SAVINGS HOUSE MOZNOSTI DOO SKOPJE

Financial Statements
For the year ended
31 December 2021
with the Independent auditors' report

Contents

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

We have audited the accompanying financial statements of Savings House Moznosti DOO - Skopje ("The Savings House"), which comprise the Statement of Financial Position as at 31 December 2021, and the Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Law and International Standards on Auditing which are accepted and published in the Official gazette of the Republic of Macedonia (79/2010). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Savings House Moznosti DOO as of 31 December 2021, and of its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards.

Skopje, 5 July 2022

Certified Auditor	**Manager and Certified Auditor**
Milena Jovanova Dimoska	Antonio Veljanov

Друштво за ревизија МУР СТИВЕНС ДОО СКОПЈЕ

Statement of comprehensive income
For the year ended 31 December 2021

	Note	Current year 2021 (in MKD '000)	Previous year 2020 (in MKD '000)
Interest income		164.274	184.388
Interest expense		(31.673)	(36.289)
Net interest income	6	**132.601**	**148.099**
Fee and commission income		2.019	1.465
Fee and commission expense		(1.635)	(976)
Net fee and commission income	7	**384**	**489**
Net foreign exchange gains	8	14	(30)
Other operating income	9	30.845	23.211
Net impairment loss on financial assets	15,16,18	(22.529)	(18.577)
Net impairment loss on foreclosed assets		(11)	(23)
Personnel expenses	10	(78.639)	(85.321)
Depreciation and amortisation	11	(10.532)	(10.206)
Other expenses	12	(42.654)	(42.536)
Profit before tax		**9.479**	**15.106**
Income tax expense	13	(1.816)	(2.908)
Profit for the year		**7.663**	**12.198**
Other comprehensive income			
Total comprehensive income		**7.663**	**12.198**

The financial statements were authorised for issue by the Savings House founder on 28 June 2022 and were signed on its behalf by:

Emilija Krajčeva
Chief executive officer

Штедилница
МОЖНОСТИ
ДОО
Скопје

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

Statement of financial position **As at 31 December 2021**	Note	*in MKD '000* Current year 2021	Previous year 2020
Assets			
Cash and cash equivalents	14	161.081	229.848
Loans and advances to banks	15	-	-
Loans and advances to customers	16	1.481.338	1.512.245
Investment securities	17	65.481	-
Current tax assets		913	-
Other assets	18	2.514	3.246
Assets acquired through foreclosure procedure	19	8.400	8.411
Intangible assets	20	2.210	6.254
Property and equipment	21	47.115	47.200
Total assets		**1.769.052**	**1.807.204**
Liabilities			
Deposits from customers	22	794.838	814.552
Other borrowed funds	23	449.670	473.159
Subordinated liabilities	24	62.010	50.966
Provision for employee benefits	25	2.131	2.419
Current tax liabilities		-	387
Deferred tax liabilities	13	840	841
Other liabilities	26	20.634	23.839
Total liabilities		**1.330.123**	**1.366.163**
Equity			
Issued capital	27	300.152	300.152
Reserves		123.544	121.100
Retained earnings		15.233	19.789
Total equity attributable to the owners of the Saving house		**438.929**	**441.041**
Total liabilities and equity		**1.769.052**	**1.807.204**

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

Statement of changes in equity

In MKD '000	Issued Capital	Statutory reserves	Retained earnings	Total equity and reserves
Balance at 1 January 2020	300.152	118.777	19.205	438.134
Total comprehensive income for the year				
Profit for the year	-	-	12.198	12.198
Total comprehensive income for the year	-	-	**12.198**	**12.198**
Transactions with owners, recognized in the equity				
Allocation of statutory reserve	-	2.323	(2.323)	-
Dividends paid	-	-	(9.291)	(9.291)
Transactions with owners, recognized in the equity	-	**2.323**	**(11.614)**	**(19.291)**
Balance at 31 December 2020	**300.152**	**121.100**	**19.789**	**441.041**
Balance at 1 January 2021	300.152	121.100	19.789	441.041
Total comprehensive income for the year				
Profit for the year	-	-	7.663	7.663
Total comprehensive income for the year	-	-	**7.663**	**7.663**
Transactions with owners, recognized in the equity				
Allocation of statutory reserve	-	2.444	(2.444)	-
Dividends paid	-	-	(9.775)	(9.775)
Transactions with owners, recognized in the equity	-	**2.444**	**(12.219)**	**(9.775)**
As of December 31 2021	**300.152**	**123.544**	**15.233**	**438.929**

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Chief executive officer

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

Statement of cash flows
For the year ended 31 December 2021

	Note	in MKD '000 current year 2021	previous year 2020
Cash flows from operating activities			
Profit before income tax		9.479	15.106
Adjustment for:			
Depreciation and amortisation			
intangible assets	11	4.044	3.968
property and equipment	11	6.488	6.238
Gain on sale from:			
property and equipment	9	(10)	(45)
Loss on sale of:			
property and equipment	12	-	-
assets acquired through foreclosed procedure	12		11
Interest income	6	(164.274)	(184.388)
Interest expenses	6	31.673	36.290
Impairment losses on financial assets	15,16,17	75.677	60.057
Impairment loss on foreclosed assets		11	23
Employee benefits provision		(53.148)	(41.480)
additional		201	732
release		(239)	(178)
Interest received		-	-
Interest paid		(12.257)	(14.373)
Other		122.368	143.340
Operating profit before changes in operating assets		**20.013**	**25.301**
Change in loans and advances to banks			
Change in loans and advances to customers		23.584	4.950
Change in assets acquired through foreclosure procedure		-	-
Change in other assets		733	(335)
Change in deferred tax assets		(2.961)	(2.311)
Change in deposits from customers		(19.714)	23.020
Change in other liabilities		4.116	(10.941)
		25.771	**39.684**
Income taxes paid		157	
Net cash (used in)/from operating activities		**25.614**	**39.684**
Cash flows from investing activities			
Acquisition of investment securities		(65.481)	370
Acquisition of intangible assets		-	-
Acquisition of property and equipment		(6.403)	(956)
Proceeds from sale of property and equipment		10	45
Net cash (used in)/from investing activities		**(71.874)**	**(541)**
Cash flows from financing activities			
Repayment of other borrowed funds		41.076	(4.866)
Proceeds from other borrowed funds		(64.563)	(20.153)
Proceeds from subordinated liabilities		11.043	12.613
Dividends paid		(9.775)	(9.291)
Other proceeds from financing activities		(288)	471
Net cash used in financing activities		**(21.507)**	**(21.226)**
Net (decrease)/ increase in cash and cash equivalents		**(68.767)**	**17.917**
Cash and cash equivalents at 1 January		229.848	211.931
Cash and cash equivalents at 31 December	14	**161.081**	**229.848**

