

**HALK BANK AD Skopje and subsidiary**

**Consolidated Financial Statements  
for the year ending  
on December 31, 2023 and  
Independent auditor's report**

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**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**  
*(All amounts are expressed in thousands of Denars unless otherwise stated)*

**Consolidated Income Statement for the period from 1 January to 31 December 2023**

	Note	In thousands of Denars	
		2023	2022
Interest income		4.349.703	2.652.562
Interest expense		(774.332)	(510.920)
Interest income/(expense), net	6	<b>3.575.371</b>	<b>2.141.642</b>
Fee and commission income		1.520.507	1.332.138
Fee and commission expense		(830.259)	(759.833)
Fee and commission income/(expense), net	7	<b>690.248</b>	<b>572.305</b>
Net trading income	8	7.649	(2.723)
Net income from other financial instruments recorded at fair value	9	-	-
Foreign exchange gains/(losses), net	10	228.993	204.991
Other operating income	11	764.115	720.176
Share of profit from associates	24	-	-
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(1.112.414)	(419.857)
Impairment losses of non – financial assets, net	13	(189)	(241)
Personnel expenses	14	(1.064.166)	(858.647)
Depreciation and amortization	15	(307.678)	(304.711)
Other operating expenses	16	(1.484.342)	(1.454.619)
Share of loss from associates	24	-	-
<b>Profit/(Loss) before tax</b>		<b>1.297.587</b>	<b>598.316</b>
Income tax expense	17	(117.975)	(57.612)
<b>Profit/(loss) for the year from continuing operations</b>		<b>1.179.612</b>	<b>540.704</b>
Profit /(loss) from group of assets and liabilities held for sale*		-	-
<b>Profit / (loss) for the year</b>		<b>1.179.612</b>	<b>540.704</b>
<b>Profit / (loss) for the year, attributable to*:</b>			
Shareholders of the Bank		1.179.612	540.704
Non-controlling interest		-	-
		<b>1.179.612</b>	<b>540.704</b>
<b>Earnings per share:</b>	41		
basic earnings per share (in Denars)		1.003	544
diluted earnings per share (in Denars)		1.003	544

The Bank's consolidated financial statement were approved by the Bank's Board of Directors on April 29, 2024 and adopted by the Bank's Supervisory Board on April 29, 2024.

Signed on behalf of HALK BANKA AD Skopje by

Mrs. Elif Selim   
 Director of the Department for Financial Management, Planning and Reporting, certified accountant, license no. 0109450

D-r Bilal Sucubasi  
 Chief Executive  
 Director

D-r. Berkan Imeri  
 Executive Director

Mr. Turhan Ademi  
 Executive Director

Mr. Aleksandar Iljov  
 Executive Director






**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**  
*(All amounts are expressed in thousands of Denars unless otherwise stated)*

**Consolidated Statement of Comprehensive Income for the period 1 January to 31 December 2023**

	Note	In thousands of Denars	
		2023	2022
<b>Profit/(loss) for the year</b>		1.179.612	540.704
<b>Other gains/(losses) for the period (before tax)</b>		-	-
<b>Other gains/(losses) for the period not recognized in the Income statement (before tax)</b>		-	-
Revaluation reserve for equity assets available for sale		-	-
- unrealized net- changes in fair value of equity assets available for sale		-	-
- realized net gains/(losses) from equity assets available for sale, reclassified to other reserves		-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value		-	-
Income tax on other gains/(losses) not recognized in the income statement	17	-	-
<b>Total other gains/(losses) in the period not recognized in the income statement</b>		-	-
<b>Other gains/ (losses) in the period which are, or might be reclassified in the income statement (before tax)</b>		-	-
Revaluation reserve for debt assets available for sale		-	-
- unrealized net- changes in fair value of debt assets available for sale		203.862	(291.705)
- realized net gains/(losses) from debt assets available for sale, reclassified to income statement		-	-
- additional impairment to debt assets available for sale		-	-
- release of impairment to debt assets available for sale		-	-
Revaluation reserve for foreclosed assets on the bases of uncollected receivables		-	-
- revaluation reserve recognized during the year-		-	-
- reduction of revaluation reserve, reclassified to income statement		-	-
Reserve for hedging instruments for Cash flow risk		-	-
- unrealized net-changes in fair value of hedging instruments of Cash flow risk		-	-
- realized net gains/(losses) on hedging instruments of cash flow, reclassified to Income statement-		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Foreign exchange difference reserve from investments in foreign operations		-	-
Share in other gains/(losses) of associates not recognized in the income statement	24	-	-
Other gains/(losses) not recognized in the income statement – Effect from IFRS 9	17	-	-
Income tax on other gains/(losses) which are or might be reclassified to the income statement		203.862	(291.705)
<b>Total other gains/ (losses) in the period that are or might be reclassified to the Income Statement</b>		203.862	(291.705)
<b>Total other gains/(losses) in the period</b>		1.383.474	248.999
<b>Total comprehensive income for the financial year, attributable to*:</b>			
Shareholders of the Bank		1.383.474	248.999
Non-controlling interest		-	-

The Bank's consolidated financial statement were approved by the Bank's Board of Directors on April 29, 2024 and adopted by the Bank's Supervisory Board on April 29, 2024.

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 Executive Director









**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**Consolidated Balance Sheet as of 31 December 2023**

	Note	In thousands of Denars	
		2023	2022
<b>Assets</b>			
Cash and cash equivalents	18	21.290.769	14.795.532
Held-for-trading assets	19	61.591	66.775
Financial assets at fair value through profit or loss upon initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Loans and advances to banks	22.1	355.357	275.774
Loans and advances to other customers	22.2	62.022.363	56.558.205
Investments in securities	23	10.048.324	8.233.398
Investments in associates (recorded according to "equity method")	24	-	-
Income tax receivables (current)	30.1	2.518	2.518
Other receivables	25	1.767.543	1.570.999
Pledged assets	26	-	-
Foreclosed assets	27	-	189
Intangible assets	28	247.251	189.347
Property, plant and equipment	29	2.337.869	2.253.676
Deferred tax assets	30.2	-	-
Non-current assets held for sale and disposal group	31	-	-
<b>Total assets</b>		<b>98.133.585</b>	<b>83.946.413</b>
<b>Liabilities</b>			
Trading liabilities	32	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-
Derivative liabilities held for risk management	21	-	-
Deposits from banks	34.1	8.600.728	7.294.936
Deposits from other customers	34.2	66.520.060	56.809.798
Debt instruments issued	35	-	-
Borrowings	36	4.549.750	5.020.716
Subordinated debt	37	-	-
Special reserve and provisions	38	1.216.336	1.058.398
Income tax payable (Current)	30.1	62.718	9.613
Deferred tax liabilities	30.2	-	-
Other liabilities	39	1.366.872	1.164.317
Liabilities directly related to disposal group	31	-	-
<b>Total liabilities</b>		<b>82.316.464</b>	<b>71.357.778</b>
<b>Equity and reserves</b>			
Share capital	40	12.846.910	11.001.910
Share premium		325.854	325.854
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves		(16.066)	(219.928)
Other reserves		1.202.682	829.031
Retained earnings/ (Accumulated losses)		1.457.741	651.768
<b>Total equity and reserves attributable to the shareholders of the Bank</b>		<b>15.817.121</b>	<b>12.588.635</b>
Non-controlling interest*		-	-
<b>Total equity and reserves</b>		<b>15.817.121</b>	<b>12.588.635</b>
<b>Total liabilities and equity and reserves</b>		<b>98.133.585</b>	<b>83.946.413</b>
Contingent liabilities	42	39.591.314	33.382.325

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**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**Consolidated Statement of Changes in Equity and Reserves for the period from 1 January to 31 December 2023**

	Equity				Revaluation reserve				Other reserves			Retained earning		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves	
	Share capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve from assets available for sale	Revaluation reserve from foreclosed assets	Reserve for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Retained earnings					Limited distribution to shareholders
<i>In thousands of Denars</i>																		
As of December 31, 2022 (previous year)	9.156.910	325.854	-	-	69.419	2.358	-	-	-	474.175	-	-	88.982	376.938	-	10.494.636	-	10.494.636
Corrections on the opening position As of December 31, 2022 (previous year), corrected	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9.156.910	325.854	-	-	69.419	2.358	-	-	-	474.175	-	-	88.981	376.938	-	10.494.636	-	10.494.636
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	540.704	-	-	540.704	-	540.704
Other profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Debt instruments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in the fair value (net)	-	-	-	-	(291.705)	-	-	-	-	-	-	-	-	-	-	(291.705)	-	(291.705)
realized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reclassified in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
additional impairment of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
release of impairments of debt instruments available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Equity instruments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
realized changes in the fair value (net), reclassified in Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the credit capability of the bank, for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gain/(losses) not disclosed in the income statement (Effects from the Decision for Credit risk Methodology-applicable from 1 July 2019)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for foreclosed assets on the basis of uncollected receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized in equity and reserves	-	-	-	-	(291.705)	-	-	-	-	-	-	-	-	-	-	(291.705)	-	(291.705)
<b>Total comprehensive income/(loss) for the current year</b>	-	-	-	-	(291.705)	-	-	-	-	-	-	-	540.704	-	-	248.999	-	248.999

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**Consolidated Statement of Changes in Equity and Reserves for the period from 1 January to 31 December 2023 (Continued)**

	Equity				Revaluation reserve				Other reserves			Retained earning			Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest	Total equity and reserves
	Share capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve from foreclosed assets	Reserve for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Revaluation reserve from foreclosed assets	Other reserves	Retained earnings	Limited distribution to shareholders			
<i>In thousands of Denars</i>																	
<b>Transactions with the shareholders, recognized directly in equity and reserves:</b>																	
Share issued in the period	1,845,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	354,856	-	-	(354,856)	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends as shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specified in details)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid income tax on dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Withholding tax paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal income tax paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with shareholders, recognized directly in equity and reserves</b>	-	-	-	-	-	-	-	-	-	-	-	(300,000)	300,000	-	-	-	-
<b>As of December 31, 2022 (previous year) / January 1, 2022 (current year)</b>	<b>1,845,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>354,856</b>	<b>-</b>	<b>-</b>	<b>(654,856)</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>1,845,000</b>	<b>1,845,000</b>
Corrections on the beginning balance	11,001,910	325,854	-	-	(222,286)	2,358	-	-	829,031	-	-	(25,170)	676,938	-	-	12,588,634	12,588,635
<b>As of January 1, 2023 (current year), corrected</b>	<b>11,001,910</b>	<b>325,854</b>	<b>-</b>	<b>-</b>	<b>(222,286)</b>	<b>2,358</b>	<b>-</b>	<b>-</b>	<b>829,031</b>	<b>-</b>	<b>-</b>	<b>(25,170)</b>	<b>676,938</b>	<b>-</b>	<b>-</b>	<b>12,588,634</b>	<b>12,588,635</b>
<b>Total comprehensive income/(loss) for the year</b>																	
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	1,179,624	-	-	-	1,179,624	1,179,624
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Debt instruments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	203,862	-	-	-	-	-	-	-	-	-	-	203,862	203,862
additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
release of impairment for debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Equity instruments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
realized changes in the fair value (net), transferred to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with the shareholders, recognized directly in equity and reserves:</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**Consolidated Statement of Changes in Equity and Reserves for the period from 1 January to 31 December 2023 (Continued)**


*In thousands of Denars*  
Foreign exchange gains/(losses) of foreign operations  
Deferred tax assets/(liabilities) recognized in equity  
Changes in credit capability of the bank, for financial liabilities at fair value  
Other gains/(losses) not recognized in the income statement (specified in details)  
Revaluation reserve from foreclosed assets  
**Total unrealized gains/(losses) recognized directly in equity and reserves**  
**Total comprehensive income/(loss) for the year**


	Equity				Revaluation reserve					Other reserve			Retained earning		Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves	
	Share capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve from assets available for sale	Revaluation reserve from foreclosed assets	Reserve for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Retained earnings	Limited distribution to shareholders				(Accumulated losses)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	203.862	-	-	-	-	-	-	-	-	-	-	-	203.862	203.862
-	-	-	-	-	203.862	-	-	-	-	-	-	-	1.179.624	-	-	-	1.383.486	1.383.486
<b>Transactions with the shareholders, recognized directly in equity and reserves:</b>																		
Share issued in the period	1.845.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.845.000	1.845.000
Allocation of statutory reserve	-	-	-	-	-	-	-	-	373.651	-	-	-	(373.651)	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid in form of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specified in details)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid income tax for dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid withhold tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid personal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with shareholders, recognized directly in equity and reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	(369.000)	369.000	-	-	-	-
<b>As of December 31, 2023 (current year)</b>	<b>1.845.000</b>	-	-	-	-	-	-	-	<b>373.651</b>	-	-	-	<b>(742.650)</b>	<b>369.000</b>	-	-	<b>1.845.000</b>	<b>1.845.000</b>
<i>In thousands of Denars</i>	12.846.910	325.854	-	-	(18.425)	2.358	-	-	1.202.681	-	-	-	411.803	1.045.938	-	-	15.817.121	15.817.121


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Director  


D-r. Berkan Imeri  
Executive Director  


Mr. Turhan Ademi  
Executive Director  


Mr. Aleksandar Iljov  
Executive Director  


The accompanying notes are an integral part of these consolidated financial statements



*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**Consolidated Statement of Cash Flows for the period from 1 January to 31 December 2023**

Note	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Operating cash flows</b>		
Profit/(Loss) before taxation	1.297.587	598.316
Adjusted for:		
Non-controlling interest, included in the consolidated income statement*		
Depreciation of:		
Intangible assets	93.265	91.227
Property plant and equipment	214.413	213.484
Capital gain from:		
Sale of intangible assets	-	-
Sale of property, plant and equipment	(76.772)	-
Sale of foreclosed assets	(3.188)	(1.293)
Capital loss from:		
Sale of intangible assets	-	-
Sale of property, plant and equipment	-	-
Sale of foreclosed assets	-	-
Interest income	(4.349.703)	(2.652.562)
Interest expense	774.332	510.920
Trading income, net	(7.649)	2.723
Impairment losses of financial assets and special reserve, net		
Additional impairment losses and special reserve	1.618.020	1.066.170
Release of impairment losses and special reserve	(505.606)	(646.313)
Impairment losses of non-financial assets, net		
Additional impairment losses	189	241
Release of impairment losses	-	-
Special reserve:		
Additional provisions	313.343	240.008
Release of provisions	(150.589)	(190.425)
Dividend income	(1.745)	(904)
Share of profit/(loss) of associates	-	-
Other adjustments	-	-
Interest received	4.189.116	2.693.434
Interest paid	(638.911)	(482.080)
<b>Profit/(loss) from operations before changes in operating assets</b>	<b>2.766.102</b>	<b>1.442.946</b>
<i>(Increase)/decrease of operating assets:</i>		
Trading assets	12.833	38.206
Derivative assets held for risk management	-	-
Loans and advances to banks	(72.255)	64.038
Loans and advances to other customers	(6.453.128)	(7.728.308)
Pledged assets		
Foreclosed assets	3.188	1.376
Obligatory deposit in foreign currency	(1.227.119)	(791.588)
Obligatory deposit held with NBRNM according to special regulations	(39.380)	(144.410)
Other receivables	(194.351)	(134.565)
Deferred tax assets	-	-
Non-current assets held-for-sale and disposal group	-	-

(All amounts are expressed in thousands of Denars unless otherwise stated)

**Statement of Cash Flows for the period from 1 January to 31 December 2023 (Continued)**

Note	In thousands of Denars	
	Current year 2023	Previous year 2022
<i>Increase/(decrease) in operating liabilities:</i>		
Trading liabilities	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	1.304.134	3.211.807
Deposits from other customers	9.585.438	4.952.876
Other liabilities	157.476	426.109
Liabilities directly related with disposal group	-	-
	<b>5.842.938</b>	<b>1.338.487</b>
<b>Net cash flow from operating activities before tax</b>		
(Paid)/received income tax	(64.870)	(36.568)
<b>Net cash flow from operating activities</b>	<b>5.778.068</b>	<b>1.301.919</b>
<b>Cash flow from investing activities</b>		
(Investment in securities)	(5.875.886)	(4.874.185)
Inflows from sale of investment in securities	4.333.095	4.696.499
(Outflows from investment in associates and investment in subsidiaries)	-	-
Inflows from disposal of investment in associates and subsidiaries	-	-
(Purchase of intangible assets)	(151.169)	(86.511)
Inflows from sale of intangible assets	-	-
(Purchase of property, plant and equipment)	(221.834)	(168.061)
Inflows from sale of property, plant and equipment	-	-
(Outflow for non-current assets held for sale)	-	-
Inflows from non-current assets held for sale	-	-
(Other outflows from investing activities)	-	-
Other inflows from investing activities	1.745	904
<b>Net cash flow from investing activities</b>	<b>(1.914.049)</b>	<b>(431.354)</b>
<b>Cash flow from financing activities</b>		
(Repayment of debt securities issued)	-	-
Inflow from issued debt securities	-	-
(Repayment of borrowings)	(1.194.205)	(15.869.222)
Increase of borrowings	714.300	15.915.242
(Repayment of subordinated liabilities)	-	-
Proceeds from subordinated liabilities	-	-
Inflows from issued shares/equity instruments during the period	1.845.000	1.845.000
(Purchase of treasury shares)	-	-
Disposal of treasury shares	-	-
(Dividend paid)	12	-
(Other outflows from financing activities)	-	-
Other inflows from financing activities	-	-
<b>Cash from consolidation of HALK INSURANCE AD Skopje</b>		
<b>Net cash flow from financing activities</b>	<b>1.365.107</b>	<b>1.891.020</b>
Effect from allowance for impairment of cash and cash equivalents	(388)	1.049
Effect from foreign exchange differences of cash and cash equivalents	-	-
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>5.228.738</b>	<b>2.762.634</b>
Cash and cash equivalents as at 1 January	11.173.915	8.411.281
<b>Cash and cash equivalents as at 31 December</b>	<b>16.402.653</b>	<b>11.173.915</b>

\* Only for consolidated financial statements

The Bank's consolidated financial statement were approved by the Bank's Board of Directors on April 29, 2024 and adopted by the Bank's Supervisory Board on April 29, 2024.

