKD '000			
	%	Current year 2016	%	Previous year 2015
Profit before income tax		8.316		14.072
Income tax using the domestic corporation tax rate	10.00%	832	10.00%	1.407
Non-deductible expenses	13,44%	1.118	8.25%	1.161
Total income tax expenses	**23,44%**	**1.950**	**18.25%**	**2.568**

Movements in deferred tax balances

				Balance at 31 December	
	Net balance at 1 January	**Recognized profit or loss**	**Recognized in OCI**	**Net**	**Deferred tax liabilities**
2016					
in MKD '000					
Assets acquires through foreclosure procedure	(870)	(110)	-	(980)	(980)
Tax assets/(liabilities)	(870)	(110)	-	(980)	(980)

				Balance at 31 December	
	Net balance at 1 January	**Recognized profit or loss**	**Recognized in OCI**	**Net**	**Deferred tax liabilities**
2015					
in MKD '000					
Loans and advances to customers and other financial assets	(833)	833	-	-	-
Assets acquires through foreclosure procedure	(600)	(270)	-	(870)	(870)
Tax assets/(liabilities)	(1.433)	563	-	(870)	(870)

14. Cash and cash equivalents

	in MKD '000	
	Current year 2016	Previous year 2015
Cash on hand	9.719	10.400
Account and deposits with NBRM	15.939	15.025
Current accounts with domestic banks	66.576	81.795
Government bills tradable at the secondary market with original maturity up to three months	-	66.548
Term deposits with original maturity up to three months	20.991	38.758
Interest receivables	-	28
Total	**113.225**	**212.554**

15. Loans and advances to banks

	in MKD '000	
	Current year 2016	Previous year 2015
Term deposits with maturity over three months in domestic banks	30.583	-
(Allowance for impairment)	(31)	-
Total loans and advances to banks less allowance for impairment	**30.552**	**-**

	in MKD '000	
	Current year 2016	Previous year 2015
Specific allowance for impairment		
Balance at 1 January	-	87
Impairment loss for the year		
Additional impairment	31	1
(Release of impairment)	-	(88)
Balance at 31 December	**31**	**-**

16. Loans and advances to customers

A Loans and advances to customers at amortised cost

	in MKD '000	
	Current year 2016	Previous year 2015
Corporate customers	165.137	168.804
Retail customers		
Housing	45.739	69.252
Consumer loans	693.687	659.078
Other loans	490.511	535.849
Total loans and advances to customers before allowances for impairment	1.395.074	1.432.983
(Allowance for impairment)	(50.348)	(120.760)
Total loans and advances to customers less allowance for impairment	**1.344.726**	**1.312.223**

16. Loans and advances to customers (continued)

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

	in MKD '000	
	Current year 2016	Previous year 2015
Specific allowance for impairment		
Balance at 1 January	120.760	119.512
Impairment loss for the year		
Additional impairment	4.110	1.420
(Write offs)	(74.522)	(172)
Balance of 31 December	**50.348**	**120.760**

Write offs in 2016 is a results of the Decision for amending the decision for managing the credit risk according to which the Savings House was required to write off the credit exposures after two years after the Savings House has allocated 100% of allowance for impairment for the loan. As a result an amount of MKD 74.522 thousand was written off.

At 31 December 2016 MKD 842.415 thousand (2015: MKD 786.980 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 2016	Previous year 2015
Carrying amounts of loans and advances		
Cash deposits (depot and/or restricted at bank's account)	11.367	23.130
Bank guarantees		-
Corporate guarantees (excluding guarantees from banks and insurance companies)	27.209	45.802
Property for personal use (apartments, houses)	58.779	46.464
Property for business operations	25.831	23.081
Pledge on movable lien	1.336	-
Other types of collateral	1.220.204	1.173.746
Total loans and advances to customers less allowance for impairment	**1.344.726**	**1.312.223**

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

17. Investments securities

	in MKD '000	
Held to maturity investments securities	Current year 2016	Previous year 2015
Government bills	60.338	-
Total	**60.338**	**-**

18. Other assets

	in MKD '000	
	Current year 2016	Previous year 2015
Trade receivables	2.383	2.641
Prepayments	2.166	1.902
Receivables from employees	704	785
Advances for property and equipment	548	41
Other	290	226
Total other assets	**6.091**	**5.595**
(Allowance for impairment)	(2.248)	(2.088)
Total other assets less allowance for impairment	**3.843**	**3.507**

	in MKD '000	
	Current year 2016	Previous year 2015
Specific allowance for impairment		
Balance at 1 January	2.088	1.453
Impairment loss for the year		
Additional impairment	166	635
(Release of impairment)	-	-
(Write offs)	(6)	-
Balance of 31 December	**2.248**	**2.088**