The financial statements were authorised for issue by the Savings House founder on 28 June 2022 and were signed on its behalf by:

Emilija Krajčeva
Chief executive officer

МОЖНОСТИ ДОО Скопје

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 bl vd.
1000 Skopje
Republic of North Macedonia

(iii) Primary operations of the Savings House

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

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

The financial statements were authorised for issue by the Savings House founder on 29 June 2022.

(v) Directors

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

CEO	Emilija Krajčeva
Branch Network Director	Goran Germovski
Director of the Logistic, Sales and Banking Operations Division	Ana Kuzmanovska Risteska
Legal and Service Division Director	Marta Trpovska
Human resources Director	Suzana Kostova

b) Basis of preparation

(i) Statement of compliance

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

(ii) Functional and presentation currency

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

(iii) Use of estimates and judgements

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

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

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

(iv) Changes in accounting policies

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

(v) Changes in accounting estimates

For the year ended 31 December 2021, there were no changes in the accounting estimates.

c) Significant accounting policies

The accounting policies presented here after 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 ownershipor 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 Savings 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 2021 and 2020 were as follows:

	2021 MKD	**2020 MKD**
1 EUR	61,63	61,69

(iv) Loans and advances and impairment

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

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

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

All approved undisbursed loans are stated off-balance.

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

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

- Significant financial difficulties of the issuer of financial instrument or the debtor;
- Factual violation of agreement, such as avoiding payment or being overdue regarding payment per interest or principal;
- Restructuring programme in case of financial difficulties of the creditor, which are not generally provided to the Saving house clients;
- Strong possibility that the debtor will enter a bankruptcy procedure or other type of financial reorganization;
- Disappearance of an active market for the financial asset due to financial difficulties; or
- Information indicating that a measurable decrease in assessed future cash flows from a group of financial assets, since the primary acknowledgement of the stated, even though the decrease cannot be individually linked to the financial assets including:
- negative changes in debtor's solvency (for instance an increased number of overdue payments or increased number of debtors per credit cards reaching their maximum allowed limit while paying minimal monthly amount; or
- national or local economic conditions in proportion to damage of assets (for instance increase of unemployment rate in the geographic region of the debtor, decrease of property prices in the stated region, the latter is used as security, decrease of price of oil for credits of oil producers or negative changes in the industrial conditions affecting the debtors).

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

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

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

(v) Investments

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

Investments held to maturity

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

Held to maturity investments are carried at amortized cost using an effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to the irmaturity 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 in ideally 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 1c(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 amendments effective in the period on or after 1 January 2021

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

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

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 Interest Rate Benchmark Reform – Phase 2

As a result of these amendments, among other matters, an entity:

- will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

Amendments to IFRS 16 'Leases' Covid-19 Related Rent Concessions
Amendments to IFRS 16 'Leases' provide a practical expedient that permits lessees to account for the rent concessions, that occur as a direct consequence of the COVID - 19 pandemic and meets specified conditions, as if they were not lease modifications.
The amendment is effective 1 June 2020.

Amendments to IFRS 16 'Leases' Covid-19 Related Rent Concessions beyond 30 June 2021
This amendment extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
The amendment is effective 1 April 2021. Earlier application is permitted, including in financial statements not authorized for issue at the date this Standard was issued.

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

The following standards and amendments are still not effective for the annual periods ending at 31 December 2021:

- Amendments to IFRS 16 - Covid-19-Related Rent Concessions
- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use
- Amendments to IFRS 3 - Reference to the Conceptual Framework

- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates

  Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

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 50,000 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 three credit risk groups (2019: three credit risk groups).

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 (group1).

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 monitor sand prepares reports for the exposure concentration and the quality of the portfolio in different categories (target group, segment, sector and product).

Exposure to credit risk

	Loans and advances to banks		Loans and advances to customers	
in MKD '000	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Individually impaired				
Group 1	-	-	1.442.830	1.483.966
Group 2	-	-	29.475	31.091
Group 3	-	-	59.902	46.561
Gross amount	-	-	1.532.208	1.561.617
Allowance for impairment	-	-	(50.869)	(49.372)
Carrying amount	-	-	**1.481.338**	**1.512.244**
2019				
Grade A	-	-	-	-
Grade B	-	-	-	-
Grade C	-	-	-	-
Grade D	-	-	-	-
Grade E	-	-	-	-
Gross amount	-	-	-	-
Allowance for impairment	-	-	-	-
Carrying amount	-	-	-	-
Past due but not impaired:				
Up to 30 days	-	-	-	-
30 – 60 days	-	-	-	-
60 – 90 days	-	-	-	-
90 – 180 days	-	-	-	-
180 days +	-	-	-	-
Carrying amount	-	-	-	-
Neither past due nor impaired:				
Restructured	-	-	-	-
Not restructured	-	-	-	-
Carrying amount	-	-	-	-
	-	-	-	-
Total carrying amount	-	-	**1.481.338**	**1.512.244**

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 2021				
Individually impaired				
Group 1	-	-	1.442.830	1.435.541
Group 2	-	-	29.475	27.539
Group 3	-	-	59.902	18.259
	-	**-**	**1.532.208**	**1.481.338**
31 December 2020				
Individually impaired				
Group 1	-	-	1.483.966	1.469.444
Group 2	-	-	31.091	29.134
Group 3	-	-	46.561	13.667
			1.561.617	**1.512.244**

Fair value of collateral held against loans and advances to customers

	Loans and advances to customers	
in MKD '000	Current year 2021	Previous year 2020
Cash collateral	1.698	2.162
Corporate guarantees (other than from banks and from insurance companies)	20.286	35.409
Apartments	63.829	69.959
Business premises	42.805	70.462
Movable lien	15.829	15.139
Total	**144.447**	**193.131**

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 for enclosure of the collateral

There are no foreclosures in 2021 and 2020.