Signed on behalf of HALK BANKA AD Skopje by

Mrs. Elif Selim

Director of the Department for Financial Management, Planning and Reporting, certified accountant, license no. 0109450

D-r Bilal Sucubasi  
Chief Executive  
Director

D-r Berkan Imeri  
Executive Director

Mr. Turhan Ademi  
Executive Director

Mr. Aleksandar Iljov  
Executive Director

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**INTRODUCTION**

## **HALK BANKA AD Skopje and subsidiary**

### **Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

#### **(a) General Information**

HALK BANKA AD Skopje ("the Bank") is a joint stock company incorporated and domiciled in the Republic of North Macedonia.

The address of the registered office of the Bank is:

Blvd. „Sv. Kiril i Metodij“ No.54  
1000 Skopje  
Republic of North Macedonia

The Bank was established in 1993. During 2011, the Bank has changed its name from Izvozno Kreditna Banka AD Skopje to Halk Bank AD Skopje, as a result of a change in the ownership structure of the Bank. Turkiye Halk Bankasi a.s. Istanbul, Turkey is the main shareholder of Halk Bank AD Skopje with participation of 99.63% (2022: 99,56%). Subscribed capital consists of 1.284.691 ordinary shares (2022: 1.100.191 ordinary shares) with nominal value of MKD 10,000.

The Bank's shares, with ticker IKB and ISIN CODE (MKIKBA101015) are not listed on the Macedonian Stock Exchange.

The Bank's main activities include retail and corporate lending, receiving deposits, performing payment operations in the country and abroad and providing mediation in foreign currency for its customers.

Based on the Decision took by the Government of the Republic of North Macedonia on December 7, 2020, Ministry of Finance Opinion expressed to the Government of the Republic of North Macedonia, Secretariat Law Department Opinion expressed to the Government of the Republic of Macedonia, Permission obtained by the Supervisory Board of AD "Posta na Severna Makedonija" and Decision reached by the Board of Directors of AD "Posta na Severna Makedonija" a Cooperation Agreement on rendering services by "Posta na Severna Makedonija" on behalf and for the account of the Bank was concluded between AD "Posta na Severna Makedonija" and Halk Banka AD Skopje. The aforementioned agreement relates to services rendered in the cash payment operations. The realization of the transactions started from March 1, 2021.

The Bank became the sole (100%) owner of the Insurance Company NOVA OSIGURUVANJE AD Skopje, which was entered into the Central Securities Depository on January 9, 2019. The Bank realized two block transactions and bought the company's capital of Denar 198.893 thousand (EUR 3.212.000). On February 25, 2019, the subsidiary's name was changed to HALK OSIGURUVANJE AD Skopje. During 2019, the Bank's investments in subsidiary have been increased by Denar 430.470 thousand and as of December 31, 2020, amounts to Denar 629.363 thousand and during 2021, in two transactions increase of the share capital was performed by issuing new shares through private offer for Denar 123.242 thousand (2.000.000 euros) and Denar 184.954 thousand (3.000.000 euros) and on 31.12.2022 investment in the Subsidiary is Denar 937.559 thousand (Note 24). As of December 31, 2022, the investment in the Subsidiary remains unchanged, i.e., Denars 937.559 thousand.

In January 2023, the Supervisory Board of the Bank passed a Decision on Recapitalization of the Branch for a new 4 million euros. The Supervisory Board of Halk Insurance made a Decision on borrowing through subordinated debt in the amount of 4 million euros, which was realized by reaching a Subordinated Debt Agreement with Halk Bank AD Skopje on 03.02.2023. The recapitalization of the subsidiary was carried out in April 2023, after the previous transformation of the subordinated debt of 4 million euros into equity. As of June 2023, the total stake amounts to MKD 1,184,338 thousand.

In the same year, another recapitalization was carried out through the issuance of the 9th issue of shares in the amount of MKD 184,504,800 (EUR 3 million). The transformation of the recapitalization into a stake was carried out on 11.12.2023. As of 31.12.2023, the total contribution amounts to Denar 1,368,843 thousand.

## **INTRODUCTION (Continued)**

### **(a) General Information (Continued)**

These consolidated financial statements include the Bank and its subsidiary HALK OSIGURUVANJE AD Skopje (collectively referred to as the "Group").

The number of employees in the Group on December 31, 2023 is 919 (2022: 861).

The operation of the Bank's Management Board in 2023 began with the following composition

- 1.D-r. Bilal Sucubasi - Chief Executive Officer
- 2.Mr. Turhan Ademi - Executive Director
- 3.Mr. Tomche Tasevski - Executive Director
- 4.Mrs. Buket Gerecci - Executive Director

On September 25, 2023, the Supervisory Board made decisions to dismiss Mr. Tomche Tasevski, Mrs. Bouquet Gerechji and Mr. Turhan Ademi, and at the same meeting, decisions were made to appoint new members of the Management Board. The Bank request has submitted to National Bank of the Republic of North Macedonia for the issuance of a prior consent for the appointment of new members of the Board of Directors of Halk Bank AD. Skopje, and as of December 31, 2023, the procedure is still ongoing (note 48).

Pursuant to the Decision to amend and supplement the Decision on the dismissal of a member of the Management Board dated September 25, 2023 of the Supervisory Board, Mr. Turhan Ademi will continue to serve as a member of the Management Board, Executive Director until obtaining the prior consent of the National Bank for the newly appointed member of the Management Board, i.e.by fulfilling the legally prescribed minimum in accordance with Article 92 of the Law on Banks.

With the dismissal of Mr. Tomche Tasevski and Mrs. Bouquet Gerechdji by the Supervisory Board on September 25, 2023 and the entry in the Central Registry of the RNM on October 6, 2023, the Bank's Management Board continued to work with the following composition:

### **Members of the Management Board**

1. Dr. Bilal Sucubashi – Chief Executive Officer
2. Mr. Turhan Ademi – Executive Director

**INTRODUCTION (Continued)**

**(a) General Information (continued)**

The members of the Supervisory Board during 2023 and until the date of these consolidated financial statements are shown below:

The operation of the Supervisory Board of the Bank in 2023 began with the following composition:

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Ilhan Bolukbas, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Hasan Gokhan Kilic, Member of the Supervisory Board
- Mr. Fatih Sahbaz, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board

By the Assembly of Shareholders on February 24, 2023, Mr. Hasan Gokhan Kilic was reappointed as a member of the Supervisory Board, the consent was issued by National Bank of the republic of North Macedonia (“NBRNM”) on May 10, 2023 (received at the Bank on May 15, 2023) and the registration in the Central Registry of the RNM was carried out on May 18, 2023.

With the expiration of the third consecutive mandate of the independent member of the Supervisory Board Mr. Boris Petrovski on October 2, 2023 and the entry of a change in the Central Registry of the RNM from October 6, 2023, the Supervisory Board continued its work with the following composition:

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Ilhan Bolukbas, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Hasan Gokhan Kilic, Member of the Supervisory Board
- Mr. Fatih Sahbaz, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board

Based on the Decisions made at the Shareholders' Assembly of October 13, 2023, the Bank has submitted a request to the National Bank for the issuance of a prior consent for the re-appointment of Mr. Osman Arslan as a member of the Supervisory Board, the appointment of Mr. Rexep Suleiman Ozdil and appointment of Mrs. Seydefa Jafce as an independent member of the Supervisory Board of Halk Bank A.D. Skopje, and as of December 31, 2023, the proceedings are still ongoing (note 48).

The consolidated financial statements of the Group for the year ended 31 December 2023 have been approved by the Management Board and have been adopted by the Supervisory Board of the Bank on 29 April 2024.

**INTRODUCTION (continued)**

**(b) Basis for preparing the consolidated financial statements**

**Basics of Consolidation**

The consolidated financial statements of the Group include the financial statements of the Bank and the Subsidiary, which is 100% owned by the Bank.

i) Business combinations

Business combinations are accounted for using the purchase method at the date of acquisition ie. on the date when control is acquired by the Group. The amount transferred on acquisition is measured at fair value, as are the identified net assets being acquired.

Transaction costs are recognized as an expense immediately, unless they relate to the issuance of debt or equity instruments. The amount transferred on acquisition does not include amounts relating to the settlement of any pre-existing relationships. Such amounts are generally recognized in the income statement.

ii) Non-controlling interests

Non-controlling interests are measured according to their proportional participation in the net assets of the acquired entity. Changes in the Group's participation in subsidiaries that do not lead to a loss of control are recorded as equity transactions.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or entitled to, variable returns from its involvement with the entity and has the ability to influence the amount of these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until the time control ceases.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as the related non-controlling interest and other components of equity. Any gain or loss resulting from the cessation of control is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value at the time control is lost.

v) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains and losses arising from intra-Group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## **INTRODUCTION (Continued)**

### **(b) Basis for preparing the consolidated financial statements (continued)**

#### ***Standards on the basis of which the consolidated financial statements have been prepared***

The data in the attached consolidated financial statements of the Group have been prepared in accordance with the Law on Commercial Companies, the Law on Banks, the by-laws prescribed by the NBRNM, as well as in accordance with the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial reports (hereinafter referred to as "Methodology") ("Official Gazette of the Republic of North Macedonia" No. 83/17) and the Decision on the types and content of financial statements of banks ("Official Gazette of the Republic of North Macedonia" No. 83/17 and 149/18) , prescribed by NBRNM.

#### **Published standards that are not yet in use**

At the date of issuance of these consolidated financial statements, there are no published standards that are not yet in effect.

#### **Presentation of the consolidated financial statements**

The accompanying financial statements represent the consolidated financial statements of the Group.

The accompanying consolidated financial statements of the Group are presented in accordance with the form and content of the balance sheets published in the Decision on the types and content of financial statements of banks ("Official Gazette of the Republic of North Macedonia" " no. 83/17 and 149/18), (hereinafter text "The Decision").

In accordance with the Methodology for recording and valuation of accounting items and for the preparation of financial statements, from 2019 the Bank also prepares consolidated financial statements because it has a 100% investment in the subsidiary HALK OSIGURUVANJE AD Skopje.

#### **Notifying and functional currency**

The consolidated financial statements are presented in Macedonian denars ("MKD" or "denars"). The Denar is the functional and reporting currency of the Group. Except where indicated, financial information is presented in thousands of Macedonian denars.



**INTRODUCTION (Continued)****(b) Basis for preparing the consolidated financial statements (continued)****Using judgments and judgments**

The presentation of the consolidated financial statements in accordance with the accounting standards applied in the Republic of North Macedonia, requires the use of the best possible estimates and reasonable assumptions by the management of the Group, which have effects on the presented values of assets and liabilities, as well as on income and expenses incurred during the reporting period. These estimates and assumptions are based on past experience and other factors believed to be reasonable in the circumstances and the results of which form the basis for estimating the carrying amount of assets and liabilities for which data are not available from other sources. Actual results in subsequent reporting periods may differ from estimated amounts.

Estimates and assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the period in which the estimate is revised if it has an impact only on that period, or in the assessment period and future periods if the revised estimate affects both periods - the current and the future period.

Information regarding judgments made by management and critical judgments in the application of accounting standards that have a significant impact on the consolidated financial statements is presented in Note 1(d).

**(c) Significant Accounting Policies**

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

**(i) Foreign Currency Transactions**

Business changes in foreign currency are expressed in denars according to the exchange rate valid on the day of the transactions. Monetary assets and liabilities expressed in foreign currency on the day of the notification are revalued in Denars according to the average exchange rate valid on the day of the balance sheet. Exchange rate gains and losses on monetary assets are the difference between the amortized purchase value in denars at the beginning of the period, adjusted for the effective interest rate and payments during the period, and the amortized purchase value in foreign currency valued at the exchange rate valid at the end of the period. Exchange rate differences resulting from revaluation are recognized in the income statement.

The foreign currencies with which the Group operates are mostly Euros (EUR) and American Dollars (USD).

The official exchange rates in effect on December 31, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
	<b>MKD</b>	<b>MKD</b>
1 EUR	61,4950	61,4932
1 USD	55,6516	57,6535
1 CHF	66,4093	62,4487

## **INTRODUCTION (Continued)**

### **(c) Significant Accounting Policies (continued)**

#### **(ii) Interest income and expenses**

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

The effective interest rate is the rate that accurately discounts the expected future cash payments and inflows over the expected life of the financial asset or liability (or where appropriate, a shorter period) to the present value of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows taking into account the contractual terms of the financial instrument, but not future losses due to impairment. The effective interest rate is determined upon initial recognition of a financial asset or liability and is not revised subsequently.

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

Interest income and expenses shown in the income statement include:

- interest from financial assets and liabilities at amortized cost using the effective interest method;
- interest from financial assets and liabilities that are measured at fair value through other comprehensive income using the effective interest method.

#### **(iii) Fee and Commissions**

Income and expenses from commissions and fees that are an integral part of the effective interest rate of financial assets and liabilities are included in the calculation of the effective interest rate.

Other revenues from commissions and fees, including financial services provided by the Group in terms of exchange operations, domestic and foreign payments, guarantees, letters of credit and other services are recognized when the respective service is performed. When a credit commitment is not expected to result in a credit drawdown, the credit commitment fee is recognized proportionately over the term of the commitment.

Other expenses from fees and commissions refer to financial services received by the Group and are recognized as an expense when the respective service is received.

#### **(iv) Dividend income**

Dividend income is recognized when the right to receive payment is established. Dividends are shown as part of net trading income or dividend income depending on the appropriate classification of the instrument.

#### **(v) Rent Expenses**

Payments made under an operating lease are recognized in the income statement using the proportional method over the duration of the lease. Rental incentives are recognized as an integral part of the total rental costs, for the duration of the rental agreement.

## **INTRODUCTION (Continued)**

### **(c) Significant Accounting Policies (Continued)**

#### **(vi) Insurance income and expenses**

##### **Premiums**

Gross premiums written reflect the performance during the year and do not include taxes or liabilities on the basis of premiums.

The earned part of the premiums is recognized as income. Premiums are earned from the date of conclusion of the insurance contract to the end of the reporting period, based on the pro rata temporis method. The premium transferred to the reinsurer is recognized as an expense in accordance with the pro rata temporis method in the same accounting period as the directly related premium for the respective insurance.

The unearned premium reserve consists of the portion of gross policy premiums estimated to be earned in the following year, calculated for each separate insurance contract, using the daily pro-rata method and, if necessary, adjusted to reflect the change in the occurrence of the risk for the period covered by the contract.

##### **Claims**

Incurred, reported and paid claims include the costs of settlement and settlement of paid and outstanding claims arising from events that occurred in the current financial year together with adjustments to the claims reserve from the previous year.

Damages paid are recognized at the time of processing the damages and in the amount that will be paid when the damage is settled. The amount of the claim paid in non-life insurance is increased by the cost of processing the claim.

Outstanding claims include provisions for the estimated final settlement costs of all incurred but outstanding claims at the balance sheet date, regardless of whether the claims are reported or not, and the related internal claims settlement costs, as well as the appropriate margin for prudence. Outstanding claims are estimated by reviewing individual claims and determining a separate reserve for incurred but unreported claims, the effect of internal and external foreseeable events, such as changes in claims settlement procedures, inflation, litigation trends, changes in legislation, as well as past experiences and trends. Reserves for outstanding claims are not discounted.

While Management believes that the gross claims reserves and related reinsurer claims are objectively presented based on data currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the reserve amount. Adjustments to provisions for claims made in previous years are reflected in the financial statements for the period in which the adjustments were made and are separately disclosed, if they are material. The methods applied and the assessments made are checked regularly.

**INTRODUCTION (Continued)**

**(b) Significant Accounting Policies (Continued)**

**(vii) Income tax (current and deferred)**

Income tax consists of current and deferred tax. Income tax is recognized in profit or loss, except when it relates to items that are taken directly to equity and the corresponding income tax is recognized in equity.

The current income tax is the expected tax liability from the profit before taxation for the year, applying the applicable tax rate of 10% on the date of the statement of financial position and corrections to the tax liability relating to previous years.

Deferred tax results from the time differences between the accounting value of assets and liabilities for the purposes of financial reporting and their value for tax purposes. Deferred tax is measured by applying the tax rates that are expected to be applied when the timing differences are realized based on laws that have been enacted or substantially enacted on the reporting date.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible timing differences to the extent that it is probable that future taxable income will be available against which the asset will be utilised. A deferred tax asset is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

An unrecognized deferred tax asset is assessed at the end of each reporting period and recognized to the extent that it is probable that future taxable income against which the asset can be utilized will be sufficient.

## **INTRODUCTION (Continued)**

### **(c) Significant Accounting Policies (Continued)**

#### **(vii) Financial Assets and Liabilities**

##### *Recognition and initial measurement*

Financial assets and liabilities are recognized on the settlement date, which is the date when the asset is delivered by/to the Bank.

A financial asset or financial liability is initially measured at fair value adjusted, for items not measured at fair value through the income statement, for transaction costs that are directly related to the acquisition or issuance

##### *Classification*

A financial asset is an asset that is:

- monetary asset,
- ownership instrument issued by another legal entity,
- contractual right to receive money or other financial asset from another person;
- contractual right to exchange financial instruments with another person under conditions that are potentially favorable for the Group; or
- a contract that can be settled or will be settled with proprietary instruments of the Group and is:
  - a) a non-derivative for which the Group is or may be obligated to receive a variable number of its equity instruments, or
  - b) a derivative that can be or will be settled in another way, and not by exchanging a certain amount of money or another financial asset for a fixed number of its ownership instruments.

Financial liabilities are classified in accordance with the content of the contractual arrangement and consist of: deposits with banks, financial institutions and clients, liabilities based on loans and other liabilities.