19. Assets acquired through foreclosure procedure

	in MKD '000	
	Current year 2016	Previous year 2015
Buildings	1.060	2.458
Apartments	11.654	13.062
	12.714	**15.520**

20. Intangible assets

in MKD '000	Software purchased from external suppliers	Other intangible assets	**Total**
Cost			
Balance at 1 January 2015	7.701	6.231	**13.932**
Acquisitions	381	-	**381**
Balance at 31 December 2015	**8.082**	**6.231**	**14.313**
Balance at 1 January 2016	8.082	6.231	**14.313**
Acquisitions	381	256	**637**
Balance at 31 December 2016	**8.463**	**6.487**	**14.950**
Amortisation and impairment			
Balance at 1 January 2015	5.135	5.892	**11.027**
amortisation for the year	908	152	**1.060**
Balance at 31 December 2015	6.043	6.044	**12.087**
Balance at 1 January 2016	6.043	6.044	**12.087**
amortisation for the year	1.003	104	**1.107**
Balance at 31 December 2016	**7.046**	**6.148**	**13.194**
Carrying amount			
Balance at 1 January 2015	**2.566**	**339**	**2.905**
Balance at 31 December 2015	**2.039**	**187**	**2.226**
Balance at 31 December 2016	**1.417**	**339**	**1.756**

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 2015	51.691	13.407	18.637	41.781	4.397	-	9.753	**139.666**
Additions	-	590	226	353	192	-	-	**1.361**
(disposals and write-offs)	-	(635)	(259)	(277)	(19)	-	-	**(1.190)**
Balance as of 31 December 2015	**51.691**	**13.362**	**18.604**	**41.857**	**4.570**	-	**9.753**	**139.837**
Balance as of 1 January 2016	51.691	13.362	18.604	41.857	4.570	-	9.753	**139.837**
Additions	-	3.430	473	446	36	-	206	**4.591**
(disposals and write-offs)	-	(2.204)	(601)	(1.532)	(181)	-	(953)	**(5.471)**
Balance as of 31 December 2016	**51.691**	**14.588**	**18.476**	**40.771**	**4.425**	**-**	**9.006**	**138.957**
Depreciation and impairment								
Balance as of 1 January 2015	11.113	12.515	16.528	35.020	3.125	-	8.409	**86.710**
Depreciation for the year	1.292	444	885	2.505	504	-	787	**6.417**
(Disposals and write-offs)	-	(635)	(251)	(268)	(11)	-	-	**(1.165)**
Balance as of 31 December 2015	**12.405**	**12.324**	**17.162**	**37.257**	**3.618**	**-**	**9.196**	**91.962**
Balance as of 1 January 2016	12.405	12.324	17.162	37.257	3.618	-	9.196	**91.962**
Depreciation for the year	1.292	798	661	1.888	353	-	302	**5.294**
(Disposals and write-offs)	-	(2.204)	(595)	(1.411)	(160)	-	(953)	**(5.323)**
Balance as of 31 December 2016	**13.697**	**10.918**	**17.228**	**37.734**	**3.811**	**-**	**8.545**	**91.933**
Carrying amounts								
As of 1 January 2015	**40.578**	**892**	**2.109**	**6.761**	**1.272**	**-**	**1.344**	**52.956**
As of 31 December 2015	**39.286**	**1.038**	**1.442**	**4.600**	**952**	**-**	**557**	**47.875**
As of 31 December 2016	**37.994**	**3.670**	**1.248**	**3.037**	**614**	**-**	**461**	**47.024**

As at 31 December 2016 property and equipment with total carrying amount of MKD 31.113 thousand (2015: MKD 33.668 thousand) are pledged as collateral for received borrowings (refer note 23).

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

22. Deposits from customers

	in MKD '000	
	Current year 2016	Previous year 2015
Retail		
Demand deposits	22.072	20.409
Term deposits	630.146	597.136
Restricted deposits	14.903	23.131
Total	**667.121**	**640.676**

As at 31 December 2016 MKD 292.046 thousand (2015: MKD 286.897 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 2016	Previous year 2015
Domestic sources:		
NLB Banka AD Skopje - Ministry of Finance – Fund ZKDF	33.332	28.439
NLB Banka AD Skopje - Habitat Macedonia	12.554	12.573
NLB Banka AD Skopje	34.819	128.417
NLB Banka AD Skopje - MRFP	171.981	185.793
Foreign sources:		
MBDP - KfW	122.962	123.198
CEP - Responsibility	123.716	28.724
Total	**499.364**	**507.144**

As at 31 December 2016 MKD 339.829 thousand (2015: MKD 283.389 thousand) of other borrowed funds are expected to be settled more than 12 months after the reporting date.