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 2021	Previous year 2020	Current year 2021	Previous year 2020
Agriculture, forestry and fisheries	-		26.835	28.262
Ore and rock extraction	-	-	-	890
Food industry	-	-	5.000	21.647
Textile industry and production of garments and footwear	-	-	1.010	1.621
Chemical industry, production of construction materials, oil production and processing, pharmaceutical industry	-	-	364	1.569
Production of metals, machines, tools and equipment	-	-	552	335
Other types of processing industry	-	-	-	25
Construction	-	-	4.285	10.272
Wholesale and retail trade; reparation of motor vehicles and motorcycles	-	-	12.687	16.600
Transport and storage	-	-	21.491	20.308
Accommodation premises and catering service	-	-	3.157	5.647
Information and communication	-	-	595	284
Financial and insurance operations	-	-	-	-
Activities for properties	-	-	-	-
Professional, scientific and technical activities	-	-	-	302
Administration and associated service activities	-	-	4.125	4.856
Education	-	-	1.983	1.974
Operations in compulsory social and health insurance	-	-	104	1.175
Art, amusement and recreation		-	651	1.455
Other service activities	-			
Individuals	-	-	1.398.501	1.395.021
Total	**-**	**-**	**1.481.338**	**1.512.244**

Concentration of credit risk by geographical location

	Loans and advances to banks		Loans and advances to customers	
in MKD '000	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Concentration by location				
Republic of North Macedonia	-	-	1.481.338	1.512.244
Total	-	-	1.481.338	1.512.244

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 Scope and elements of liquidity risk management

Liquidity risk management is a part of the overall savings house's risk management system and meets the risk management requirements defined in the Banking Law and the National Bank's risk management methodology regulation.

Determining, assessing and managing liquidity risk means managing liquidity risk in a way that will enable timely and regular payment of liabilities, in normal or extraordinary operating conditions of the savings house.
Liquidity risk management corresponds to the nature, type and scope of financial activities performed by the savings house.
The Savings House has established a Liquidity Risk Management Methodology, Liquidity Risk Management Policy and other internal acts for identification, measurement, control or reduction and monitoring of liquidity risk (rules, procedures, etc.).
The Liquidity Risk Management Methodology and the Liquidity Risk Management Policy are approved by the Shareholder's Board. They are regularly controlled in accordance with the changes in the Decision on the methodology for liquidity risk management approved by the National Bank of the Republic of Northern Macedonia.
Within the policy, nature, scope and complexity of financial activities, the Savings House defines:
Appropriate organizational structure for liquidity risk management,
Determining and maintaining an appropriate liquidity level,
Monitoring the level of liquidity,
Stress testing,
The establishment and regular revision of the liquidity risk management contingency plan and
Reporting to NBRSM.

The appropriate organizational structure for liquidity risk management implies clearly defined competencies and responsibilities of the bodies of the Savings House, as well as defining the tasks and responsibilities of appropriate services in the Savings House that are responsible for monitoring the liquidity of the Savings House and liquidity risk management.

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, and 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 possible exceptions in relation to the defined limits and assigns the responsibility for deciding on the application of those exceptions
- Approves and revises internal liquidity indicators;
- Approves the internal liquidity ratios.

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;
- monitors the regulations of the NBRSM which refer to the liquidity risk management and the compliance of the Savings House with these regulations;
- 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 under taken for risk management;
- monitors the efficiency of the functioning of internal control systems in liquidity risk management;
- analyses the effects of liquidity risk management;
- analyses the effects of the proposed risk management strategies, as well as the proposed strategies, measures and instruments for liquidity risk protection;
- 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;

The Manager of the Savings House:

- executes the decisions of the Shareholder's Board of the Savings House, ie is responsible of their implementation;
- develops liquidity risk management policies and procedures;
- establishes a procedure for assessment of the impact of new products and services on the exposure to liquidity risk;
- submits an initiative and gives proposals for improving the operation of the Savings House;
- provides conditions for assessment, monitoring and control of liquidity risk;
- is responsible for establishing and maintaining the efficiency of the system for measuring, monitoring, controlling and reporting liquidity in certain currencies that have a significant impact on the overall liquidity of the Savings House and monitoring the maturity structure of assets and liabilities in denars and foreign currency;

- is responsible for establishing an information system and reporting system for the Supervisory Board, the Risk Management Committee and the Commission for managing assets and liabilities in relation to the possible exceeding of the prescribed limits of liquidity risk exposure;
- defines the financial instruments for liquidity risk management;
- establishes procedures for determining and monitoring the stability of deposits;
- monitors potential liabilities and exposure based on the off-balance sheet operations of the Savings House;
- other activities that he is obliged to perform in accordance with the Law on Banks and the liquidity risk management policy.

During 2021, the savings house made an adjustment in accordance with the new decision, "Decision on the methodology for liquidity risk management", which entered into force on 01.01.2021. With the implementation of the new decision, a new liquidity indicator was introduced - Liquidity Coverage Rate (SPL) and abandonment of the previous Ratios of liquidity of up to 30 days and up to 180 days.

Determining and maintaining an appropriate level of liquidity means determining, monitoring and maintaining the liquidity coverage rate. The main goal of the liquidity coverage rate is to strengthen the short-term resistance of the savings house to potential liquidity problems, i.e. having a sufficient volume of high quality liquid assets (HQLA) to cover the financing needs in the period up to 30 days in stressful conditions.