The Group classifies financial assets upon their initial recognition. Financial assets are classified in one of the following categories:

- financial assets that are measured at amortized cost;
- financial assets that are measured at fair value through other comprehensive income;
- financial assets that are measured at fair value through the Income Statement.

The classification of financial assets is carried out on the basis of:

- the business model of the Group for managing financial assets; and
- the characteristics of the contractual cash flows of the financial asset.

In the category of financial assets measured at amortized cost, the Group classifies financial assets that meet the following criteria:

- The group manages financial assets in order to collect contractual cash flows; and
- in accordance with the contractual conditions of the asset, the condition of "only repayment of principal and interest" has been met - SPPI.

In this category of financial assets, the group also classifies cash, receivables from customers, receivables for rent, receivables for commissions and fees and all other financial assets that represent exposure to credit risk in accordance with the Decision on credit risk management, and for which the condition of SPPI is inapplicable. These funds do not require the fulfillment of the SPPI requirement.

## **INTRODUCTION (Continued)**

### **(c) Significant Accounting Policies (Continued)**

#### **(vii) Financial Assets and Liabilities (Continued)**

##### *Classification (continued)*

In the category of financial assets that are measured at fair value through other comprehensive income, the Group classifies financial assets that meet the following criteria:

- The group manages the financial asset in order to collect contractual cash flows and/or for sale; and
- in accordance with the contractual conditions of the asset, the condition of "only repayment of principal and interest" has been met - SPPI.

In the category of financial assets that are measured at fair value through the Income Statement, the Group classifies the financial assets that it manages for the purpose of trading and making a profit from changes in the fair value of the asset. This is also a residual category, that is, the Group classifies in this category all those financial assets that do not meet the criteria of the other two categories.

##### Assessment of the Group's business model

The evaluation of the Group's business model is performed at the level of the business process, and not by separate instrument. A group may have multiple business processes for managing financial instruments. The Group may use and manage a particular type of financial instrument in different ways, so that one type of financial instrument may appear in different business processes of the Group for the management of financial instruments.

The assessment of the business model is carried out exclusively by the key management of the Group, taking into account all relevant and available data on the way of managing the financial instruments, especially how the performance/performance of the business model is monitored and how it is reported to the management of the Group, what are the risks that affect the realization of that business model and how those risks are managed.

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

- **financial assets that are measured at amortized cost value**, that is, financial assets are kept for the purpose of collecting contractual cash flows (principal and interest). If certain financial instruments from this category are sold before their contractual maturity (early sales), this is not a direct indication of the change in the Group's business model. In case of premature sales of these assets, the Group should analyze whether there has been a change in the Group's business model for these financial assets, taking into account the data on the frequency, periods and volume of sales; the reasons for the sales (eg worsening credit risk, sales due to liquidity management, etc.)
- **financial assets that are measured at fair value through other comprehensive income**, that is, financial assets are kept for collection of contractual cash flows (principal and interest) and/or for sale; Bearing in mind that the Group holds these financial assets for the purpose of liquidity management, maintenance of a certain interest profit, for the purpose of harmonizing the maturity (duration) of the financial assets with the maturity (duration) of the financial obligations that are the source of those financial assets, etc.

**INTRODUCTION (Continued)**

**(c) Significant Accounting Policies (Continued)**

**(vii) Financial Assets and Liabilities (Continued)**

- **financial assets that are measured at fair value through the Income Statement**, that is, financial assets that are held for the purpose of trading and making a profit from changes in the fair value of the asset. This is also a residual category, that is, the Group classifies in this category all those financial assets that do not meet the criteria of the other two categories. Bearing in mind that the Group would hold these financial assets for the purpose of active and frequent trading in order to realize a profit from the changes in the fair value of the assets, the Group manages these assets with the aim of realizing their market/objective value and makes management decisions based on basis of their market/fair value.

*SPPI test*

Debt financial assets that, according to the Group's business model, should be classified in the categories of financial assets that are measured at amortized cost or financial assets that are measured at fair value through other comprehensive income, should fulfill one more condition - according to the contractual conditions of the asset, the Group expects cash flows on certain dates "solely on the basis of repayment of principal and interest" - SPPI. Within contractual cash flows, the "principal" element includes the amount at initial approval, less any repayments; and the "interest" element represents compensation for the time value of money, credit risk, liquidity risk, administrative or service costs, and profit margin.

To meet the SPPI requirement, the contractual cash flows should not include any exposure to risks or volatility that do not constitute a normal credit arrangement (for example, exposure to the risk of changes in stock or commodity prices). The assessment of whether the SPPI condition is met is made in the currency in which the asset is denominated. The SPPI requirement can only be considered for debt financial assets. The Group will classify those debt financial assets that are assessed as not meeting the requirements of the SPPI as financial assets that are measured at fair value through the Income Statement and will measure their fair value.

The analysis of whether the condition of SPPI is met is done during the initial recognition of each debt financial asset.

The analysis of whether the condition of SPPI is met is done on the basis of the contractual conditions of the instrument and all cash flows determined in the contract are taken into account. For those debt financial assets that arise from a certain product for which the Group has a typed contract (or contractual terms) that applies to all separate claims for that product, the Group analyzes whether the condition of SPPI is met at the product level, and not at an individual financial asset.

When analyzing whether the condition of SPPI is met, the Group also takes into account the following

- for financial assets that have a different interest rate from the one that is usually applied to the same or similar financial instruments, the Group makes a comparison between the undiscounted cash flows of the analyzed financial asset and the undiscounted cash flows of a financial asset with the same credit quality and with the same contractual conditions, except the interest rate (the so-called "benchmark" instrument). If the difference between the cash flows of the two instruments is significant, the analyzed instrument does not meet the SPPI requirement and is classified and measured at fair value through the Income Statement;
- for the financial assets for which the regulator prescribes a maximum value of the interest rate that must not be exceeded, it is considered that it fulfills the requirement of SPPI;

**INTRODUCTION (Continued)**

**(c) Significant Accounting Policies (Continued)**

**(vii) Financial Assets and Liabilities (Continued)**

*SPPI test (continued)*

- for the financial assets for which, in accordance with the contractual conditions, a minimum/maximum value below/above which the interest rate cannot fall/exceed is foreseen, it is considered that they fulfill the requirement of the SPPI;
- for financial instruments whose interest rate is periodically adjusted for the inflation rate, it is considered that they meet the SPPI requirement;
- for financial assets for which the contractual conditions stipulate a change in the interest rate if there is a change in the customer's creditworthiness (it is regulated in the contract that it is monitored through any indicator of the customer's creditworthiness, such as: non-payment of contractual obligations in a certain deadline, deterioration/improvement of the internal or regulatory risk category, exceeding a certain value of a certain financial indicator/s for the client's operation, etc.), are considered to meet the condition of SPPI;
- for financial instruments approved in denars with a currency clause, they are considered to fulfill the SPPI condition (if the other characteristics of the instrument point to the fulfillment of the SPPI condition);
- if the financial instrument contains a certain feature due to which the SPPI condition is not met, but that feature has an insignificant impact on the contractual cash flows of the asset ("de minimis feature"), the Group considers that the SPPI condition is met;
- if the financial instrument contains a certain feature that would change the contractual cash flows of the asset only if a certain extremely rare event occurs with a low probability of happening, the Group considers that the condition of SPPI is met;
- if the contractual conditions of the financial instrument provide for the possibility of early repayment and if the amount that would be charged in case of early repayment represents the amount of the unpaid principal and the due unpaid interest, as well as reasonable compensation for the early termination of the contract (up to 5% of the early the repaid amount), the Group considers that the SPPI condition has been met;
- if the contractual terms of the financial instrument provide for the possibility of extending the maturity period and if the cash flows in the extended maturity period also meet the condition of SPPI (may include a reasonable compensation for the extension of the maturity period), the Group considers that the SPPI condition is filled.

In the case of a change in the contractual cash flows of an existing financial asset, the Group on the date of the change re-evaluates/checks whether the requirement of the SPPI is met with the new changed contractual terms and classifies the financial asset accordingly.

*Reclassification*

Reclassification of debt financial assets from one category to another is possible only if there is a change in the business model of the Group for managing those assets. Reclassifications are made in rare cases when the change in the business model has a significant impact on the Group's business operations, when the change is due to a change in external or internal factors that have a significant impact on the Group's activities, etc. The decision to change the business model is made by the management of the Group. If there is a change in the business model, the Group must reclassify all financial assets from one category to another. In such cases, the reclassified assets continue to be measured accordingly with the principles of the new category from that date prospectively, that is, no correction is made to all previously recognized gains or losses.

Reclassification of proprietary financial assets from one category to another is not allowed.



**INTRODUCTION (Continued)**

**(c) Significant Accounting Policies (Continued)**

**(vii) Financial Assets and Liabilities (Continued)**

*Principles of value measurement*

The group uses two principles of measuring the value of assets and liabilities:

- principle of measurement by amortized purchase value and
- principle of fair value measurement.

Amortized cost of a financial asset or financial liability is an amount by which the asset or liability is measured taking into account:

- the amount at initial recognition;
- reduced for principal repayments;
- reduced or increased by the amount of accumulated depreciation using the effective interest rate method, for any difference between the amount at initial recognition and the amount at maturity and
- reduced by the value correction due to impairment or uncollectibility.

The effective interest rate is equal to the rate that discounts the expected future cash inflows and outflows from the instrument to the final maturity date of the instrument or for a shorter period of time, if appropriate. Measurement using the effective interest rate method allows amortization of the purchase value of the financial instrument and of the income/expense from the interest during the period of the expected maturity of the instrument. When calculating the effective interest rate, the following are taken into account:

- all expected future cash flows;
- all paid and/or collected commissions and fees that represent an integral part of the effective interest of the financial asset or liability (fees for evaluating the financial situation of the client, for mediation in negotiating the terms of the financial instrument, fees for submitting a request and processing the request for credit approval, fees for withdrawing funds from the financial instrument, regular monthly fee for credit management until the final maturity of the credit, which is borrowed and collected at the same time as the borrowing and collection of the regular contractual interest, etc.);
- transaction costs that are directly related to the transaction (fees and commissions paid to sales agents, advisors, brokers, dealers, fees to regulatory bodies, taxes and customs duties paid, etc.) and
- premiums and/or discounts approved on the financial instrument.
- When calculating the effective interest rate, the Group does not take into account the value correction (losses due to impairment) of the financial instrument.

When calculating the effective interest rate, the Group does not take into account the value correction (losses due to impairment) of the financial instrument.

Fair value measurement assumes that the asset or liability is exchanged between market participants, in an ordinary transaction, under current market conditions at the measurement date. Fair value is determined in different ways, depending on whether the asset or liability is traded in an active market or not.

## **INTRODUCTION (Continued)**

### **(B) Significant Accounting Policies (Continued)**

#### **(vii) Financial Assets and Liabilities (Continued)**

##### *Principles of Value Measurement (continued)*

An active market is a market in which the asset or liability is transacted with sufficient frequency and volume to provide price information for the asset or liability. The appropriate quoted market price for the asset or liability is that which is within the range between the purchase price and the sale price, and which best represents the fair value under the relevant conditions. The current one is usually used: purchase price for the asset that is kept or for the obligation that is to be issued, that is, selling/offered price for the asset that will be acquired or for the obligation that is kept; the average market price or other price in accordance with usual, accepted market practice.

If there is no active market for the financial asset or liability, the Group, in order to determine the fair value of the asset or liability, applies valuation techniques for which it has the most available data, giving preference to data that can be confirmed in the market. Common valuation techniques in the Group are: market approach (using quoted prices or other relevant information from market transactions with the same or similar assets or liabilities) and income approach (discounted value of current market expectations for future amounts (cash inflows or income and expenses) of the asset or liability). In applying valuation techniques, the Group:

- uses information on prices achieved in recent (from the last 6 months), normal, commercial transactions for the same financial instrument between knowledgeable, willing parties (if available);
- if there is no information about the achieved prices from recent transactions for the same financial instrument, then to determine the fair value, the current market price of another instrument, which is essentially the same (in the sense that it is of the same currency and with the same or similar maturity date);
- if information on the fair value of the financial instrument cannot be obtained from the markets, then data that cannot be confirmed on the markets are used to determine the fair value of the financial instrument.

The Group measures/determines the fair value of equity instruments that do not have a traded price in an active market and derivatives related to them that must be settled by delivery of such unquoted equity instruments. The Group determines the fair value by applying a method that best reflects the fair value of the equity instrument. For the Group's investments in ownership instruments of certain specific institutions, for which there is no active market and whose possession is determined by law and/or is related to the possibility of using the services provided by these institutions, it is considered that their purchase value reflects their objective value. The Group classifies these investments as financial assets that are measured at fair value through other comprehensive income.

##### *Impairment*

The Group, at least on a monthly basis, assesses whether there is objective evidence of impairment of financial assets that are not measured at fair value through the income statement or of a group of financial assets. Financial assets are impaired when there is objective evidence that the impairment occurred after the initial recognition of the asset, and it has an impact on future cash flows that can be reliably estimated.

The Group allocates losses due to impairment in accordance with the NBRNM's Decision on credit risk management.

**INTRODUCTION (Continued)**

**(c) Significant Accounting Policies (Continued)**

**(viii) Financial Assets and Liabilities (Continued)**

*Principles of Value Measurement (continued)*

*Impairment (continued)*

The Group analyzes evidence of impairment for loans and receivables and securities on an individual basis.

Objective evidence that financial assets (including equity securities) are impaired may include late payment or default by the debtor, restructuring of the loan by the Group under more favorable terms that the Group does not otherwise approve, indications that the debtor or the issuer of the securities have gone bankrupt, the disappearance of an active market for the securities, or other observable information about a group of assets such as adverse changes in the payment status of the obligor or issuer of the securities in the group, or economic conditions consistent with default of the group.

An impairment loss on assets recorded at amortized cost is measured as the difference between the carrying amount of the financial assets and the present value of the expected cash flows, discounted at the original effective interest rate of the assets. Impairment losses are recognized in the income statement and are reflected in the allowance account for loans and advances. Interest on impaired assets continues to be recognized through amortization of the discount. If in the following period the amount of the loss due to impairment decreases, the loss is canceled through the income statement.

Impairment losses on available-for-sale investments are recognized by transferring the cumulative loss recognized directly from equity to the income statement. The cumulative loss transferred from the principal to the income statement is the difference between the purchase price, less any value adjustments previously recognized in the income statement. Changes in the special reserve as a result of the time value of money are recognized as a component of interest income.

If in a subsequent period, the fair value of impaired available-for-sale debt instruments increases and the increase can be objectively related to an event that occurred after the impairment loss was recognized in the income statement, the loss is reversed through the income statement. However, any subsequent increase in the fair value of impaired available-for-sale equity securities is recognized directly in equity.

*Derecognition* The Group derecognizes financial assets when it loses the contractual rights to the cash flows from the asset, or when it transfers the rights to the cash flows from the asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred to another. Any remainder of transferred financial assets that are created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes financial liabilities when the obligations specified in the contracts are settled, canceled or expired.

**INTRODUCTION (Continued)**

**(c) Significant Accounting Policies (Continued)**

**(viii) Financial Assets and Liabilities (Continued)**

*Netting*

Financial assets and liabilities are netted and the net amount presented in the balance sheet only when the Group has a legal right to net the recognized amounts and intends to settle the transactions on a net basis or realize the payments simultaneously.

Income and expenses are presented on a net basis only if permitted by accounting standards, or for gains and losses arising from groups of similar transactions.

*Cash and cash equivalents*

Cash and cash equivalents consist of cash in the treasury, deposits kept at the National Bank of the Republic of North Macedonia ("NBRNM"), demand deposits with banks, as well as highly liquid financial assets with an original maturity of three months or less, which are subject to an insignificant risk of change in their fair value

Cash and cash equivalents are recorded at amortized cost in the balance sheet.

*Trading assets and liabilities*

Trading assets and liabilities are those assets and liabilities that the Group acquires mainly for the purpose of selling or repurchasing in the near future, or that it holds as part of a portfolio for realizing profit in the short term.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the balance sheet, and transaction costs at initial recognition are directly recognized in the income statement. Any changes in fair value are recognized as part of net trading income in the income statement. Trading assets and liabilities are not subsequently reclassified after their initial recognition

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or predictable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near future.

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

## **INTRODUCTION (Continued)**

### **(c) Significant Accounting Policies (Continued)**

#### ***(viii) Financial assets and liabilities - (continued)***

##### *Investments*

Investments are initially stated at their fair value plus, in the case of securities not measured at fair value through profit or loss, incremental direct transaction costs and are subsequently measured depending on their classification.

##### *Held-to-maturity investments*

Held-to-maturity assets are financial assets with fixed or specific repayment periods and with a fixed maturity that the Group intends and has the ability to hold until the maturity period.

Held-to-maturity assets are valued at amortized cost, using the effective interest method. A sale or reclassification of a significant amount of held-to-maturity assets far beyond their maturity period will cause all held-to-maturity assets to be reclassified as available-for-sale, and the Group will not be able to classify investments as held-to-maturity in the current and next two years.

There are some exceptions to this rule, namely:

- Prematurely sold or reclassified assets are close to their final maturity, so changes in market interest rates have an insignificant effect on the fair value of financial assets.
- The group has collected almost all of the original principal of the financial asset through repayments, in accordance with the amortization plan, or prepayments or
- Refer to an isolated event that does not repeat and is beyond the Group's control

##### *Available-for-sale investments*

Available-for-sale investments are financial assets not held for trading, not approved by the Group, nor held to maturity. Available-for-sale instruments include treasury bills, government-issued bonds and equity investments.

Available-for-sale investments are presented according to their fair value, with the exception of financial assets that do not have a quoted market price and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

Interest income is recognized in the income statement using the effective interest rate method. Dividend income is recognized when the Group's right to receive the payment is established. Gains or losses from exchange differences on available-for-sale debt instruments are recognized in the income statement.

Changes in the fair value of available-for-sale investments are recorded in equity until the investments are sold or impaired, with cumulative capital gains or losses recognized in the income statement.