In the course of 2016 Moznosti Savings House has concluded contracts and has used additional funds from the frame loan with NLB Banka AD Skopje, KFW, Habitat and Responsibility.

Borrowings from NLB Banka AD Skopje are secured with business premises owned by the Saving House and business premises owned by the Parent – CEP (see Note 21).
Active borrowings on 31 December 2016 will mature until the end of 2024 (2015: Until the end of 2018). 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 6% annually (2015: from 1% to 6,50% 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 2016 the amount of unused and approved revolving credit limits is MKD 94.472 thousand (2015: MKD 2.567 thousand).

24. Subordinated liabilities

Subordinated liabilities	*In MKD '000*	
	Subordinated liabilities	
	Current year 2016	Previous year 2015
Subordinated debt	12.298	-
Total subordinated liabilities	**12.298**	**-**

During 2016 the Saving House has signed a contract for subordinated debt with the Parent in the amount of EUR 200.000 (equivalent of MKD 12.339 thousand). The subordinated debt is interest rate of 3% p.a. The principle of the loan is payable in one instalment six years after signing the contract. The interest is payable semi-annually. The subordinated debt is included in the Saving House's capital adequacy calculation as at 31 December 2016.

25. Provision for employee benefits

in MKD '000	Provisions for pensions and other employee benefits
Balance as of 1 January 2015	675
Additional provisions during the year	114
(Used provisions during the year)	(82)
(Released provisions during the year)	(11)
Balance as of 31 December 2015	**696**
Balance as of 1 January 2016	696
Additional provisions during the year	57
(Used provisions during the year)	-
(Released provisions during the year)	(59)
Balance as of 31 December 2016	**694**

26. Other liabilities

	in MKD '000	
	Current year 2016	Previous year 2015
Trade payables	978	1.066
Advances	2.652	2.060
Accruals	917	1.518
Received payments	3.261	4.022
Other liabilities	1.023	1.270
Total other liabilities	**8.831**	**9.936**

27. Capital and reserves

A. Issued capital	*In MKD '000*	
	Total registered capital	
	Current year 2016	Previous year 2015
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 2016	Previous year 2015
Dividends paid	13.257	3.002

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 2016	Previous year 2015
Declared dividends after 31 December	4.301	13.257

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 2016				
Assets				
Consumer loans	-	383	577	**960**
Other loans and receivables	7.045	-	2.273	**9.318**
(Impairment)	(21)	(3)	(70)	**(94)**
Total	**7.024**	**380**	**2.780**	**10.184**
Liabilities				
Deposits	-	47	3.088	**3.135**
Other borrowed funds	123.927	-	184.535	**308.462**
Subordinated liabilities	12.298	-	-	**12.298**
Other liabilities	-	-	89	**89**
Total	**136.225**	**47**	**187.712**	**323.984**
Balance as of 31 December 2015				
Assets				
Consumer loans	-	822	711	**1.533**
Other loans and receivables	8.519	-	2.364	**10.883**
(Impairment)	(26)	(8)	(77)	**(111)**
Total	**8.493**	**814**	**2.998**	**12.305**
Liabilities				
Deposits	-	155	2.433	**2.588**
Other borrowed funds	28.724	-	199.534	**228.258**
Other liabilities	-	-	171	**171**
Total	**28.724**	**155**	**202.138**	**231.017**

28. Related parties (continued)

In MKD '000	Parent	Key management personnel	Other related parties	**Total**
2016				
Revenue				
Interest income	471	58	192	**721**
Other income	-	-	48	**48**
Total	**471**	**58**	**240**	**769**
Expenses				
Interest expense	4.452	-	7.669	**12.121**
(Impairment)	(1)	(1)	(1)	**(3)**
Other expense	3.925	-	1.480	**5.405**
Total	**8.376**	**(1)**	**9.148**	**17.523**
2015				
Revenue				
Interest income	559	73	236	**868**
Other income	-	-	139	**139**
Total	**559**	**73**	**375**	**1.007**
Expenses				
Interest expense	7.580	2	9.095	**16.677**
(Impairment)	10	(3)	-	**7**
Other expense	3.924	-	2.711	**6.635**
Total	**11.514**	**(1)**	**11.806**	**23.319**

Transaction with key management personnel

	In MKD '000	
	Current year 2016	Previous year 2015
Short-term employee benefits	23.301	24.524
Benefits following termination of employment	14	13
Total	**23.315**	**24.537**

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**
2016	2.047	2.047	-	-
2015	2.261	2.261	-	-

30. Subsequent events

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