The savings house **monitors the level of liquidity** through:
- Monitoring liquidity coverage rates,
- Establishment and maintenance of an appropriate maturity structure,
- Monitoring the sources of funds and their concentration,
- Monitoring of available unencumbered assets and
- Determining, monitoring and maintaining internal liquidity indicators.

The Savings House has defined the techniques, methods and assumptions used in **stress testing**, including the reverse stress testing method, has defined the competencies of the bodies, organizational units or persons involved in the conduct of stress testing and in the decision making, implement and monitoring activities underlying the stress testing, as well as determining the manner of reporting on stress testing results, taking into account Decision and the stress testing requirements defined in the National Bank regulation on risk management methodology.

The ability of the savings house to overcome the impossibility of timely financing of part or all of its activities, largely depends on the adequacy of the established **Liquidity risk management contingency plan**. The basis for making the Plan is the existence of a crisis management strategy. From that aspect, the role of the bodies is of the utmost importance for the efficient implementation of the Plan. The management bodies should be timely informed about all issues and activities related to the liquidity position of the savings house, in order to enable adequate realization of the decision-making process for liquidity risk management.

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

Maturity analysis of financial liabilities

Financial liabilities 2021	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	794.838	(815.773)	(56.808)	(61.183)	(301.501)	(267.740)	(128.458)	(83)
Other borrowed funds	449.670	(467.756)	(27.306)	(11.982)	(105.611)	(138.414)	(184.443)	-
Subordinated debt	62.010	(67.294)	(421)	(248)	(13.823)	(17.667)	(35.135)	-
Other liabilities	20.634	(20.634)	(12.140)	(930)	(7.061)	(503)	-	-
Total financial liabilities	**1.327.152**	**(1.371.457)**	**(96.675)**	**(74.343)**	**(427.996)**	**(424.324)**	**(348.036)**	**(83)**

Financial liabilities 2020	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	814.552	(840.297)	(41.930)	(46.327)	(276.152)	(341.818)	(134.062)	(8)
Other borrowed funds	473.158	(496.795)	(31.303)	(11.452)	(91.160)	(122.211)	(240.669)	-
Subordinated debt	50.966	(56.458)	(191)	(230)	(1.520)	(13.840)	(40.677)	-
Other liabilities	24.226	(24.226)	(12.043)	(989)	(4.369)	(6.322)	(503)	-
Total financial liabilities	**1.362.902**	**(1.417.776)**	**(85.467)**	**(58.998)**	**(373.201)**	**(484.191)**	**(415.911)**	**(8)**

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.

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 %
2021 (current year) Amount prior to analyses of sensitivity/ stress-tests (balance on 31.12.2021)	7.663	453.404	2.030.527	22.33%
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	7.721	453.461	2.030.537	22.33%
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	7.605	453.404	2.030.517	22.33%
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	33.024	453.404	2.034.965	22.28%
Decrease of active and passive interest rates by 100 basic points	(17.698)	428.042	2.026.089	21.13%

	Profit/(loss)	Own Funds	Risk Weighted Assets	Capital adequacy
	in MKD '000	in MKD '000	in %	in %
2020 (previous year) Amount prior to analyses of sensitivity/ stress-tests (balance on 31.12.2020)	12.198	450.951	2.051.965	21.98%
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	15.298	454.051	2.052.508	22.12%
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	9.098	450.951	2.051.423	21.98%
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	21.430	460.183	2.052.507	22.42%
Decrease of active and passive interest rates by 100 basic points	2.966	450.951	2.051.423	21.98%

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 so 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 the exceptions;
- Establishing procedures and manner of performing stress testing;

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

2.3 Market risk (continued)
Exposure to interest rate risk

in MKD '000	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	over 5 years	Total interest-bearing assets/liabilities
2021 (current year)							
Financial assets							
Cash and cash equivalents	-	-	93.472	-	-	-	93.472
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	43.666	75.311	292.000	340.864	475.540	229.812	1.457.191
Investment securities	-	-	65.481	-	-	-	65.481
Total interest sensitive financial assets	**43.666**	**75.311**	**450.953**	**340.864**	**475.540**	**229.812**	**1.616.144**
Financial liabilities							
Deposits from customers	(56.151)	(59.900)	(291.797)	(255.781)	(120.616)	(83)	(784.328)
Other borrowed funds	(6.907)	(129.781)	(263.129)	(18.033)	(32.223)	-	(450.073)
Subordinated debt	-	-	(12.325)	(16.021)	(33.326)	-	(61.672)
Total interest sensitive financial liabilities	**(63.058)**	**(189.681)**	**(567.251)**	**(289.835)**	**(186.165)**	**(83)**	**(1.296.073)**
Total based position, net	**(19.392)**	**(114.370)**	**116.298**	**51.029**	**289.375**	**229.729**	**320.071**

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
2020 (previous year)							
Financial assets							
Cash and cash equivalents	7.308	-	167.280	-	-	-	174.588
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	40.647	64.529	312.545	396.240	455.708	219.378	1.489.049
Investment securities	-	-	-	-	-	-	-
Total interest sensitive financial assets	**47.955**	**64.529**	**479.825**	**369.240**	**455.708**	**219.378**	**1.663.637**
Financial liabilities							
Deposits from customers	(41.416)	(45.307)	(267.595)	(325.217)	(124.951)	(8)	(804.494)
Other borrowed funds	(5.863)	(302.761)	(112.535)	(23.958)	(28.459)	-	(473.576)
Subordinated debt	-	-	-	(12.339)	(38.373)	-	(50.712)
Total interest sensitive financial liabilities	**(47.279)**	**(348.068)**	**(380.130)**	**(361.514)**	**(191.783)**	**(8)**	**(1.328.782)**
Total based position, net	**676**	**(283.539)**	**99.695**	**34.726**	**263.925**	**219.370**	**334.855**