## **INTRODUCTION (Continued)**

### **(c) Significant Accounting Policies (Continued)**

#### ***(ix) Foreclosed assets based on uncollected receivables***

Foreclosed assets include real estate and equipment acquired through a foreclosure procedure in order to fulfill the obligees' obligations, in whole or in part, for the respective credit and are shown in the item foreclosed assets based on unpaid claims (foreclosed assets). Foreclosed assets are initially recognized at the lower of the estimated value, less the expected sales costs that will be borne by the Group and the value of the foreclosed asset specified in the act adopted by the Executor in the procedure for forced recovery, from which the legal basis for acquisition derives of the right to property. The appraised value is determined by an authorized appraiser.

On the date of the initial recognition of the asset, the Group is obliged, in accordance with the Decision on the accounting and regulatory treatment of the assets assumed on the basis of unpaid claims in the balance sheet, to reduce the value of the assumed asset as an impairment in the amount of at least 20% of the value at which the assets are initially acknowledged.

If the amount of the closed value adjustment/special reserve is greater than the impairment from the previous paragraph, the Group recognizes this difference as a revaluation reserve on the date of acquisition of the asset.

After the initial recognition, at least once in a period of twelve months, the Group performs an assessment of the assumed asset and determines the difference with the accounting value. At the same time the Group calculates 20% of the net value of the foreclosed asset and compares it with the difference between the estimated and the accounting value. It recognizes the larger amount in the income statement as an impairment loss.

In the case of the conversion of a taken asset into a fixed asset that serves the Group in its operations, the value at which the fixed asset will be recorded is the lower of the last valid assessment performed by an authorized appraiser and of the accounting value of the asset on the takeover date (according to with the Decision on the accounting and regulatory treatment of assets taken over on the basis of unpaid claims).

### **(x) Property and Equipment**

#### *Recognition and measurement*

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The purchase price includes the costs that are directly related to the acquisition of the asset. The purchased software that is necessary for the functioning of the corresponding equipment is recognized as part of that equipment.

When parts of items of property and equipment have different useful lives, they are recorded as separate items (major components) of property and equipment.

#### *Subsequent expenses*

Expenditures incurred for the replacement of part of the real estate and equipment are added to the accounting value of the asset when it is probable that there will be future economic benefits for the Group and the costs thereof can be reliably measured. The costs of daily maintenance of real estate and equipment are recognized in the income statement as expenses as incurred.

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

## **INTRODUCTION (Continued)**

### **(B) Significant Accounting Policies (Continued)**

#### **(x) Property and equipment (continued)**

##### *Depreciation*

*Depreciation of real estate and equipment is calculated using the proportional method in order to write off the purchase value of the assets over their useful life.*

*The annual depreciation rates, based on their useful lives, for the current and prior periods are as follows:*

	%
Construction building	2,5
Equipment	10 – 25

Investments in real estate and equipment taken under lease are depreciated according to the lower of the useful life and the duration of the lease agreement.

The depreciation method, useful life and residual value are reassessed at each reporting date.

##### *Measurement and recognition*

Intangible assets acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses, if any.

##### *Subsequent expenses*

Subsequent expenditures on intangible assets are capitalized only when they increase the future economic utility embodied in the specific asset to which they relate. All other expenses are recognized in the income statement as expenses as incurred.

##### *Depreciation*

Depreciation is recognized using the proportional method in order to write off the purchase value of the assets over their useful life.

The annual depreciation rates, based on their useful lives, for the current and prior periods are as follows:

	%
Software	25
Licenses	25

The depreciation method, useful life and residual value are reassessed at each reporting date. Intangible assets under construction are not amortized.

#### **(xii) Assets taken on lease - lessee**

Leases that transfer substantially all the risks and rewards inherent in ownership of the leased asset are classified as finance leases. At lease inception, a finance lease is recorded at the lower of fair value and the present value of the minimum lease payments. Subsequently, the asset is recorded in accordance with the Group's accounting policy for that asset.

The other leases are operating leases and leased assets are not recognized in the Group's Balance Sheet.

**INTRODUCTION (Continued)**

**(c) Significant accounting policies (continued)**

***(xiii) Losses due to impairment of non-financial assets***

The Group's non-financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If there is such an indication, the amount of the asset that would be chargeable is estimated.

An impairment loss is recognized if the carrying amount of an asset or the cash-generating unit to which the asset belongs exceeds its recoverable amount. For the asset that does not generate largely independent cash inflows, the compensation amount is determined for the money-generating unit to which the asset belongs.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. Impairment losses are recognized in the income statement.

The recoverable amount of a given asset or cash-generating unit is the higher of the asset's fair value less costs to sell and its value in use. In assessing value in use, 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 asset-specific risks.

An impairment loss on an asset is reversed if there is an indication that an impairment loss recognized for the asset may no longer exist and there have been changes in the estimates used to determine the recoverable amount.

The increased book value of a given asset, as a result of the reversal of an impairment loss, should not exceed the book value that would have been determined (net of depreciation) if no impairment loss had been recognized for the asset in previous years.

***(xiv) Deposits, credit obligations***

Deposits and loan commitments are sources of funding for the Group.

Deposits and loan liabilities are initially stated at their purchase value, which represents the fair value of the received compensation, increased by transaction costs. They are subsequently measured at amortized cost using the effective interest method.

***(xv) Reservations***

A provision is recognized in the balance sheet when, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably measured and it is probable that there will be an outflow from the Group to settle the obligation. Provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, risks specific to the liability.



**INTRODUCTION (Continued)**

**(d) Significant accounting policies (continued)**

**(xv) Reservations (continued)**

A provision for unfavorable contracts is recognized when the expected benefits of the contract for the Group are lower than the unavoidable costs of fulfilling the obligations under the contract. The provision is determined at the present value of the lower of the expected costs of canceling the contract and the present value of the expected net costs of continuing the contract. Before establishing a provision, the Group recognizes a loss due to impairment of assets related to the contract.

**(xvi) Employee benefits**

*Defined contribution plans*

The group pays contributions to the pension funds in accordance with the requirements of the Macedonian laws. The contributions, which are determined on the basis of the salary of the employees, are paid into the pension funds, which are responsible for the payment of the pensions. The Group has no additional payment obligation under these plans. Obligations to pay contributions to defined contribution plans are recognized as an expense in the income statement when accrued.

*Short-term benefits for employees*

Short-term employee benefits are measured on an undiscounted basis and recognized when the related service is received.

The Group recognizes a liability and an expense for the amount that is expected to be paid as a bonus or as a share of profits and if the Group has a present legal or constructive obligation to make such payments as a result of services rendered in the past period and if the obligation can be estimated reliably.

The group recognizes liability and expense on the basis of private health insurance on an annual basis.

*Other long-term benefits for employees*

In accordance with Macedonian legislation, the Group pays two average monthly net salaries per employee, paid in the Republic of North Macedonia in the previous three months to employees at the time of retirement. Long-term employee benefits are discounted to determine their net present value. The Group has no additional obligation to pay on this basis.

**(xvii) Share Capital**

*Common shares*

Common stock is classified as equity. Incremental costs directly related to the issuance of common stock and stock options are recognized as a reduction of equity.

*Repurchase of own shares*

When the Group buys back its own shares, the amount of consideration paid, including direct dependent costs, is recognized as a reduction in equity. Repurchased shares are classified as treasury shares and represent a negative item in the total capital. When treasury shares are subsequently sold, the amount received is recognized as an increase in equity, and the excess or shortfall from the transaction is transferred to/from share premiums.

*Dividends*

Dividends are recognized as liabilities in the period they are declared.

## **INTRODUCTION (Continued)**

### **(c) Significant accounting policies (continued)**

#### ***(xviii) Earnings per share***

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to the owners of ordinary shares of the Group by the weighted average number of ordinary shares in the period. Diluted earnings per share are calculated by adjusting the gain or loss attributable to holders of common stock and the weighted average number of shares outstanding during the period for the effect of all dilutive potential common stock.

#### ***(xix) Reporting by Segments***

An operating segment is a separable component of the Group that is engaged either in the provision of products or services (business segment), or in the provision of products or services in specific economic areas (geographic segments) and is subject to risks and rewards different from those of other segments. The results of operations are regularly reviewed by the Supervisory Board of the Group in order to evaluate the achievements and make a decision on future business activities and for which discrete financial information is available.

The Group primarily reports by business segment. The following main segments have been identified, retail, corporate banking, securities and unallocated. The basic information by segments is based on an internally developed reporting structure by business segments.

#### ***(xx) Off-Balance Record***

The group keeps off-balance sheet records of executed transactions that currently do not meet the criteria for recognition as an asset or liability, and which may create future inflows and outflows of assets and which represent a source of information about the operation, for the determination of the risk of the operation and possible future obligations. This record includes the following items: issued uncovered payment and performance guarantees, opened uncovered letters of credit, endorsements, acceptances, undertaken irrevocable credit commitments, unused part of approved framework loans, unused credit card limits, unused current account overdrafts, and other forms of a guarantee on the basis of which payment obligations and claims may arise on the part of the Group, as well as other bookkeeping records that do not represent a particular risk for it (records of written-off claims, covered letters of credit, covered guarantees, etc.). The off-balance sheet records are recorded on the day of the event.

## **INTRODUCTION (continued)**

### **(d) Use of Ratings and Assessments**

#### ***Significant judgments in the application of accounting policies***

Significant accounting judgments in the application of accounting policies are presented below:

##### *Fair value of financial instruments*

The fair value of financial instruments that are not listed on active markets is determined using internal valuation techniques. These include using present value methods, models based on available parameters. All valuation models are first validated before they are used as a basis for financial reporting and are periodically reviewed by qualified personnel who are independent of the area for which the model was created. Where possible, the Group compares the valuations obtained from the various models with those quoted in active markets of similar instruments, and with the actual values when they are realized, in order to further validate and standardize the models. A number of different factors are included in the models, including actual or estimated market prices and rates, such as time value and volatility, market conditions and liquidity. The Group applies the models consistently from period to period, ensuring comparability and continuity of valuations across periods, but fair value measurement inherently involves a significant degree of judgment.

In the Republic of North Macedonia, there is not enough market experience, stability and liquidity for buying and selling receivables and other financial assets and liabilities, for which there are no officially published market prices.

The management performs an assessment of the total risk exposure so that when it is estimated that there are indications that the recorded accounting value will not be realized, in that case a provision is recognized. In management's opinion, the stated carrying amounts of assets not quoted in an active market actually represent the most valid and useful reporting values applicable under current market circumstances.

##### *Correction of the value of loans*

The group performs a monthly analysis of credit exposure in order to assess whether there are indications of credit impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes an assessment as to whether there are any observable indicators that indicate a reduction in future cash flows from the loan portfolio before the impairment is identified on the individual loan in that portfolio. This evidence may include visible indicators that indicate that there are negative changes in the borrower's ability to pay the loan or the inability to pay is the result of unfavorable economic conditions in the country that directly affect the borrower's ability to pay his obligations within the stipulated period. . The Group uses estimates based on historical loss experience relating to assets that have credit risk characteristics and the existence of objective evidence of impairment that are similar to those in the portfolio when planning future cash flows. The methodology and assumptions used to estimate the amount and timing of future cash flows are analyzed on a regular basis in order to reduce the differences between estimated loss and actual loss experience.

**INTRODUCTION (continued)**

**(d) Use of Ratings and Assessments (continued)**

**Significant judgments in the application of accounting policies(continued)**

*Useful life of tangible and intangible assets*

The Group's management determines the estimated useful life and the corresponding amortization expense of tangible and intangible assets. The appropriateness of the estimated useful life is analyzed on an annual basis or whenever there are indications of significant changes in the assumptions used, such as anticipated technological developments, factors affecting the economy in the wider environment and the industry.

*Actuarial assumptions for defined benefit plans for employees*

The eventual costs that the Group would have on the basis of the defined plans depend primarily on the actual expected future experiences and especially on the change in the discount rate and the increase in salaries. Other factors may also change the total liability on this basis such as the number of employees who leave the Group early in relation to retirement and the number of new employees.

*Reserves under insurance contracts*

Assumptions affecting the reported amounts of insurance assets and liabilities are used to determine the provision for insurance contracts, which is sufficient to cover the liabilities that may arise from the insurance contracts, if they can be foreseen. However, given the uncertainty in determining the provision for outstanding claims, it is possible that the final result will differ from the originally determined liability. Provisions are made on the reporting date for the expected final costs of settling all claims incurred up to that date, whether reported or not, including claims settlement costs, less amounts already paid.

*Claims reserves are not discounted.*

The sources of data used as input information for building the assumptions are typical and internal to the Subsidiary, while applying detailed analyzes that are done at least once a year. Assumptions are tested to determine whether they are consistent with market or other published information.

The branch pays special attention to current trends. In the initial years of the Subsidiary's operation, in the absence of information for making realistic assessments of the development of damages, it uses more careful assumptions.

The assessment of incurred but not yet reported damages ("IBNR") is generally subject to a higher degree of uncertainty in relation to the assessments of reported damages, for which the Subsidiary has more information. IBNR damages can very often become visible to the Branch only after several years after the occurrence of the event that caused that damage. Each reported damage is assessed individually, taking into account the conditions in which the damage occurred, information available from damage assessors and past experience of the magnitude of similar damages. Subject assessments are regularly reviewed and updated with new information.

## **INTRODUCTION (continued)**

(e) Use of Ratings and Assessments (continued)

Significant judgments in the application of accounting policies (continued)

Reserves under insurance contracts (continued)

The difficulty in estimating reserves varies among different classes of insurance for a number of reasons, including the following:

- Differences in the terms of insurance contracts;
- Different complexity of damages;
- Differences in the severity of each damage;
- Differences in the period between the occurrence and reporting of damages.

With certain classes of insurance, there can be significant delays from the moment of reporting the damage to the moment of its resolution, so that it is not possible to know with certainty the final costs on the date of notification.

Assessment methods vary depending on conditions. The reasons may be:

- Economic, legal, political and social trends (which result in, for example, differences in the expected level of inflation);
- Change in the portfolio of insurance contracts;
- The impact of large losses.

Damages from general insurance contracts are paid after the damage occurs. Contracts are concluded for short periods, usually for a period of one year, whereby the Subsidiary has obligations for all insured events that occur during the duration of the contract.

The shorter term of resolution of these damages allows the Branch to have greater certainty in the assessment of damages costs and to calculate a lower level of reserves for incurred but not yet reported damages.

A key assumption in the Subsidiary's assessments is the experience with the development of damages in the past. This includes assumptions about average claim costs, claim settlement costs, an inflation factor, and the number of claims in each year. Judgment is used in determining the extent to which external factors, such as court decisions and legislation, influence assessments.

### **(e) Change in accounting policies, accounting estimates and correction of errors**

There are no changes in accounting policies, accounting estimates and correction of errors in the attached financial statements.

## **INTRODUCTION (continued)**

### **(f) Compliance with Law**

The group carries out its activities in accordance with the legal regulations in the Republic of North Macedonia as well as the by-laws prescribed by the National Bank of the Republic of North Macedonia and other regulators.

- On 20.03.2023, the NBRNM submitted a Notice for conducting thematic field control with No. 23-10582/1, received at the Bank on 22.03.2023 with number 02-9789/1. The control covered the achieved target level of preparedness of the Bank against attacks from the digital space. After the completion of the control, the NBRNM submitted a Report from the thematic field control PT number 23-32496/1 dated 02.10.2023 filed in the Bank under number 02-32005/1 dated 03.10.2023 to which the Bank submitted Information and an Action Plan based on the findings with the thematic field control, which will be acted upon and reported to the NBRNM.

- On September 4, 2023, the NBRNM submitted a Notice for immediate field control with No. 11-29733/2, received at the Bank on September 6, 2023 with number 02-28782/1. The control covered the compliance of the Bank's internal acts and procedures with the legal and by-law regulations in the area of cash operations, as well as their appropriate application in the Bank's operations. After the completion of the control, the NBRNM submitted a Minute to which the Bank had Objections. After completion of the procedure of delivery of the Objection, the Minutes of the NBRNM PT No. 11-29733/10 of November 6, 2023 became final.

- On 10/26/2023, the NBRNM submitted a Notice for performing a partial field control with PT number 17-35214/1, received at the Bank on 10/27/2023 with number 02-34873/1. Control covers strategy and business plans, organizational setup and corporate governance, general framework for managing individual risks and processes, reporting system, stress testing, new product and IT applications, internal and external audit, credit risk, liquidity risk, risk of change of interest rates in the portfolio of banking activities, the system for preventing money laundering and financing of terrorism and legal risk. The field part of the control in the Bank started on 20.11.2023. Until the issuance of these financial statements, no minutes have been submitted by NBRNM in connection with this control.

As of the date of the consolidated financial statements, there is no non-compliance with the regulation prescribed by the NBRNM regarding the solvency and capital adequacy, the Bank's exposure limits, the Bank's investments, the Bank's liquidity and the open foreign exchange position.

- According to the capital calculation (form KS) as of December 31, 2023, the capital of the Subsidiary is 457,434,944 denars, i.e. the Subsidiary has a surplus of funds in relation to the Guarantee Fund in the amount of 272,349,944 denars (31 December 2022: deficit 27,752,316 denars).

- According to the same template, the Subsidiary ascertains an excess of Capital (for non-life insurance) in relation to the required level of solvency margin (for non-life insurance companies) in the amount of MKD 337,382,835. Based on the form (VTR) Investments of funds covering technical reserves, an excess of assets of the Subsidiary to cover technical reserves in the amount of MKD 95,308,630 was recorded.

**INTRODUCTION (continued)**

**(g) Risk Management Disclosures**

The description, qualitative and quantitative information about individual risks are disclosed in detail in note 2. Risk management.