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 appropriated part mention 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
2021 (current year)			
Financial assets			
Cash and cash equivalents	153.635	7.446	161.081
Loans and advances to banks	-	-	-
Loans and advances to customers	1.094.207	392.868	1.487.075
Investments securities	59.675	5.806	65.481
Other assets	2.514	-	2.514
Total	**1.310.031**	**406.120**	**1.716.151**
Liabilities			
Deposits from customers	(794.838)	-	(794.838)
Other borrowed funds	(92.639)	(357.031)	(449.670)
Subordinated debt	(24.808)	(37.202)	(62.010)
Other liabilities	(20.257)	(377)	(20.634)
Total	**(932.542)**	**(394.610)**	**(1.327.152)**
Net balance	**377.489**	**11.510**	**388.999**

in MKD '000	MKD	EUR	Total
2020 (previous year)			
Financial assets			
Cash and cash equivalents	209.910	19.938	229.848
Loans and advances to banks	-	-	-
Loans and advances to customers	1.147.659	371.560	1.519.219
Investments securities	-	-	-
Other assets	3.247	-	3.247
Total monetary assets	**1.360.816**	**391.498**	**1.752.314**
Liabilities			
Deposits from customers	(814.552)	-	(814.552)
Other borrowed funds	(119.872)	(353.286)	(473.158)
Subordinated debt	(13.725)	(37.241)	(50.966)
Other liabilities	(23.489)	(350)	(23.839)
Total liabilities	**(971.638)**	**(390.877)**	**(1.362.515)**
Net balance	**389.178**	**621**	**389.799**

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 to 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	**31.12.2021**	**31.12.2020**
Own funds	**453.403**	**450.951**
Tier 1 capital	**423.209**	**419.950**
Common Equity Tier 1 capital (CET1)	**423.209**	**419.950**
Positions in CET1	*423.696*	*421.252*
Capital instruments of CET1	***300.152***	***300.152***
Premium on the capital instruments of CET1		
Mandatory general reserve (general reserve fund)	***123.544***	***121.100***
Retained undistributed profit		
(-) Accumulated loss from previous years		
Current profit or year-end profit		
Accumulated other comprehensive income		
(-) Deductions of CET1	*(487)*	*(1.302)*
(-) Loss at the year-end or current loss		
(-) Intangible assets	***(487)***	***(1.302)***
(-) Deferred tax assets that rely on bank's future profitability		
(-) Investments in own capital instruments of CET1	-	-
(-) Direct investments in own capital instruments of CET1		
(-) Indirect investments in own capital instruments of CET1		
(-) Synthetic investments in own capital instruments of CET1		
(-) Investments in own capital instruments of CET1 that the bank is contractually required to purchase		
(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities, where such entities have investments in the bank		
(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank has no significant investment		
(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank has a significant investment		
(-) Amount of deductions from AT1 which exceeds the total amount of AT1		
(-) Amount of excess of limits on investments in non-financial institutions		
(-) Tax costs		
(-) Difference between the amount of required and actual impairment/special reserve		
Regulatory adjustments of CET1	-	-
(-) Increase in CET1 which stems from securitization positions		
(-) Gains or (+) losses from protection against cash flow risk		
(-) Gains or (+) losses on bank's liabilities measured at fair value		
(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value		
Positions as a result of consolidation	-	-

Minority interest recognized in CET1 on a consolidated basis		
Other		
Other positions of CET1		
Additional Tier 1 capital (AT1)	-	-
Positions in AT1	-	-
Capital instruments of AT1		
Premium on the capital instruments of AT1		
(-) Deductions of AT1	-	-
(-) Investments in own capital instruments of AT1	-	-
(-) Direct investments in own capital instruments of AT1		
(-) Indirect investments in own capital instruments of AT1		
(-) Synthetic investments in own capital instruments of AT1		
(-) Investments in own capital instruments of AT1 that the bank is contractually required to purchase		
(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities, where such entities have investments in the bank		
(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the bank has no significant investment		
(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the bank has a significant investment		
(-) Amount of deductions from T2 which exceeds the total amount of T2		
(-) Tax costs		
Regulatory adjustments of AT1	-	-
(-) Increase in AT1 which stems from securitization positions		
(-) Gains or (+) losses from protection against cash flow risk		
(-) Gains or (+) losses on bank's liabilities measured at fair value		
(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value		
Positions as a result of consolidation	-	-
Qualifying Additional Tier 1 capital recognized in AT1 on a consolidated basis		
Other		
Other positions of AT1	-	-
Tier 2 capital (T2)	***30.195***	***31.001***
Positions in T2	***30.195***	***31.001***
Capital instruments of T2		
Subordinated loans	***30.195***	***31.001***
Premium on the capital instruments of T2		
(-) Deductions of T2	-	-
(-) Investments in own capital instruments of T2	-	-
(-) Direct investments in own capital instruments of T2		
(-) Indirect investments in own capital instruments of T2		

(-) Synthetic investments in own capital instruments of T2		
(-) Investments in own capital instruments of T2 that the bank is contractually required to purchase		
(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities, where such entities have investments in the bank		
(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities in which the bank has no significant investment		
(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities in which the bank has a significant investment		
Regulatory adjustments of T2	-	-
(-) Increase in T2 which stems from securitization positions		
(-) Gains or (+) losses from protection against cash flow risk		
(-) Gains or (+) losses on bank's liabilities measured at fair value		
(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value		
Positions as a result of consolidation	-	-
Qualifying Tier 2 capital recognized in T2 on a consolidated basis		
Other		
Other positions of T2		
Risk weighted assets	**2.030.527**	**2.051.965**
CAPITAL ADEQUACY	**22,33%**	**21,98%**