**(h) Events after the Balance Sheet Date**

Events after the balance sheet date are the events, favorable and unfavorable, that occur between the balance sheet date and the date the consolidated financial statements are authorized for issue. If there is evidence of conditions that existed at the balance sheet date, the Group corrects the consolidated financial statements. The Group does not adjust the consolidated financial statements for events after the balance sheet date, for which conditions occurred after the balance sheet date.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**1. Classification of financial assets and financial liabilities**

**A. Classification of financial assets and financial liabilities**

	at fair value through profit or loss		at fair value through other comprehensive income		At amortized cost value	Total
	Held for trading	At fair value upon initial recognition	Debt instruments	Equity instruments		
<i>In thousands of Denars</i>						
<b>2023 (current year)</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	21.290.769	21.290.769
Held-for-trading assets	61.591	-	-	-	-	61.591
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	355.357	355.357
Loans and advances to other customers	-	-	-	-	62.022.363	62.022.363
Investments in securities	-	-	9.627.768	46.888	373.668	10.048.324
Other receivables	-	-	-	-	1.333.229	1.333.229
<b>Total financial assets</b>	<b>61.591</b>	<b>-</b>	<b>9.627.768</b>	<b>46.888</b>	<b>85.375.386</b>	<b>95.111.633</b>
<b>Financial liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	8.600.728	8.600.728
Deposits from other customers	-	-	-	-	66.520.060	66.520.060
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	4.549.750	4.549.750
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1.132.831	1.132.831
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80.803.369</b>	<b>80.803.369</b>



**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

	at fair value through profit or loss		at fair value through other comprehensive income		At amortized cost value	Total
	Held for trading	At fair value upon initial recognition	Debt instruments	Equity instruments		
<i>In thousands of Denars</i>						
<b>2022 (previous year)</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	14.795.532	14.795.532
Held-for-trading assets	66.775	-	-	-	-	66.775
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	275.774	275.774
Loans and advances to other customers	-	-	-	-	56.558.205	56.558.205
Investments in securities	-	-	7.933.708	47.951	251.739	8.233.398
Other receivables	-	-	-	-	1.126.719	1.126.719
<b>Total financial assets</b>	<b>66.775</b>	<b>-</b>	<b>7.933.708</b>	<b>47.951</b>	<b>73.007.969</b>	<b>81.056.403</b>
<b>Financial liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	7.294.936	7.294.936
Deposits from other customers	-	-	-	-	56.809.798	56.809.798
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	5.020.716	5.020.716
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	900.528	900.528
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70.025.978</b>	<b>70.025.978</b>

## **2. Risk Management**

Republic of North Macedonia is a small and open economy, and accordingly, shocks in the global economy quickly spill over to us as well, the strategic determination to move towards Euro-Atlantic integration as soon as possible, the opening of negotiations for membership in the European Union will increase the sensitivity to shocks even more. and the speed with which they spill over into the domestic economy. Additionally, as an energy-dependent country, the consequences of the global energy crisis are immediately felt in the domestic economy. It should also be taken into account that the current strategy of the monetary policy in the Republic of North Macedonia of targeting the exchange rate has certain weaknesses such as the inability to amortize certain domestic shocks, or shocks that are transferred from the country whose currency is used as an anchor. In such conditions, it is assumed that the response to the effects that the global crisis would cause in our economy would include the implementation of a partially expansionary fiscal policy, and on the other hand, the conduct of a restrictive monetary policy with an increase in the reference interest rate in order to curb high inflation.

The role of the most significant risk factors is the long-term retention of high inflation, the effects of the previous tightening of monetary policy in domestic and global frameworks, the possible retention of high interest rates and the deterioration of financial conditions with negative effects on the stability of financial markets and indebtedness, such as and the increasing geopolitical tensions and trade restrictions that cause high uncertainty effects especially the war in Ukraine and the developments in the Middle East that do not subside.

According to the latest macroeconomic context, GDP growth is expected to reach 3% in 2024, that is, it will accelerate in 2024, rising to 4%. A positive contribution of domestic consumption supported by the growth of population consumption and gross investments is expected. At the same time, a stronger dynamic in disposable income is expected.

Estimates for growth in import prices are maintained, so the inflation rate in 2024 is projected at a level of 3.5%, that is, it would decrease to a level of 2% in 2025. It is mostly due to downward movements in world prices of primary products and the effects of monetary policy tightening, which always appear with a certain time delay. The projected decrease in inflation is mainly due to a further decline in stock market prices of food and oil. The risks surrounding the uncertainty regarding the future movements of inflation are related to the world prices of food and energy, geopolitical tensions as well as the measures that affect the aggregate demand in the domestic economy.

The bank is mainly exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risks

This Note presents information about the Group's exposure to each of these risks, the objectives, policies and ways of measuring and managing the Group's risks.

## **2. Risk Management (Continued)**

### **Framework of Risk Management**

The key objective of risk management in Halk Banka Skopje is comprehensive management, assessment and monitoring of risks within the Group. The Group is focused on development activities, knowledge and competencies in risk management and on the continuous upgrading of the culture of risk and awareness in the entire organization. In order to improve the comprehensive approach to risk management, a sustainable risk profile is defined, an appropriate organizational structure is established, while the work procedures, models and tools for risk management are constantly revised and upgraded. The Group continuously upgrades and modernizes procedures and processes for risk management, and at the same time conducts appropriate and regular risk training and education courses for employees from business and other organizational units.

In general, risk management in the Group includes the following activities:

- to regularly identify, assess and evaluate risks through a risk identification process;
- manages, monitors and controls the risks to which it is exposed;
- defines strategic orientations for risk management within the risk strategy and sets limits in the Group's risk appetite and includes them in ILAAP, ICAAP, Recovery Plan and Business Strategy;
- constantly develops and upgrades its risk management models and methodologies, including stress testing systems, backward stress testing and early warning systems;
- has an appropriate structure for decision-making, lines of defense and capabilities for the same;
- manages restructuring and workout activities in a professional, efficient manner to maximize value.

The risk appetite statement of Halk Banka Skopje is its umbrella strategic document. Risk appetite represents the aggregate level and types of risk that the Group, as a financial institution, is ready to undertake or avoid within its risk-taking capacity, in order to achieve the strategic goals defined in the Business Strategy.

Risk appetite is a main and important element of the strategic decision-making process within the Group. Therefore, the Risk Appetite is related to the other strategic documents of the Group such as the Risk Management Strategy, ICAP, ILAAP, Recovery Plan, Capital Management Policy and the Group's Business Plan.

The risk appetite framework sets the Group's risk profile and is part of the process of implementing the strategy and determining the risks taken in relation to the total risk capacity. In this regard, the framework is fully linked to the business strategy and basis for risk management, finance and capital management, processes and internal policies in the Group.

The risk management strategy defines the key content for the risk orientation assumptions in order to achieve the medium-term strategic goals of the Group. The risk strategy is the basis of the Group's risk appetite and is the main pillar of the business strategy.

## **2. Risk Management (Continued)**

### **Risk Management Framework (continued)**

Risk appetite is included in the ICAAP and ILAAP and their results are used in the setting, revision and monitoring of the Risk Appetite. The ICAAP and ILAAP framework are the main points for testing the limits related to capital requirements, liquidity and stress scenarios.

Furthermore, the medium-term operational, financial and capital plans of the Group are determined within the defined Risk Appetite Statement. However, the determination of available capital, capital structure and dividend rules in the Group are covered in the ICAAP and the Capital Management Policy, which are aligned with the Risk Appetite.

The recovery plan has been prepared in order to ensure the financial viability of the Group. For this purpose, the Recovery Plan defines several possible serious scenarios, indicators, procedures and recovery measures that ensure the Management Board to promptly anticipate threats to financial stability in the event of various types of problems and use the available recovery measures in order to restore the Group's financial stability.

The limits specified in the Risk Appetite are regularly presented in the detailed table to the relevant decision-making bodies of the Group. The risk appetite statement, together with the Risk Management Strategy and other relevant strategic documents of the Group are reviewed and approved by the Supervisory Board on an annual basis, as part of the regular revision of the risk management framework. The Supervisory Board has established a Credit Board and a Risk Management Board, which are responsible for developing and monitoring the Bank's risk management policies in their respective areas.

On the other hand, the Group's Audit Committee is responsible for monitoring compliance with risk management policies and procedures, for monitoring the adequacy of the risk management policy in relation to the risks faced by the Group. The audit committee is assisted in the performance of these functions by the internal audit. The Directorate for Internal Audit performs regular and periodic audits of controls and risk management procedures in accordance with the Annual Work Plan of the Directorate for Internal Audit, and these results are presented to the Audit Committee.

## **2. Risk Management (Continued)**

### **2.1 Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and banks, guarantees and letters of credit and investments in securities. In order to manage the risk, the Group considers and consolidates all elements considering the credit risk exposure (such as individual risk of default of borrower, country risk and sector risk).

#### **Credit Risk Management**

The Supervisory Board has delegated responsibility for the management of credit risk to its Credit Committee, which approves all credit exposures to EUR 2.500.000 per client and his related parties. The Credit Committee approves credit exposures over this amount and maximum to 10% of Bank's own assets, only if that credit exposure is covered with a deposit. All credit exposures over EUR 2.500.000 and to 25% of Bank's own assets that are not covered by deposit are approved by the Supervisory Board. SME Committee approves credit exposures up to EUR 500.000 and Retail Credit Committee approves credit exposure up to EUR 150.000, up to EUR 350.000.00 are approved by Combined Credit Board – for combined exposures of legal entities and individuals and the Retail Credit Board for retail credit exposures up to EUR 150,000. Branch Credit Committees approve credit exposures to legal entities and individuals within the delegated limit (each branch Credit Committee has individual limits for credit exposures approvals up to EUR 100.000).

The Group's credit risk control includes:

- *Formulating credit policies* including coverage requirements for collateral assess the creditworthiness of the applicant's credit risk grading and reporting, documentation and legal procedures, and compliance with legal requirements.
- *Reviewing and assessing credit risk.* Competent Divisions/Departments monitor credit exposures in relation of established limits, credit policies and procedures applied to lending.
- *Monitoring concentrations of exposure* geographically and by industries (for loans and advances), and by issuer, credit rating institutions, market liquidity and country (for investment).
- *Classification of the credit exposure of the Bank* by the degree of risk of financial loss faced and focusing on risk management. Classification system is used in the determination if impairment loss is required.
- *Monitoring of compliance* to set limits, including those for industries, country risk and product types. Regular reports on credit exposure, classification and impairment / allowance are submitted to the Risk Management Board and appropriate corrective action is taken.
- Controls are performed by individual organizational units of the Bank, as Credit Department, branches of the Bank and the Directorate of Risk Management Department.

All organizational units of the Bank involve in the process of crediting and credit risk management are obliged to implement the Bank's credit policies and procedures. They are responsible for the quality of the loan portfolio, as well as for monitoring and controlling all credit risks. The Internal Audit Department and Internal Control Department, during regular audits of the activities of branches, also control the credit operations.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

**2.1 A Analysis of total exposure to credit risk**

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total		
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	
<i>In thousands of Denars</i>																			
<b>Exposure to Credit Risk, classified in Group 1</b>																			
Carrying amount before the allowance for impairment/special reserve	355.357	275.773	56.514.574	53.606.569	9.639.947	7.946.951	373.668	251.740	17.709.541	11.321.646	24.787	37.773	1.034.889	948.266	16.053.662	14.685.282	101.706.425	89.074.000	
(Allowance for impairment/ special reserve)	-	-	(165.437)	(96.936)	-	-	-	-	(879)	(499)	(181)	(243)	(215)	(338)	(12.166)	(31.873)	(178.878)	(129.889)	
<b>Carrying amount, reduced by allowance for impairment and the special reserve</b>	355.357	275.773	56.349.137	53.509.633	9.639.947	7.946.951	373.668	251.740	17.708.662	11.321.147	24.606	37.530	1.034.674	947.928	16.041.496	14.653.409	101.527.547	88.944.111	
<b>Exposure to Credit Risk, classified in Group 2</b>																			
Carrying amount before the allowance for impairment/special reserve	-	-	6.192.236	3.221.039	-	-	-	-	-	-	8.299	7.899	28.228	11.719	355.706	150.645	6.584.469	3.391.302	
(Allowance for impairment/ special reserve)	-	-	(645.063)	(323.180)	-	-	-	-	-	-	(1.616)	(551)	(2.407)	(1.171)	(38.630)	(20.725)	(687.716)	(345.627)	
<b>Carrying amount, reduced by allowance for impairment and the special reserve</b>	-	-	5.547.173	2.897.859	-	-	-	-	-	-	6.683	7.348	25.821	10.548	317.076	129.920	5.896.753	3.045.675	
<b>Exposure to Credit Risk, classified in Group 3</b>																			
Carrying amount before the allowance for impairment/special reserve	-	-	1.348.601	818.695	-	-	-	-	-	-	8.746	5.868	231.228	188.379	42.079	-	1.630.654	1.012.942	
(Allowance for impairment/ special reserve)	-	-	(1.023.619)	(514.225)	-	-	-	-	-	-	(8.436)	(5.617)	(129.030)	(151.810)	(42.079)	-	(1.203.164)	(671.652)	
<b>Carrying amount, reduced by allowance for impairment and the special reserve</b>	-	-	324.982	304.470	-	-	-	-	-	-	310	251	102.198	36.569	-	-	427.490	341.290	
<b>Total carrying amount of the credit risk receivables before the allowance for impairment and special reserve</b>	355.357	275.773	64.055.411	57.646.303	9.639.947	7.946.951	373.668	251.740	17.709.541	11.321.646	41.832	51.540	1.294.345	1.148.364	16.451.447	14.835.927	109.921.548	93.478.244	
<b>(Total allowance for impairment and special reserve)</b>	-	-	(1.834.119)	(934.341)	-	-	-	-	(879)	(499)	(10.233)	(6.411)	(131.652)	(153.319)	(92.875)	(52.598)	(2.069.758)	(1.147.168)	
<b>Total Carrying amount of the credit risk receivables less the allowance for impairment and special reserve</b>	355.357	275.773	62.221.292	56.711.962	9.639.947	7.946.951	373.668	251.740	17.708.662	11.321.147	31.599	45.129	1.162.693	995.045	16.358.572	14.783.329	107.851.790	92.331.076	

**Restructured Loans**

As of December 31, 2023, the Group has restructured loans included in loans and advances to customers with a total net booked value of MKD 413.899 thousand (on December 31,2022: MKD 478.682 thousand).

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

## **2. Risk Management (Continued)**

### **2.1 Credit Risk (Continued)**

#### **Impaired Loans and Securities**

Impaired loans and securities are loans and securities for which the Group, based on the NBRNM's Decision on Credit Risk Management ("the Decision"), has determined the need for allocation of impairment. All loans are graded from A to E risk category according to the days of delay and other criteria according to the Decision.

#### **Past Due but Not Impaired Loans**

Loans and securities where contractual interest or principal payments are past due but the Group believes it is not appropriate to calculate impairment due to the amount of collateral or the degree of recovery.

#### **Allowance for Impairment / Special Reserve**

The Group determines allowance for impairment and special reserve for credit exposure on the basis of expected credit loss on individual and/or group basis, at least once a month. The Group determines the credit loss exposure on individual basis as a difference between the carrying amount of the credit exposure and present value of the expected future cash flows arising from that credit exposure. The expected credit loss on a group basis is determined for the separate credit portfolios (segments) as a product of probability default rate, loss given default rate and the amount of the credit exposure.

Impairment for the needs of the financial reporting is recognized as loss only when realized as of the Balance sheet date based on objective impairment evidence. Table 2.1 A. presents Group's credit risk exposures classified on group basis (Stages). The table presents related impairment and special reserve on individual and/or group basis.

General impairment indicators used in the classification and identification of impairment and special reserve include:

- Failure to fulfill contractual payments of principal or interest;
- Deterioration in economic performances;
- The client goes under bankruptcy proceedings;
- Breach of contract terms and conditions;
- Specific business related information suggesting that there is a decrease of the estimated future cash flows;
- Deterioration of the client competitive position;
- Decrease of collateral value;
- General economic situation.