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

4. 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 2021					
Cash and cash equivalents	*14*	161.081	-	-	161.081
Loans and advances to banks	*15*	-	-	-	-
Loans and advances to customers	*16*	1.481.338	-	-	1.481.338
Investments securities	*17*	-	-	-	-
Other assets	*18*	-	-	2.514	2.514
Total assets		**1.642.419**	**-**	**2.514**	**1.644.933**
Deposits from customers	*22*	-	-	794.838	794.838
Other borrowed funds	*23*	-	-	449.670	449.670
Subordinated liabilities	*24*	-	-	62.010	62.010
Other liabilities	*26*	-	-	20.634	20.634
Total liabilities		**-**	**-**	**1.327.152**	**1.327.152**
31 December 2020					
Cash and cash equivalents	*14*	229.848	-	-	229.848
Loans and advances to banks	*15*	-	-	-	-
Loans and advances to customers	*16*	1.512.245	-	-	1.512.245
Investments securities	*17*	-	-	-	-
Other assets	*18*	-	-	3.246	3.246
Total assets		**1.742.093**	**-**	**3.246**	**1.745.339**
Deposits from customers	*22*	-	-	814.552	814.552
Other borrowed funds	*23*	-	-	473.159	473.159
Subordinated liabilities	*24*	-	-	50.966	50.966
Other liabilities	*26*	-	-	23.839	23.839
Total liabilities		**-**	**-**	**1.362.516**	**1.362.516**

6. Net interest income

	in MKD '000	
	Current year 2021	Previous year 2020
Interest income		
Cash and cash equivalents	828	1.079
Loans and advances to banks	-	-
Loans and advances to customers	162.275	182.377
Investments securities	39	-
(Impairment of interest income, net based)	(2.321)	(1.409)
Collected previously written off interest	3.453	2.341
Total interest income	**164.274**	**184.388**
Interest expense		
Deposits from customers	18.947	20.874
Other borrowed funds	10.895	13.871
Subordinated liabilities	1.831	1.544
Total interest expenses	**31.673**	**36.289**
Net interest income	**132.601**	**148.099**

7.Net fee and commission income

	in MKD '000	
	Current year 2021	Previous year 2020
Fee and commission income		
Lending	2.019	1.465
Total fee and commission income	**2.019**	**1.465**
Fee and commission expense		
Lending operations	98	65
Payment operations in the country	688	662
Letters of credit and guarantees	849	249
Other	-	-
Total fee and commission expense	**1.635**	**976**
Net fee and commission income	**384**	**489**

8. Net foreign exchange gain/(loss)

	in MKD '000	
	Current year 2021	Previous year 2020
Realised net foreign exchange gain/losses	5.169	1.470
Unrealised net foreign exchange gain/losses	(5.155)	(1.500)
Net foreign exchange gain/(loss)	**14**	**(30)**

9.Other operating income

	in MKD '000	
	Current year 2021	Previous year 2020
Capital gain from sale of:		
Properties and equipment	10	45
Assets acquired through foreclosed procedure	-	-
Income from court cases won	257	85
Collected previously written off receivables	20.306	14.172
Other		
Discount for premature closing of credit line - Habitat	-	-
Income from premature liquidation of savings deposits	1.148	884
Income from collected receivables from court cases	491	347
Government grants	3.723	4.412
Other	4.910	3.266
Total other operating income	**30.845**	**23.211**

10. Personnel expenses

	in MKD '000	
	Current year 2021	Previous year 2020
Short-term employee benefits		
Wages and salaries	54.284	56.878
Compulsory social security contributions	20.609	20.444
	74.893	77.322
Other	3.746	7.999
Total personnel expenses	**78.639**	**85.321**

11. Depreciation and amortisation

	in MKD '000	
	Current year 2021	Previous year 2020
Amortisation of intangible assets		
Software purchased from external suppliers	3.228	3.146
Other intangible assets	815	823
	4.043	**3.969**
Depreciation of property and equipment		
Buildings	1.448	1.452
Transport vehicles	631	1.120
Office equipment and furniture	367	460
Other equipment	3.376	2.488
Other property and equipment	78	111
Leasehold improvements	589	606
	6.489	**6.237**
Total depreciation and amortisation	**10.532**	**10.206**

12.Other expenses

	in MKD '000	
	Current year 2021	Previous year 2020
Software licensing costs	2.969	2.506
Deposit insurance premiums	2.023	2.005
Property and employee insurance premiums	513	894
Materials and services	24.876	22.974
Administrative and marketing costs	1.030	648
Other taxes and contributions	42	42
Rents	8.784	9.689
Court dispute costs	242	214
Provision for employee benefits	-	553
Loss from sales of:		
Property and equipment	-	11
Assets acquired through foreclosed procedure	-	-
Other	2.175	3.000
Total other expenses	**42.654**	**42.536**

13. Income tax expense

	in MKD '000	
	Current year 2021	Previous year 2020
Current tax expense		
Current year	1.817	2.910
Deferred tax expense		
Origination of temporary differences	(1)	(2)
Total income tax expenses	**1.816**	**2.908**

Reconciliation of effective tax rate:

	in MKD '000			
	%	Current year 2021	%	Previous year 2020
Profit before income tax		9.479		12.198
Income tax using the domestic corporation tax rate	10%	948	12,4%	1.513
Non-deductible expenses	9.16%	868	11,44%	1.395
Total income tax expenses	**19.2%**	**1.816**	**23,84%**	**2.908**

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**
2021					
in MKD '000					
Assets acquires through foreclosure procedure	(841)	1	-	(840)	(840)
Tax assets/(liabilities)	(841)	1	-	(840)	(840)

				Balance at 31 December	
	Net balance at 1 January	**Recognized profit or loss**	**Recognized in OCI**	**Net**	**Deferred tax liabilities**
2020					
in MKD '000					
Loans and advances to customers and other financial assets	-	-	-	-	-
Assets acquires through foreclosure procedure	(843)	2	-	(841)	(841)
Tax assets/(liabilities)	(843)	2	-	(841)	(841)

14.Cash and cash equivalents

	in MKD '000	
	Current year 2021	Previous year 2020
Cash on hand	12.521	16.622
Account and deposits with NBRNM	20.064	19.821
Current accounts with domestic banks	128.496	180.905
Government bills tradable at the secondary market with original maturity up to three months	-	-
Term deposits with original maturity up to three months	-	12.500
Interest receivables	-	-
Total	**161.081**	**229.848**

15.Loans and advances to banks

	in MKD '000	
	Current year 2021	Previous year 2020
Term deposits with maturity over three months in domestic banks	-	-
(Allowance for impairment)	-	-
Total loans and advances to banks less allowance for impairment	-	-

	in MKD '000	
	Current year 2021	Previous year 2020
Specific allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Additional impairment	-	-
(Release of impairment)	-	-
Balance at 31 December	-	-

16. Loans and advances to customers

A. Loans and advances to customers at amortised cost

	in MKD '000	
	Current year 2021	Previous year 2020
Corporate customers	88.633	124.122
Retail customers		
Housing	6.044	8.324
Consumer loans	1.015.852	971.529
Other loans	421.677	457.643
Total loans and advances to customers before allowances for impairment	**1.532.206**	**1.561.618**
(Allowance for impairment)	(50.868)	(49.373)
Total loans and advances to customers less allowance for impairment	**1.481.338**	**1.512.245**

16. Loans and advances to customers (continued)

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

	in MKD '000	
	Current year 2021	Previous year 2020
Specific allowance for impairment		
Balance at 1 January	49.372	49.179
Impairment loss for the year		
Additional impairment	23.753	18.863
(Assets acquires through foreclosure procedure)	-	-
(Write offs)	(22.257)	(18.669)
Balance of 31 December	**50.868**	**49.373**

At 31 December 2021 MKD 1.050.610 thousand (2020: MKD 1.045.450 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 2021	Previous year 2020
Carrying amounts of loans and advances		
Cash deposits (depot and/or restricted at bank's account)	1.698	2.162
Bank guarantees		
Corporate guarantees (excluding guarantees from banks and insurance companies)	90.761	97.742
Property for personal use (apartments, houses)	24.831	41.000
Property for business operations	13.348	15.242
Pledge on movable lien	8.347	9.339
Other types of collateral	1.342.353	1.346.760
Total loans and advances to customers less allowance for impairment	**1.481.338**	**1.512.245**

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

17. Investments securities

Held to maturity investments securities	*in MKD '000*	
	Current year 2021	Previous year 2020
Government bills	-	-
Total	**-**	**-**

18. Other assets

	in MKD '000	
	Current year 2021	Previous year 2020
Trade receivables	-	1.449
Prepayments	2.072	2.644
Receivables from employees	427	492
Advances for property and equipment	-	97
Other	260	282
Total other assets	**2.759**	**4.964**
(Allowance for impairment)	(245)	(1.718)
Total other assets less allowance for impairment	**2.514**	**3.246**

	in MKD '000	
	Current year 2021	Previous year 2020
Specific allowance for impairment		
Balance at 1 January	1.718	2.004
Impairment loss for the year		
Additional impairment	-	-
(Release of impairment)	(1.224)	(286)
(Write offs)	(249)	-
Balance of 31 December	**245**	**1.718**

19. Assets acquired through foreclosure procedure

	in MKD '000	
	Current year 2021	Previous year 2020
Buildings	-	-
Apartments	8.400	8.411
	8.400	**8.411**

20. Intangible assets

in MKD '000	Software purchased from external suppliers	Other intangible assets	Construction in progress	Total
Cost				
Balance at 1 January 2020	20.975	9.506	-	30.481
Acquisitions				
(Disposals / transfers)	-	-	-	-
Balance at 31 December 2020	20.975	9.506	-	30.481
Balance at 1 January 2021	20.975	9.506	-	30.481
Acquisitions	-	-	-	-
(Disposals / transfers)	-	-	-	-
Balance at 31 December 2021	20.975	9.506	-	30.481
Amortisation and impairment				
Balance at 1 January 2020	12.822	7.437	-	20.259
amortisation for the year	3.145	823	-	3.968
Balance at 31 December 2020	15.967	8.260	-	24.227
Balance at 1 January 2021	15.967	8.260	-	24.227
amortisation for the year	3.228	816	-	4.044
Balance at 31 December 2021	19.195	9.076	-	28.271
Carrying amount				
Balance at 1 January 2020	8.153	2.069	-	10.222
Balance at 31 December 2020	5.008	1.246	-	6.254
Balance at 31 December 2021	1.780	430	-	2.210

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

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 2020	57.923	13.738	18.125	46.657	4.418	-	10.475	151.336
Additions	-	-	85	786	85	85	-	**1.041**
(disposals and write-offs)	-	(2.324)	(89)	(6.166)	-	(85)	-	**(8.579)**
Balance as of 31 December 2020	**57.923**	**11.414**	**18.121**	**41.277**	**4.503**	**-**	**10.475**	**143.713**
Balance as of 1 January 2021	57.923	11.414	18.121	41.277	4.503	-	10.475	143.713
Additions	-	-	83	6.117	-	2.639	204	**9.043**
(disposals, write-offs and transfers)	-	-	(153)	-	-	(2.639)	-	**(153)**
Balance as of 31 December 2021	**57.923**	**11.414**	**18.051**	**47.394**	**4.503**	**-**	**10.679**	**149.964**
Depreciation and impairment								
Balance as of 1 January 2020	17.968	11.557	16.784	39.921	4.045	-	8.569	**98.844**
Depreciation for the year	1.452	1.120	460	2.488	111	-	606	**6.237**
(Disposals and write-offs)	-	(2.324)	(78)	(6.166)	-	-	-	**(8.568)**
Balance as of 31 December 2020	**19.420**	**10.353**	**17.166**	**36.243**	**4.156**	**-**	**9.175**	**96.513**
Balance as of 1 January 2021	19.420	10.353	17.166	36.243	4.156	-	9.175	96.513
Depreciation for the year	1.448	631	367	3.376	78	-	589	**6.489**
(Disposals, write-offs and transfers)	-	-	(153)	-	-	-	-	**(153)**
Balance as of 31 December 2021	**20.868**	**10.984**	**17.380**	**39.619**	**4.234**	**-**	**9.764**	**102.849**
Carrying amounts								
As of 1 January 2020	**39.955**	**2.181**	**1.341**	**6.736**	**373**	**-**	**1.906**	**52.492**
As of 31 December 2020	**38.503**	**1.061**	**955**	**5.034**	**347**	**-**	**1.300**	**47.200**
As of 31 December 2021	**37.055**	**430**	**671**	**7.775**	**269**	**-**	**915**	**47.115**

As at 31 December 2021 property and equipment with total carrying amount of MKD 31.057 thousand (2020: MKD 32.334 thousand) are pledged as collateral for received borrowings (refer note 23).