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

According to the internal classification of exposure to credit risk, which is in accordance with the Decision on credit risk management of NBRNM, the Group classifies credit exposures as follows:

<b>Regulatory framework (according to the Decision for credit risk)</b>	<b>Internal procedure</b>	<b>GROUP</b>
<ul style="list-style-type: none"> <li>- Credit exposure to a client whose financial position and cash flows enable smooth operation and opportunity to settle current and future liabilities to the bank;</li> <li>- credit exposure whose obligations are performed with a delay of up to 31 days or with an exception of up to 60 days, if the delay is twice in the interval from 32 to 60 days in the previous six-month period</li> </ul>	<p>current and historical days of being late are taken into account on reporting day. If the client settles the claim in the past 6 months with a delay of up to 31 days, or with an exception of up to 60 days, if the delay is twice in the interval from 32 to 60 days in the previous six-month period he will be classified in this group of claims.</p>	<b>Group 1</b>
<ul style="list-style-type: none"> <li>- The credit exposure that is in the last year of the trial period</li> </ul>	<ul style="list-style-type: none"> <li>- credit exposure that is in the last year of the trial period is taken into account</li> </ul>	<b>Group 1</b>
<ul style="list-style-type: none"> <li>- the creditworthiness of the client assessed by applying an internal risk category, if the bank has developed internal risk categories</li> </ul>	<p>into account are taken ratings for following segments:</p> <ul style="list-style-type: none"> <li>- legal entities (rating from CORP 1 to CORP 6)</li> <li>individuals with revolving credit products (rating from ROT 1 to ROT 11 and NROT 1 to NROT 11)</li> </ul>	<b>Group 1</b>
<ul style="list-style-type: none"> <li>- credit exposure to a client/project whose cash inflows are inadequate for regular settlement of obligations;</li> <li>- the credit exposure to a client/project with an inadequate term structure of funding sources and its inflows;</li> <li>- credit exposure to a client/project whose indebtedness is high compared to capital and/or a client who has significant debt to creditors</li> </ul>	<ul style="list-style-type: none"> <li>- Newly approved exposures, on the basis of project financing, are evaluated on the basis of point 7 of the Decision on credit risk of NBRNM, according to the PDR analysis procedure. Credit exposures that, according to the PDR analysis, are rated CC and lower, are treated as candidates with increased credit risk upon approval, and if an increased credit risk is determined, they will be classified at least in the B risk category. Additionally. credit exposures that are approved with a low own participation of less than 15%, during project financing, until the start of generating income from the projects themselves, are classified at least in the B risk category;</li> <li>- Non-financial legal entities and natural persons who, according to the classification calculated by the Early Warning System, belong to the list of clients for monitoring 2 - WL2, are classified at least in B risk category;</li> <li>- Non-financial legal entities and natural persons who, according to the classification calculated by the Early Warning System, belong to a list of clients for intensive treatment - ICL, are classified at least in the B risk category</li> </ul>	<b>Group 2</b>



**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***2. Risk Management (Continued)****2.1 Credit Risk (Continued)**

<b>Regulatory framework (according to the Decision for credit risk)</b>	<b>Internal procedure</b>	<b>GROUP</b>
<ul style="list-style-type: none"> <li>- the credit exposure whose obligations are performed with a delay of up to 60 days, or with the exception of up to 90 days, if the delay is at most twice in the interval from 61 to 90 days in the previous period of six months</li> <li>- the credit exposure whose obligations are performed with a delay of up to 120 days, or with an exception up to 180 days, if the delay is at most twice in the interval from 121 to 180 days in the previous period of six months</li> </ul>	<p>the current and historical days of delay on the reporting date are taken into account,</p> <ul style="list-style-type: none"> <li>- If the days of delay, on the reporting date, do not exceed 60 days and those that in the previous period of six months are executed with a delay that does not exceed 60 days or with an exception up to 90 days, if the delay is at most twice in the interval from 61 to 90 days are classified in B risk category;</li> <li>- If the exposure is on regular accounts and they have current days of delay in the range of 61 to 120 days in the previous period of six months, they are executed with a delay that does not exceed 120 days or, with an exception, up to 180 days, if the delay is at most twice in the interval of 121 to 180 days are classified in the C risk category</li> </ul>	<b>Group 2</b>
<ul style="list-style-type: none"> <li>- the credit exposure that has the treatment of restructured credit exposure;</li> <li>- the credit exposure that has not been treated as a restructured non-functional credit exposure for at least one year.</li> </ul>	<ul style="list-style-type: none"> <li>- restructured receivables that do not meet the conditions of the Credit Risk Decision of NBRNM for exclusion from the category of restructured credit exposures are taken into account</li> </ul>	<b>Group 2</b>
<ul style="list-style-type: none"> <li>- the customer's creditworthiness assessed using an internal risk category, if the bank has developed internal risk categories</li> </ul>	<p>the ratings determined for the following segments are taken into account:</p> <ul style="list-style-type: none"> <li>- legal entities (ratings CORP 7 and CORP 8)</li> <li>- natural persons with revolving products (ROT) and other credit products (NROT) (ratings from ROT 12 to ROT 16 and NROT 12 to NROT13) are classified at least in B risk category</li> </ul>	<b>Group 2</b>
<ul style="list-style-type: none"> <li>- the credit exposure whose obligations are performed with a delay of 90 to 240 days, or with the exception of up to 300 days, if the delay is at most twice in the interval from 241 to 300 days in the previous period of six months;</li> <li>- the credit exposure whose obligations are performed with a delay of more than 241 days, i.e. more than 600 days for the credit exposure from point 23 of this decision</li> </ul>	<p>the current and historical days of delay on the reporting date are taken into account,</p> <ul style="list-style-type: none"> <li>- which have current days of delay in the range of 91 to 120 days and which in the previous period of six months are executed with a delay that does not exceed 120 days or with an exception up to 180 days, if the delay is at most twice in the interval from 121 to 180 days , are classified in the C risk category;</li> <li>- which have current days of delay in the range of 121 to 240 days and which in the previous period of six months were executed with a delay that does not exceed 240 days or with an exception up to 300 days, if the delay is at most twice in the interval from 241 to 300 days , are classified in G risk category;</li> <li>- which have current days of delay over 240 days are classified in risk category D</li> </ul>	<b>Group 3</b>
<ul style="list-style-type: none"> <li>- the credit exposure to a client who is insolvent</li> </ul>	<ul style="list-style-type: none"> <li>- non-financial legal entities and natural persons who, according to the classification calculated by the Early Warning System, belong to a list of clients for whom there is no possibility of collection - Unlikely to Pay (UTP)</li> </ul>	<b>Group 3</b>
<ul style="list-style-type: none"> <li>- restructured non-performing credit exposure for which the client is overdue for more than 60 days or for which a new restructuring has been approved</li> </ul>	<ul style="list-style-type: none"> <li>- restructured non-performing claims are classified at least in G risk category</li> </ul>	<b>Group 3</b>
<ul style="list-style-type: none"> <li>- the credit exposure to a client over whom bankruptcy proceedings have been initiated, except in the case where a reorganization plan has been adopted for the client in accordance with the law</li> </ul>	<ul style="list-style-type: none"> <li>- to clients against whom bankruptcy proceedings have been initiated, they are classified in the D risk category</li> </ul>	<b>Group 3</b>

The percentage of expected credit loss for credit exposures to which a 12-month probability of default rate is applied (Group 1) cannot be lower than 0.01% of the credit exposure, while for credit exposures to which a probability of default rate is applied non-payment for the entire lifetime (Group 2 and 3), the correction of the value, that is, the set aside special reserve cannot be lower than 5.1% of the amount of the credit exposure.

The rate of probability of non-payment (PD) for non-performing credit exposures is 100%, while the rate of loss due to non-payment (LGD) should be at least 30%. During 2023, the Bank carried out a regular revision of the risk parameters - the rate of probability on default (PD) and loss due to default (LGD). The audit was carried out on 31.03.2023 and 31.08.2023.

The Group does not determine expected credit losses for credit exposures that are fully covered by a deposit if the deposit is activated within 60 days of the maturity of the credit exposure, and for claims that, in accordance with the Methodology for determining capital adequacy, a weighting of 0% risk.

The Group carries out value correction, that is, sets aside a special reserve in the amount of at least 45.1% for restructured non-functional credit exposure.

## **2. Risk Management (Continued)**

### **2.1 Credit Risk (Continued)**

For regulatory and reporting needs, the Group, based on the determined expected credit loss, distributes the portfolio exposures in risk categories, whereas the amount of credit loss for each risk category is within the following limits (according to the current regulations) i.e.:

- from 0,01% to 5% for risk category "A";
- over 5% to 20% for risk category "B";
- over 20% to 45% for risk category "V";
- over 45% to 70% for risk category "G";
- over 70% to 100% for risk category "D"

The Group makes full correction of the value of the accrued interest on nonfunctional credit exposures.

#### **Write-Off Policy**

The Group writes off a loan / security (and any related allowances for impairment) when the Supervisory Board determines that the loans / securities are uncollectible. The decision is made after considering information such as the occurrence of significant changes in the financial position of the borrower / issuer of the securities, that the borrower / issuer is unable to meet its obligations, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The Group also writes off a loan / security balance (and any related allowance) on the basis of a court decision that all possibilities of recovering the receivable are exhausted.

According to the amendments of the Decision on Credit Risk Management, starting from 2019, the Bank performs a complete write-off of the credit exposure if one year has passed since the date when the Group was obliged to make correction of value, that is, to set aside a special reserve of 100%.

#### **Collateral for Credit Exposures**

The Group has security for loans and advances to customers in the form of mortgage, pledge of movable object, pledge of securities, cash deposit, pledge of shares, guarantees, administrative prohibitions and consents, other registered pledges and guarantees. The fair value estimate is based on the value of the collateral at the time of borrowing. For pledged movable and immovable property for credit exposures, monitoring is done at least once a year and includes: an assessment by an authorized appraiser and an insurance policy bound in favor of the bank. In general, the Group does not take security for placements in banks. The Group does not take collateral for the securities and has no such collateral as of December 31, 2023 (2022: none).

Overdrafts and credit cards issued to individuals and legal entities are usually secured by promissory notes, that is, security provided for in the approved credit limit of the legal entity, which cover the entire amount of credit exposure. Furthermore, in order to reduce the potential loss from exposure to credit risk, the Bank will be provided with additional security from the borrowers at the moment when early warning indicators for potential damage are observed in the relevant individual loans and invested assets.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

**Collateral for Credit Exposures (Continued)**

Guarantees and letters of credit carry the same credit risk as loans and are secured by the same type of collateral as other credit risk exposures. Concentration by location for loans and advances is measured by the location of the borrower. Concentration by investment location is measured by the location of the issuer of the securities.

**2.1 B Collateral value (fair value) for credit risk hedging**

Estimates of fair value of collateral and other increases of collateral, taken as security for the financial assets, is shown in the following table:

In thousands of Denars	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off-balance sheet exposures		Total	
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
<i>Value of collateral for credit exposures which are assessed for impairment on an individual basis</i>																
<i>First class security instruments</i>																
cash deposits (the depot and / or limited to bank accounts)	-	-	1.613.781	1.532.793	-	-	-	-	-	-	384	110	203.030	466.561	1.817.195	1.999.464
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unconditional state guarantee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	1.110.331	164.878	-	-	-	-	-	-	-	35	2.112.684	1.175.710	3.223.015	1.340.623
Guarantees of insurance companies and insurance policies	-	-	7.409.520	9.307.055	-	-	-	-	-	-	2.576	2.379	734	525	7.412.830	9.309.959
Corporate guarantees (except banking and insurance companies)	-	-	3.858.209	-	-	-	-	-	-	-	-	-	25.213	-	3.883.422	-
Guarantees of individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private property (apartments, houses)	-	-	56.957.873	55.508.003	-	-	-	-	-	-	498.013	427.052	3.395.749	2.458.356	60.851.635	58.393.411
Business premises	-	-	37.169.988	35.306.515	-	-	-	-	-	-	10.312	2.816	4.909.914	4.637.001	42.090.214	39.946.332
Pledge of movables	-	-	2.892.509	2.361.423	-	-	-	-	-	-	2.554	659	578.918	441.529	3.473.981	2.803.611
Other types of collateral	-	-	7.592.344	3.278.225	-	-	-	-	-	-	362	62	2.189.825	413.259	9.782.531	3.691.546
<b>Total value of collateral for credit exposures which are assessed for impairment on an individual basis</b>	-	-	<b>118.604.555</b>	<b>107.458.892</b>	-	-	-	-	-	-	<b>514.201</b>	<b>433.113</b>	<b>13.416.067</b>	<b>9.592.941</b>	<b>132.534.823</b>	<b>117.484.946</b>

Collateral value (fair value) presented in note 2.1.B is determined by local certified appraisers and presents real value for the legal owners of the collateral.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

**C Concentration of credit risk by sector and activity**

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total	
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
<i>In thousands of Denars</i>																		
Non-residents	-	-	87.405	226.413	-	-	-	-	-	-	339	1.086	-	-	2.168.543	2.499.437	2.256.286	2.726.936
Agriculture, Forestry and Fisheries	-	-	819.739	542.537	-	-	-	-	-	-	124	137	6	-	47.374	35.272	867.243	577.946
Mining and quarrying	-	-	45.306	81.851	-	-	-	-	-	-	16	29	-	-	13.787	6.464	59.109	88.344
Food industry	-	-	1.631.569	1.639.503	-	-	-	-	-	-	105	151	7	23	99.813	76.078	1.731.495	1.715.755
Textile industry and production of clothing and footwear	-	-	540.509	612.045	-	-	-	-	-	-	317	81	-	-	87.466	79.363	628.292	691.489
Chemical industry, production of building materials, production and processing of fuels, pharmaceutical industry	-	-	660.023	920.912	-	-	-	-	-	-	69	106	2	1	176.546	302.044	836.640	1.223.063
Production of metals, machinery, tools and equipment	-	-	1.037.783	720.904	-	-	-	-	-	-	96	114	1	-	272.731	129.045	1.310.611	850.063
Other Manufacturing	-	-	885.026	804.507	-	-	-	-	-	-	128	148	72	68	425.177	178.835	1.310.402	983.558
Electricity, gas, steam and air conditioning	-	-	5.910.600	3.450.709	-	-	-	-	-	-	482	78	7	7	403.617	621.080	6.314.706	4.071.874
Water supply, sewage disposal, waste management and remediation activities on the environment	-	-	27.479	23.924	-	-	-	-	-	-	964	1.019	1.244	96	1.985	-	31.673	25.039
Civil Engineering	-	-	5.689.169	5.033.400	-	-	-	-	-	-	1.566	945	4.673	14.515	4.312.780	2.491.248	10.008.189	7.540.108
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	9.129.122	7.916.412	-	-	-	-	-	-	4.821	1.897	1.221	2.404	3.071.735	3.463.564	12.206.899	11.384.277
Transport and storage	-	-	3.317.912	2.555.463	-	-	-	-	-	-	5.931	20.937	77	35	1.024.937	1.335.888	4.348.856	3.912.323
Accommodation and food service activities	-	-	1.614.583	1.721.169	-	-	-	-	-	-	431	439	798	248	36.394	27.487	1.652.206	1.749.343

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

**C Concentration of credit risk by sector and activity (Continued)**

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total		
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	
<i>In thousands of Denars</i>																			
Information and Communications	-	-	155.922	185.121	-	-	-	-	-	-	138	128	12	91	19.232	17.204	175.304	202.544	
Financial and insurance activities	355.357	275.773	47.084	69.933	12.180	13.243	-	-	17.708.662	11.321.147	448	570	1.141.492	956.974	1.875.521	1.358.025	21.140.744	13.995.665	
Activities related to real estate	-	-	3.012.851	2.904.563	-	-	-	-	-	-	36	30	60	30	52.611	220.437	3.065.558	3.125.060	
Professional, scientific and technical activities	-	-	554.161	567.948	-	-	-	-	-	-	316	318	1	4	200.967	275.921	755.445	844.191	
Administrative and support service activities	-	-	329.201	312.749	-	-	-	-	-	-	306	199	11.309	17.921	414.791	133.883	755.607	464.752	
Public administration and defense; compulsory social insurance	-	-	-	-	9.627.767	7.933.708	373.668	251.740	-	-	-	-	19	-	-	-	10.001.454	8.185.448	
Education	-	-	420.192	386.482	-	-	-	-	-	-	33	23	-	-	187.989	160.479	608.214	546.984	
Activities of health and social care	-	-	525.767	329.326	-	-	-	-	-	-	45	98	-	-	1.226	700	527.038	330.124	
Arts, entertainment and recreation	-	-	13.658	28.356	-	-	-	-	-	-	225	138	1	-	20.437	22.012	34.321	50.506	
Other service activities	-	-	13.399	16.247	-	-	-	-	-	-	293	441	288	304	2.716	2.640	16.696	19.632	
Activities of households as employers; household activities that produce different goods and perform various services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Activities of extra-territorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Individuals	-	-	25.752.832	25.636.815	-	-	-	-	-	-	14.369	15.892	1.404	1.834	1.440.199	1.345.238	27.208.804	26.999.779	
Sole proprietors and individuals who are not considered dealers	-	-	-	24.672	-	-	-	-	-	-	-	126	-	489	-	984	-	26.271	
<b>Total</b>	<b>355.357</b>	<b>275.773</b>	<b>62.221.292</b>	<b>56.711.961</b>	<b>9.639.947</b>	<b>7.946.951</b>	<b>373.668</b>	<b>251.740</b>	<b>17.708.662</b>	<b>11.321.147</b>	<b>31.599</b>	<b>45.130</b>	<b>1.162.695</b>	<b>995.044</b>	<b>16.358.574</b>	<b>14.783.328</b>	<b>107.851.794</b>	<b>92.331.074</b>	

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

**D Concentration of credit risk by geographical location**

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total	
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
<i>In thousands of Denars</i>																		
<b>Geographical location</b>																		
Republic of North Macedonia	355.357	275.773	62.098.947	56.458.457	9.639.947	7.946.951	373.668	251.740	12.846.118	8.096.397	31.175	43.981	412.799	417.120	12.346.019	10.956.975	98.104.030	84.447.394
European Union countries	-	-	4.836	-	-	-	-	-	3.702.447	1.182.933	76	7	316.984	201.754	6.337	817	4.030.680	1.385.511
Europe (rest)	-	-	112.981	248.239	-	-	-	-	1.160.097	2.041.817	347	1.142	432.909	376.170	2.885.258	3.264.814	4.591.592	5.932.182
Member countries of the OECD (excluding European members of the OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (specify separately the exposure that is more than 10% of total credit exposure)	-	-	4.530	5.265	-	-	-	-	-	-	1	-	-	-	1.120.958	560.722	1.125.489	565.987
<b>Total</b>	<b>355.357</b>	<b>275.773</b>	<b>62.221.294</b>	<b>56.711.961</b>	<b>9.639.947</b>	<b>7.946.951</b>	<b>373.668</b>	<b>251.740</b>	<b>17.708.662</b>	<b>11.321.147</b>	<b>31.599</b>	<b>45.130</b>	<b>1.162.692</b>	<b>995.044</b>	<b>16.358.572</b>	<b>14.783.328</b>	<b>10.851.791</b>	<b>92.331.074</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.1 Credit Risk (Continued)**

**D Analysis of the credit risk of assets that are measured at fair value through the income statement**

	Trading assets				Financial assets at fair value designated as such at initial recognition, through profit and loss statement								Total	
	Debt securities for trading		Equity securities for trading		Debt securities		Equity securities		Loans and advances to banks		Loans and advances to other customers			
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
<i>In thousands of Denars</i>														
<b>Carrying amount of financial assets measured at fair value</b>														
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carrying amount</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-



## **2. Risk Management (Continued)**

### **2.2 Liquidity risk**

Liquidity risk is the risk that the Group cannot provide sufficient funds to cover its short-term obligations when they come due, or to cover them with much higher costs.

Liquidity risk can appear on the side of funding sources (funding risk) and on the side of liquid assets (market liquidity risk). Funding risk represents the risk that the Group will not be able to meet the demands of depositors for the outflow of deposits, whereby it is forced to provide the necessary funds at higher costs. Therefore, monitoring the funding sources is very important for the Group. The most significant source of funding for the Group is the deposit base of customers; additionally, the Bank can provide liquidity on the interbank market or directly from the NBRNM. The market liquidity risk is related to the market value of the items that are part of the Bank's liquid assets. This risk occurs in conditions of a significant decrease in the market value of a certain financial instrument, whereby the Bank will not have enough liquid assets to meet its liquidity needs.

#### **Management of Liquidity Risk**

The Group strives to maintain an adequate liquidity position, that is, to maintain an adequate level of liquid assets and stable funding sources at all times, in order to support the Group's business strategy and activities.

Department for asset management, liquidity and trading, monitors liquidity on a daily basis based on information from the relevant departments regarding the liquidity profile of their financial assets and liabilities and details of projected cash flows arising from the planned activities. Department for asset management, liquidity and trading maintains a portfolio of short-term liquid assets, mainly made up of short-term marketable securities, in order to ensure an adequate level of liquidity to the Group.

All policies and procedures for liquidity risk are subject to review and approval by the Risk Management Board and Supervisory Board. Liquidity Reports show the Bank's liquidity position on a daily basis and are submitted to the NBRNM on a monthly basis.

#### **Exposure to Liquidity Risk**

The Group has access to diverse funding sources. Funds are raised through a wide range of instruments including deposits, credit lines and equity. This enhances funding flexibility, limits dependence on any one source of funding and reduces costs. The Group strives to maintain adequate funding sources that are diversified according to product, counterparty and maturity and have high stability. In this regard, the main source of funding for the Bank is the deposits of customers, which represent one of the most stable sources of funding. The Group continuously assesses the liquidity risk by identifying and monitoring the changes in funding that are needed to meet the operational goals set in the Group's strategy.

Also, as part of the strategy to manage liquidity risk, the Group maintains a portfolio of highly liquid assets.

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.2 Liquidity risk (Continued)**

**Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (Continued)**

<i>In thousands of Denars</i>	Up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
<b>2023 (Previous year)</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	16.586.453	-	-	4.328.998	-	-	20.915.451
Trading assets	61.591	-	-	-	-	-	61.591
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	-	-	325.286	30.072	-	-	355.358
Loans and advances to customers	1.631.968	2.372.981	13.224.001	7.643.636	15.562.203	23.631.546	64.066.335
Investments in securities	1.418.618	897.390	2.854.004	1.518.458	2.238.796	1.121.056	10.048.322
Investments in associates	-	-	-	-	-	-	-
Receivables for income tax (current)	-	-	-	-	-	-	-
Other receivables	1.728.044	-	-	-	-	-	1.728.044
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>21.426.674</b>	<b>3.270.371</b>	<b>16.403.291</b>	<b>13.521.164</b>	<b>17.800.999</b>	<b>24.752.602</b>	<b>97.175.101</b>
<b>Financial Liabilities</b>							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	8.600.118	-	610	-	-	-	8.600.728
Deposits from customers	36.785.229	2.206.338	12.974.885	6.930.929	5.030.489	2.592.191	66.520.061
Debt Securities issued	-	-	-	-	-	-	-
Borrowings	202.906	106	765.301	721.262	2.085.151	777.381	4.552.107
Subordinated liabilities	-	-	-	-	-	-	-
Income tax liability (current)	60.200	-	-	-	-	-	60.200
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1.266.003	-	-	-	-	-	1.266.003
<b>Total financial liabilities</b>	<b>46.914.456</b>	<b>2.206.444</b>	<b>13.740.796</b>	<b>7.652.191</b>	<b>7.115.640</b>	<b>3.369.572</b>	<b>80.999.099</b>
<b>Off balance sheet items</b>							
Off balance sheet assets	1.001.382	740.217	827.588	1.420.485	2.154.369	92.243	6.236.284
Off balance sheet liabilities	896.190	1.903.499	5.808.536	3.594.296	4.318.591	443.142	16.964.254
<b>Liquidity gap</b>	<b>(25.382.590)</b>	<b>(99.355)</b>	<b>(2.318.453)</b>	<b>3.695.162</b>	<b>8.521.137</b>	<b>21.032.131</b>	<b>5.448.032</b>

**HALK BANKA AD Skopje and subsidiary**
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**
*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**2. Risk Management (Continued)**
**2.2 Liquidity Risk (Continued)**
**Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (Continued)**

<i>In thousands of Denars</i>	<b>Financial Assets</b>	<b>Financial Assets</b>	<b>Financial Assets</b>	<b>Financial Assets</b>	<b>Financial Assets</b>	<b>Financial Assets</b>	Total
<b>2022 (Previous year)</b>							
<b>Financial Assets</b>							
Cash and cash equivalents	11.271.234	-	-	3.101.879	-	-	14.373.113
Trading assets	66.775	-	-	-	-	-	66.775
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	-	-	23.345	252.429	-	-	275.774
Loans and advances to customers	1.455.948	2.329.963	11.359.645	8.133.932	12.921.959	21.426.917	57.628.364
Investments in securities	547.535	251.439	2.494.985	2.212.524	1.615.802	1.111.113	8.233.398
Investments in associates	-	-	-	-	-	-	-
Receivables for income tax (current)	-	-	-	-	-	-	-
Other receivables	1.350.726	-	-	-	-	-	1.350.726
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>14.692.218</b>	<b>2.581.402</b>	<b>13.877.975</b>	<b>13.700.764</b>	<b>14.537.761</b>	<b>22.538.030</b>	<b>81.928.150</b>
<b>Financial Liabilities</b>							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	7.248.203	46.123	610	-	-	-	7.294.936
Deposits from customers	34.103.780	1.580.812	9.531.982	7.840.148	3.247.160	505.916	56.809.798
Debt Securities issued	-	-	-	-	-	-	-
Borrowings	170.515	30.978	904.674	895.995	1.974.543	1.050.023	5.026.728
Subordinated liabilities	-	-	-	-	-	-	-
Income tax liability (current)	7.095	-	-	-	-	-	7.095
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1.067.183	-	-	-	-	-	1.067.183
<b>Total financial liabilities</b>	<b>42.596.776</b>	<b>1.657.913</b>	<b>10.437.266</b>	<b>8.736.143</b>	<b>5.221.703</b>	<b>1.555.939</b>	<b>70.205.740</b>
<b>Off balance sheet items</b>							
Off balance sheet assets	1.135.293	339.795	490.767	200.640	2.927.621	-	5.094.116
Off balance sheet liabilities	1.833.657	1.306.558	5.959.066	2.915.498	3.873.905	5.588	15.894.272
<b>Liquidity gap</b>	<b>(28.602.923)</b>	<b>(43.274)</b>	<b>(2.027.590)</b>	<b>2.249.763</b>	<b>8.369.775</b>	<b>20.976.503</b>	<b>922.254</b>

## **2. Risk Management (Continued)**

### **2.2 Liquidity risk**

Liquidity risk measurement in the Bank is carried out at two levels:

- static aspect, i.e., the current exposure, which includes the calculation of internal liquidity indicators, the maturity structure of assets (receivables) and liabilities (liabilities), the movement and stability of sources of funds and their concentration and other legally prescribed methods for monitoring exposure to liquidity risk
- forward looking aspect, i.e., stress testing the Bank's exposure to liquidity risk.

The overall assessment of the Bank's liquidity position is carried out within the framework of the PIL process. The purpose of the PIL is to reflect the liquidity risk profile of the Group, by using different approaches to monitor and manage this risk and to inform the Bank's Management Board of the estimated current and potential risks to which the Bank is exposed or may be exposed.

In addition, for the needs of operational operations, the Bank implements planning of liquidity needs on a daily basis, the fulfillment of the legal obligation for the mandatory reserve in denars and foreign currencies, the analysis of denar and foreign currency operational liquidity, own funds and the capital adequacy rate. The Bank's management monitors the current accounts and deposits on a daily basis. The management, based on its experience, determines the critical days that affect the Bank's liquidity, that is, the significant dates that affect the outflow of funds. Based on the identification of the available funds and the determined, daily needs of money, a decision is made on the appropriate use of the funds.

The Group manages liquidity risk by constantly monitoring the maturity of assets and liabilities.

The analysis according to the maturity of financial assets and liabilities, including balance sheet and off-balance sheet on December 31, 2023, is made according to the remaining contractual maturities, i.e., the remaining period from the reporting date to the contractual maturity date. The amounts presented in the analyzes are not reduced by the amounts of accumulated depreciation, value correction and the allocated special reserve. There are indications of non-compliance for the period up to 12 months to 31 December 2023. The main reason for the aforementioned inconsistency lies in the fact that short-term sources of funds are engaged for the approval of loans with a longer maturity period, characteristic of the banking sector. For the needs of liquidity risk management, the Group also prepares an expected term structure in which the element of prediction is incorporated and it indicates a stable liquidity position.

The table shows the undiscounted gross cash flows of the financial assets and liabilities and unrecognized lending liabilities of the Group based on their earliest contractual maturity. The amounts shown in the analyzes are not reduced by the amounts of accumulated depreciation, value correction and the allocated special reserve. The cash flows that the Group expects to occur differ from those agreed upon. For example, demand deposits are expected to remain stable and not be withdrawn within a month.

## **2. Risk Management (Continued)**

### **2.3 Market Risk**

Market risk means the risk of loss as a result of a change in the price of financial instruments and commodities for trading. Market risk is the risk arising from changes in market prices, such as changes in interest rates, changes in the cost of capital, exchange rates and credit margins (which do not refer to changes in the creditworthiness of the debtor / issuer of securities) and their impact on the Groups income or the value of the financial instruments owned. The objective of market risk management is to manage and control exposure to market risk within acceptable parameters, while optimizing the return.

#### **Market Risks Management**

##### **Exposure to Interest Rate Risk - Portfolio Not Held for Trading**

The risk of changes in interest rates in the portfolio of banking activities means the risk of loss arising from unfavorable changes in interest rates that affect the positions in the portfolio of banking activities of the Group. The Group is exposed to interest rate volatility risk as a result of interest-bearing assets and interest-bearing liabilities maturing or their interest rate changing in different periods or in different amounts. In the case of assets and liabilities with variable interest rates, the Group is also exposed to the basis risk, which results from the different period of changing the variable interest rates of the assets and liabilities, such as for example EURIBOR, LIBOR and various interest rates.

Activities of risk management are aimed at optimizing net interest income, with market interest rates consistent with the Group's business strategies and market trends.

Activities of management assets and liabilities are carried in terms of the Group's sensitivity to changes in the interest rates. Overall, the Group monitors changes in interest rates of assets and liabilities by generated interest margins, as well as market trends and environment.

The Bank further analyzes the sensitivity of financial assets and liabilities to various stress scenarios of change in interest rates.

*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**2. Risk Management (Continued)**
**2.3 Market Risk (Continued)**

The sensitivity analysis of the Bank of increase or decrease in market interest rates (taking into account the symmetrical movements of the yield curve and the consistency of the items in the balance sheet) is as follows:

**2.3.1 Sensitivity Analysis of Assets and Liabilities on the Changes in Market Risk**
**A Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities**

	<b>Profit / Loss</b>	<b>Own assets</b>	<b>Risk-weighted assets</b>	<b>Capital adequacy rate</b>
	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>in %</i>
<b>2023 (Current year)</b>				
Amount before analysis of sensitivity / stress tests (as of December 31.2023)	1.249.984	15.357.968	85.677.717	17,93%
<b>Effects of application of scenarios</b>				
Risk of changes in exchange rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Devaluation of the Denar against other currencies 20%	734.153	16.092.121	94.982.980	16,94%
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				
Scenario: Impairment rate for new SSP used 3% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(121.374)	15.970.747	94.861.606	16,84%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(5.606.338)	10.485.783	89.376.642	11,73%
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(121.374)	15.236.594	85.556.343	17,81%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(5.606.338)	9.751.630	80.071.379	12,18%
Impact of sectoral shocks on non-performing loans (deterioration of the portfolio in certain sectors)	(985.785)	14.372.183	84.691.932	16,97%
Deterioration of the credit exposure of the five major borrowers, non-financial legal entities	(2.877.115)	12.480.853	82.800.602	15,07%
Deterioration of receivables from borrowers, non-financial legal entities, CCC rating	(1.871.826)	13.486.142	83.805.891	16,09%
Uncollectible receivables from borrowers which are secured by corporative guarantees	(3.388.410)	11.969.558	82.289.307	14,55%
Deterioration of the DTI indicator in the population segment, depending on the change in macroeconomic factors (change in GDP, inflation, unemployment rate, rate of change in available income)	(1.160.316)	14.197.652	84.517.401	16,80%
Deterioration of the DTI indicator in the population segment by 15%	(309.830)	15.048.138	85.367.887	17,63%
Deterioration of the DTI indicator in the population segment by 30%	(743.889)	14.614.079	84.933.828	17,21%
Deterioration of the DTI indicator in the population segment by 50%	(1.668.652)	13.689.316	84.009.065	16,30%
Risk of changing interest rates (specify separately the different scenarios, including the basic characteristics of the scenario)				
Changes in interest rates by 300 basis points	81.443	15.439.411	85.677.717	18,02 %
Changes in interest rates by 200 basis points	54.261	15.412.229	85.677.717	17,99%
Changes in interest rates by 100 basis points	27.078	15.385.046	85.677.717	17,96%
Reduction of variable interest rates in assets and liability:				
Changes in interest rates by 100 basis points	(25.327)	15.332.641	85.677.717	17,90%
Changes in interest rates by 200 basis points	(53.732)	15.304.236	85.677.717	17,86%
Changes in interest rates by 300 basis points	(79.439)	15.278.529	85.677.717	17,83%
Risk of changing the market price in investments in ownership securities (specify separately the different scenarios, including the basic characteristics of the scenario)				
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				

*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**2. Risk Management (Continued)**
**2.3 Market Risk (Continued)**
**2.3.1 Sensitivity Analysis of Assets and Liabilities on the Changes in Market Risk (Continued)**
**A Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (Continued)**

	<b>Profit / Loss</b>	<b>Own assets</b>	<b>Risk-weighted assets</b>	<b>Capital adequacy rate</b>
	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>in %</i>
<b>2022 (Previous year)</b>				16,91%
Amount before analysis of sensitivity / stress tests (as of December 31.2022)				
<b>Effects of application of scenarios</b>	742.651	12.550.526	74.208.108	16,91%
Risk of changes in exchange rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Devaluation of the Denar against other currencies 20%	311.041	12.861.567	81.799.770	15,72 %
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(73.692)	12.787.875	81.726.077	15,65%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(5.084.927)	7.776.640	76.714.842	10,14%
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(73.692)	12.476.834	74.134.416	16,83%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(5.084.927)	7.465.599	69.123.181	10,80%
Impact of sectoral shocks on non-performing loans (deterioration of the portfolio in certain sectors)	(852.737)	11.697.789	73.355.371	15,95%
Deterioration of the credit exposure of the five major borrowers, non-financial legal entities	(2.839.242)	9.711.284	71.368.866	13,61%
Deterioration of receivables from borrowers, non-financial legal entities, CCC rating	(2.471.649)	10.078.877	71.736.458	14,05%
Uncollectible receivables from borrowers which are secured by corporative guarantees		12.550.526	74.208.108	16,91%
Deterioration of the DTI indicator in the population segment, depending on the change in macroeconomic factors (change in GDP, inflation, unemployment rate, rate of change in available income)	(1.369.890)	11.180.636	72.838.218	15,35%
Deterioration of the DTI indicator in the population segment by 15%	(381.073)	12.169.453	73.827.035	16,48%
Deterioration of the DTI indicator in the population segment by 30%	(916.987)	11.633.539	73.291.121	15,87%
Deterioration of the DTI indicator in the population segment by 50%	(1.903.461)	10.647.065	72.304.647	14,73%
Risk of changes in interest rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Increase in variable interest rates on assets and liabilities:				
Changes in interest rates by 300 basis points	65.375	12.615.901	74.208.108	17,00%
Changes in interest rates by 200 basis points	43.363	12.593.889	74.208.108	16,97%
Changes in interest rates by 100 basis points	21.351	12.571.877	74.208.108	16,94%
Decrease in variable interest rates on assets and liabilities:				
Changes in interest rates by 100 basis points	(21.825)	12.528.701	74.208.108	16,87%
Changes in interest rates by 200 basis points	(45.270)	12.505.256	74.208.108	16,84%
Changes in interest rates by 300 basis points	(67.318)	12.483.208	74.208.108	16,81%
Risk of changes in market prices for investments in equity securities (list separately the various scenarios, including the basic characteristics of the scenario)				
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

**2. Risk Management (Continued)**

**2.3 Market Risk (Continued)**

**2.3.1 Sensitivity Analysis of Assets and Liabilities on the Changes in Market Risk (Continued)**

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

	Current year 2023				Previous year 2022			
	Position December 31	Average value for the period	Highest value (maximum)	Lowest value (minimum)	Position December 31	Average value for the period	Highest value (maximum)	Lowest value (minimum)
<i>In thousands of Denars</i>								
Value of interest-bearing instruments exposed to risk	-	-	-	-	-	-	-	-
Value of foreign currency instruments exposed to risk	-	-	-	-	-	-	-	-
Value of equity instruments exposed to risk	-	-	-	-	-	-	-	-
Variance (off-setting effect)	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-

According to the "Decision on the methodology for determining capital adequacy", the Bank does not determine the capital required to cover market risks for the trading portfolio, which is why there is no trading portfolio on December 31, 2023 and 2022.