22.Deposits from customers

	in MKD '000	
	Current year 2021	Previous year 2020
Retail		
Demand deposits	21.484	17.437
Term deposits	770.898	793.827
Restricted deposits	2.456	3.288
Total	**794.838**	**814.552**

As at 31 December 2021 MKD 379.773 thousand (2020: MKD 454.769 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 2021	Previous year 2020
Domestic sources:		
NLB Banka AD Skopje - Ministry of Finance – Fund ZKDF	69.129	54.666
NLB Banka AD Skopje - Habitat Macedonia	9.992	9.983
NLB Banka AD Skopje	71.698	99.255
NLB Banka AD Skopje - MRFP	163.607	173.887
Foreign sources:		
MBDP - KFW	123.254	123.388
CEP - Responsibility	11.990	11.980
Total	**449.670**	**473.159**

As at 31 December 2021 MKD 320.088 thousand (2020: MKD 348.658 thousand) of other borrowed funds are expected to be settled more than 12 months after the reporting date.

During 2021 Moznosti Savings House has used additional funds from the frame loan with NLB Banka AD Skopje, KFW RBSM-ZKDF, RBSM-GMF,CEP, Habitat and MRFP.

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 2021 will mature until the end of 2025 (2019: Until the end of 2024). Repayment of liabilities is carried out on a regular basis in line with the contractual maturity dates.

Credit lines used by the Savings House are partly with fixed and partly with variable interest rates. Fixed interest rates range from 1% to 4,2% annually for 2021 (2020: from 1% to 4,2% 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 2021 the amount of unused and approved revolving credit limits is MKD 57.222 thousand (2020: MKD 29.889).

24. Subordinated liabilities

Subordinated liabilities	In MKD '000	
	Subordinated liabilities	
	Current year 2021	Previous year 2020
Subordinated debt	62.010	50.966
Total subordinated liabilities	**62.010**	**50.966**

During years 2016, 2018, 2020 and 2021 the Saving House has signed contracts for subordinated debts.

The subordinated debts are in the form of loans received, in denars and with the euro clause, with a repayment period of the main debtof five years with the individual creditors and legal entity MRFP, and of six years with legal entity CEP.

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

25.Provision for employee benefits

in MKD '000	Provisions for pensions and other employee benefits
Balance as of 1 January 2020	1.948
Additional provisions during the year	732
(Used provisions during the year)	(83)
(Released provisions during the year)	(178)
Balance as of 31 December 2020	**2.419**
Balance as of 1 January 2021	2.419
Additional provisions during the year	201
(Used provisions during the year)	(257)
(Released provisions during the year)	(232)
Balance as of 31 December 2021	**2.131**

26.Other liabilities

	in MKD '000	
	Current year 2021	Previous year 2020
Trade payables	1.936	1.734
Advances	4.730	4.365
Accruals	6.470	10.749
Received payments	1.407	1.499
Other liabilities	6.091	5.492
Total other liabilities	**20.634**	**23.839**

27. Capital and reserves

A. Issued capital

	In MKD '000	
	Total registered capital	
	Current year 2021	Previous year 2020
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 2021	Previous year 2020
Dividends paid	9.775	9.291

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 2021	Previous year 2020
Declared dividends after 31 December	-	-

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 2021				
Assets				
Consumer loans	-	-	722	**722**
Other loans and receivables	-	-	-	**-**
(Impairment)	-	-	(1)	**(1)**
Total	**-**	**-**	**721**	**721**
Liabilities				
Deposits	-	1	2.284	**2.285**
Other borrowed funds	11.990	-	173.599	**185.589**
Subordinated liabilities	33.431	-	27.961	**61.392**
Other liabilities	-	-	284	**284**
Total	**45.421**	**1**	**204.128**	**249.550**
Balance as of 31 December 2020				
Assets				
Consumer loans	-	-	565	**565**
Other loans and receivables	-	-	-	**-**
(Impairment)	-	-	(1)	**(1)**
Total	**-**	**-**	**564**	**564**
Liabilities				
Deposits	-	211	2.361	**2.572**
Other borrowed funds	11.980	-	183.870	**195.850**
Subordinated liabilities	22.362	-	27.987	**50.349**
Other liabilities	-	-	241	**241**
Total	**34.342**	**211**	**214.459**	**249.012**

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

28. Related parties (continued)

In MKD '000	Parent	Key management personnel	Other related parties	Total
2021				
Revenue				
Interest income	-	-	52	**52**
Other income	-	-	-	**-**
Total	**-**	**-**	**52**	**52**
Expenses				
Interest expense	1.276	-	6.163	**7.439**
(Impairment)	-	-	-	**-**
Other expense	1.885	-	8.746	**10.631**
Total	**3.161**	**-**	**14.909**	**18.070**
2020				
Revenue				
Interest income	-	-	52	**52**
Other income	-	-	448	**448**
Total	**-**	**-**	**500**	**500**
Expenses				
Interest expense	1.296	1	6.864	**8.161**
(Impairment)	-	-	-	**-**
Other expense	2.456	-	8.966	**11.422**
Total	**3.752**	**1**	**15.830**	**19.583**

Transaction with key management personnel

	In MKD '000	
	Current year 2021	Previous year 2020
Short-term employee benefits	11.207	12.754
Benefits following termination of employment	2	51
Total	**11.209**	**12.805**

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**
2021	1.360	1.360	-	-
2020	1.436	1.436	-	-

30. Subsequent events

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