**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***2. Risk Management (Continued)****2.3 Market Risk (Continued)****2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)****A Interest Rate Sensitivity Analysis****REPORT**

of changes in the economic value of the positions of banking activities portfolio as of December 31.2023

*In thousands of Denars*

	Position	Currency	Amounts
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	790.956
1.2	NET WEIGHTED POSITION FOR CURRENCY MKD cl USD (FIR+VIR+AIR)	MKD cl USD	301
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(77.767)
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	459.687
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	Other	45
1.6	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	(15.242)
2	<b>TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)</b>		<b>1.157.980</b>
3	OWN FUNDS		<b>15.357.968</b>
4	<b>TOTAL WEIGHTED VALUE/EQUITY (2/3*100)</b>		<b>7,54%</b>

**REPORT**

of changes in the economic value of the positions of banking activities portfolio as of December 31.2022

*In thousands of Denars*

	Position	Currency	Amounts
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	709.708
1.2	NET WEIGHTED POSITION FOR CURRENCY MKD cl USD (FIR+VIR+AIR)	MKD cl USD	9
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(15.690)
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	269.718
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	Other	72
1.6	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	(1.287)
2	<b>TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)</b>		<b>962.528</b>
3	OWN FUNDS		<b>12.550.526</b>
4	<b>TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)</b>		<b>7,67%</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.3 Market Risk (Continued)**

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

**B Interest Rates Gap Analysis**

<i>In thousands of Denars</i>	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest-bearing assets / liabilities
<b>2023 (Current year)</b>							
<b>Financial assets</b>							
Cash and cash equivalents	10.546.021	-	-	-	-	-	10.546.021
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	329.500	30.001	-	-	359.501
Loans and advances to customers	29.654.586	3.631.120	11.689.854	5.078.806	4.632.305	6.808.703	61.495.374
Investments in securities	1.363.735	886.377	2.843.731	1.482.095	2.218.335	1.100.673	9.894.946
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
<b>Total interest sensitive assets</b>	<b>41.564.342</b>	<b>4.517.497</b>	<b>14.863.085</b>	<b>6.590.902</b>	<b>6.850.640</b>	<b>7.909.376</b>	<b>82.295.842</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	6.746.002	-	-	-	-	-	6.746.002
Deposits from customers	7.162.342	2.230.226	12.431.217	6.700.790	4.662.511	16.249	33.203.335
Debt securities issued	-	-	-	-	-	-	-
Borrowings	1.535.045	492.066	889.956	262.471	681.086	489.812	4.350.436
Subordinated debt and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest sensitive liabilities	-	-	-	-	-	-	-
<b>Total interest sensitive liabilities</b>	<b>15.443.389</b>	<b>2.722.292</b>	<b>13.321.173</b>	<b>6.963.261</b>	<b>5.343.597</b>	<b>506.061</b>	<b>44.299.773</b>
<b>Net balance sheet position</b>	<b>26.120.953</b>	<b>1.795.205</b>	<b>1.541.912</b>	<b>(372.359)</b>	<b>1.507.043</b>	<b>7.403.315</b>	<b>37.996.069</b>
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
<b>Net off-balance sheet position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net position</b>	<b>26.120.953</b>	<b>1.795.205</b>	<b>1.541.912</b>	<b>(372.359)</b>	<b>1.507.043</b>	<b>7.403.315</b>	<b>37.996.069</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2.3 Risk Management (Continued)**

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

**B Interest Rates Gap Analysis (Continued)**

<i>In thousands of Denars</i>	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest-bearing assets / liabilities
<b>2022 (Previous year)</b>							
<b>Financial assets</b>							
Cash and cash equivalents	5.517.102	-	-	-	-	-	5.517.102
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	22.909	252.000	-	-	274.909
Loans and advances to customers	28.567.948	1.522.540	11.115.376	5.271.407	4.273.897	5.333.570	56.084.738
Investments in securities	499.586	249.516	2.494.985	2.191.238	1.604.323	1.098.002	8.137.650
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
<b>Total interest sensitive assets</b>	<b>34.584.636</b>	<b>1.772.056</b>	<b>13.633.270</b>	<b>7.714.645</b>	<b>5.878.220</b>	<b>6.431.572</b>	<b>70.014.399</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	5.650.870	46.123	-	-	-	-	5.696.993
Deposits from customers	5.039.104	2.089.029	10.781.028	7.600.022	2.724.994	16.730	28.250.907
Debt securities issued	-	-	-	-	-	-	-
Borrowings	1.788.913	615.122	1.275.798	284.193	559.058	366.586	4.889.670
Subordinated debt and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest sensitive liabilities	-	-	-	-	-	-	-
<b>Total interest sensitive liabilities</b>	<b>12.478.887</b>	<b>2.750.274</b>	<b>12.056.826</b>	<b>7.884.215</b>	<b>3.284.052</b>	<b>383.316</b>	<b>38.837.570</b>
<b>Net balance sheet position</b>	<b>22.105.749</b>	<b>(978.218)</b>	<b>1.576.444</b>	<b>(169.570)</b>	<b>2.594.168</b>	<b>6.048.256</b>	<b>31.176.829</b>
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
<b>Net off-balance sheet position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net position</b>	<b>22.105.749</b>	<b>(978.218)</b>	<b>1.576.444</b>	<b>(169.570)</b>	<b>2.594.168</b>	<b>6.048.256</b>	<b>31.176.829</b>

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

## **2. Risk Management (Continued)**

### **2.3 Market Risk (Continued)**

#### **2.3.3 Foreign Currency Risk**

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

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

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

The Group has established Policy for managing the currency risk, adopted by the Supervisory board and it is regularly revised on annual basis. The policy defines the basic objectives, evaluation of the Group's capacity to undertake currency risk and evaluation of the risk profile, organizational layout of the currency risk management function, basic elements of currency risk management, i.e. the currency risk management system and the process of currency risk management, acceptable instruments for protection against or reduction of currency risk, internal control and basic elements of the process of internal determination and assessment of the necessary adequacy of the Group's capital.

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

The Group's policy main principle for currency risk management is to achieve and maintain compliance of its claims in foreign currency (foreign currency assets) as a minimum, the amount of its total foreign currency liabilities (obligations in foreign currency). In addition, this ratio is maintained from the perspective of maturity of liabilities and assets in foreign currency. This principle in the balance sheet provides that the Bank is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates. The tables below summarize the net foreign currency position of monetary assets and liabilities of the Group as at December 31, 2023 and 2022.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.3 Market Risk (Continued)**

**2.3.3 Foreign Currency Risk (Continued)**

	In thousands of Denars			list separately the currencies that represent more than 10 % of total monetary assets/liabilities					Other currencies	Total
				MKD	EUR	USD				
<b>2023 (current year)</b>										
<b>Monetary assets</b>										
Cash and cash equivalents	8.009.525	10.624.391	2.161.843	-	-	-	-	495.010	21.290.769	
Held-for-trading assets	61.591	-	-	-	-	-	-	-	61.591	
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	
Loans and advances to banks	355.357	-	-	-	-	-	-	-	355.357	
Loans and advances to other customers	35.516.548	26.494.945	10.870	-	-	-	-	-	62.022.363	
Investments in securities	7.608.248	2.440.076	-	-	-	-	-	-	10.048.324	
Investments in associates	-	-	-	-	-	-	-	-	-	
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	
Other receivables	1.255.254	500.028	8.050	-	-	-	-	4.211	1.767.543	
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	
<b>Total Monetary Assets</b>	<b>52.806.523</b>	<b>40.059.440</b>	<b>2.180.763</b>	-	-	-	-	<b>499.221</b>	<b>95.545.946</b>	
<b>Monetary Liabilities</b>										
Trading liabilities	-	-	-	-	-	-	-	-	-	
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	
Due to banks	2.446	8.558.696	5.074	-	-	-	-	34.512	8.600.728	
Due to other customers	40.912.975	22.545.058	2.272.321	-	-	-	-	789.706	66.520.060	
Debt instruments issued	-	-	-	-	-	-	-	-	-	
Borrowings	182.977	4.366.773	-	-	-	-	-	-	4.549.750	
Subordinated debt	-	-	-	-	-	-	-	-	-	
Income tax payable (current)	60.200	-	-	-	-	-	-	-	60.200	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
Other liabilities	753.384	560.496	29.626	-	-	-	-	23.366	1.366.872	
<b>Total Monetary Liabilities</b>	<b>41.911.982</b>	<b>36.031.023</b>	<b>2.307.021</b>	-	-	-	-	<b>847.584</b>	<b>81.097.610</b>	
<b>Net-position</b>	<b>10.894.541</b>	<b>4.028.417</b>	<b>(126.258)</b>	-	-	-	-	<b>(348.363)</b>	<b>14.448.337</b>	

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**2. Risk Management (Continued)**

**2.3 Market Risk (Continued)**

**2.3.3 Foreign Currency Risk (Continued)**

	list separately the currencies that represent more than 10 % of total monetary assets/liabilities							Other currencies	Total
	MKD	EUR	USD						
<i>In thousands of Denars</i>									
<b>2022 (Previous year)</b>									
<b>Monetary assets</b>									
Cash and cash equivalents	7.161.102	6.324.912	1.081.164	-	-	-	-	228.354	14.795.532
Held-for-trading assets	66.775	-	-	-	-	-	-	-	66.775
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-
Loans and advances to banks	275.774	-	-	-	-	-	-	-	275.774
Loans and advances to other customers	30.225.851	26.321.102	11.252	-	-	-	-	-	56.558.205
Investments in securities	6.350.237	1.883.161	-	-	-	-	-	-	8.233.398
Investments in associates	-	-	-	-	-	-	-	-	-
Income tax receivable (current)	-	-	-	-	-	-	-	-	-
Other receivables	1.133.574	435.284	90	-	-	-	-	2.051	1.570.999
Assets pledged as collateral	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
<b>Total Monetary Assets</b>	<b>45.213.313</b>	<b>34.964.459</b>	<b>1.092.506</b>	-	-	-	-	<b>230.405</b>	<b>81.500.683</b>
<b>Monetary Liabilities</b>									
Trading liabilities	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-
Due to banks	2.421	6.719.215	540.981	-	-	-	-	32.319	7.294.936
Due to other customers	34.700.002	20.420.449	1.009.266	-	-	-	-	680.081	56.809.798
Debt instruments issued	-	-	-	-	-	-	-	-	-
Borrowings	127.300	4.893.416	-	-	-	-	-	-	5.020.716
Subordinated debt	-	-	-	-	-	-	-	-	-
Income tax payable (current)	7.095	-	-	-	-	-	-	-	7.095
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	616.553	444.007	70.242	-	-	-	-	33.515	1.164.317
<b>Total Monetary Liabilities</b>	<b>35.453.371</b>	<b>32.477.087</b>	<b>1.620.489</b>	-	-	-	-	<b>745.915</b>	<b>70.296.862</b>
<b>Net-position</b>	<b>9.759.942</b>	<b>2.487.372</b>	<b>(527.983)</b>	-	-	-	-	<b>(515.510)</b>	<b>11.203.821</b>

## **2. Risk Management (Continued)**

### **2.4. Operational Risk**

Operational risk is the risk of loss due to inadequate or failed internal processes, inappropriate employees and inadequate or weak systems of the Group as well as external events.

The Group has established a policy for managing operational risk, which was adopted by the Supervisory Board. The policy defines the basic goals, operational risk management (systems and processes for managing operational risk), organizational structure, reporting system, internal control etc.), as well as measuring and monitoring operational risk (key risk indicators, evaluation operational risk).

Within the Risk Appetite Statement and Risk Management Strategy, the Group has defined the acceptable level of operational risk exposure.

For the purposes of calculating capital adequacy, the Group uses the basic indicator approach for determining the capital requirement for operational risk.

### **2.5 Insurance Risk Management**

#### *Risk management objectives and insurance risk reduction policies*

The Group's management of insurance risk and financial risk are critical to the operations of the Subsidiary. For general insurance contracts, the goal is to select funds whose term and amount upon maturity will be aligned with the expected cash outflows based on the damages incurred under those contracts.

The main insurance activity of the Subsidiary assumes the risk of loss from persons or organizations that are directly exposed to the risk. These risks may relate to property, accident or other risks that may arise from insured events. The subsidiary is exposed to the uncertainty related to the time of occurrence, frequency and severity of damages arising from those contracts. The subsidiary is also exposed to market risk through insurance and investment activities.

The Group manages insurance risks by setting insurance limits, procedures for approving transactions with new products or exceeding the set limits, price tariffs, centralized management of reinsurance and monitoring of extraordinary events.

#### *Insurance Policy Underwriting Strategy*

The Subsidiary's strategy for underwriting insurance policies is to achieve dispersion which would ensure a balanced portfolio based on a large portfolio with similar risks over a number of years, thus reducing the volatility of the result.

The strategy of the Subsidiary for writing insurance policies is presented in the annual business plan in which the insurance classes, the territory of operation, as well as the industrial sectors in which the Company is ready to insure are determined. All general insurance contracts are annual in nature and the insurer has the right to refuse to renew or extend them, as well as to change the terms of the contract during its extension.

#### *Reinsurance Strategy*

The subsidiary reinsures part of the insurance risks to control its exposure to losses and to protect sources of capital. The subsidiary carries out reinsurance by concluding reinsurance contracts with reinsurance brokers and assigns the appropriate part of the assets, liabilities, income and expenses on the basis of reinsurance arising from the risks and damages of the respective insurance contracts.

## **2. Risk management (continued)**

### *Matching of assets and liabilities*

The Insurance Supervision Law prescribes certain limits regarding the policy for matching the assets and liabilities of the Subsidiary.

The Group actively manages the financial position of the Subsidiary using an approach that balances the quality, dispersion, liquidity and return on investments, taking into account the limits specified in the Insurance Supervision Law. The main goal is to match the cash flows of assets and liabilities.

## **3. Capital adequacy**

NBRNM as the main regulator in the banking sector monitors the capital adequacy of the Bank as a whole. The bank is under direct supervision by the regulator.

The bank is obliged to have an adequate level of own funds depending on the nature, type and volume of financial activities and the amount of risks arising from the performance of these activities (capital adequacy).

The bank is obliged to work in a way that will allow it to be able to constantly fulfill all obligations (solvency).

The Bank is obliged to maintain a capital adequacy ratio that cannot be lower than 8% of the Bank's own funds, against the total assets weighted according to risk. On this amount, NBRNM has determined a capital allowance of 4.50%, so that the minimum required level of capital for 2023 was 12.50%. According to the guidelines of the regulator, the capital allowance for 2024 has increased by 75 basis points and amounts to 5.25%. Accordingly, the minimum required capital level for 2024 is 13.25%. Total risk-weighted assets represent the sum of assets weighted by credit risk, currency risk, market risk and operational risk.

Own funds represent a sum of the basic capital and additional capital. The core capital consists of regular core capital (ROC) and additional core capital (DOC), and the Bank is obliged to maintain at least:

- ROK rate in the amount of 4.5% of the assets weighted according to the risks, and
- Rate of basic capital in the amount of 6% of the assets weighted according to the risks.

ROK includes capital instruments from ROK, premium from sale of capital instruments, required general reserve, increase in reserves based on allocation of revaluation reserve, retained retained earnings not encumbered by any future liabilities, which is stated in the balance sheet of The Bank has been confirmed by a decision of the Bank's Shareholders' Assembly, current profit or profit at the end of the year, if the conditions according to the regulation are met, as well as the total comprehensive profit or loss, which includes other profits or losses that are not shown in the balance sheet of the Bank's success.



### **3. Capital Adequacy (Continued)**

Deductible items from the ROK are the loss at the end of the year or current loss, intangible assets, deferred tax assets that depend on the future profitability of the Bank, the amount of direct, indirect and synthetic investments in own capital instruments from the regular core capital (repurchased own shares), including capital instruments for which the Bank has an obligation to purchase, the amount of direct, indirect and synthetic investments in capital instruments from the regular basic capital of persons from the financial sector, whereby those persons have investments in the Bank that artificially increase its own funds, the amount of direct, indirect and synthetic investments in capital instruments from the regular basic capital of persons from the financial sector in which the Bank does not have a significant investment, the amount of direct, indirect and synthetic investments in capital instruments from the regular basic capital of persons from the financial sector in which the bank has a significant investment, with the exception of those held for up to five days, the amount of deductible items from additional basic capital, which exceeds the total amount of additional basic capital, investments in non-financial institutions, tax expenses that can be determined at the moment on the calculation, the difference between the value correction and the special reserve determined by the bank and the required amount of the value correction and the special reserve, in accordance with the credit risk regulation of the NBRNM.

DOK includes DOK equity instruments, DOK equity premium, hybrid instruments.

Deductible items from DOK the amount of direct, indirect and synthetic investments in own capital instruments from the additional basic capital, including the capital instruments for which the Bank has a contractual obligation to purchase, the amount of direct, indirect and synthetic investments in capital instruments from the additional basic capital capital of persons from the financial sector, whereby those persons have investments in the bank that artificially increase its own funds, the amount of direct, indirect and synthetic investments in capital instruments from the additional basic capital of persons from the financial sector in which the Bank does not have a significant investment, the amount of direct, indirect and synthetic investments in capital instruments from the additional core capital of persons from the financial sector in which the bank has a significant investment, with the exception of those held for up to five days, the amount of deductible items from the additional capital, which exceeds the total amount of additional capital, tax costs that can be determined at the time of calculation.

Additional capital includes capital instruments from additional capital, subordinated loans and premium from capital instruments from additional capital.

- Deductible items from the additional capital are the amount of direct, indirect and synthetic investments in own instruments from the additional capital, including the instruments for which the bank has a contractual obligation to purchase, the amount of direct, indirect and synthetic investments in positions from the additional capital of persons from the financial sector, whereby those persons have investments in the Bank that artificially increase its own assets, the amount of direct, indirect and synthetic investments in positions from the additional capital of persons from the financial sector in which the Bank has no significant investment, the amount of direct, indirect and synthetic investments in positions from the additional capital of persons from the financial sector in which the bank has a significant investment, with the exception of those held up to five days.

#### **4. Capital Adequacy (Continued)**

In addition to the legal requirements for the amount of capital adequacy, the Law on Banks provides for the fulfillment of capital requirements for additional protective layers of the capital. The main reason for the existence of the protective layers of the capital is to enable the strengthening of the solvency position of the banks and their greater resistance to unforeseen losses in the operation. In that way, the stability and reliability of the banking system, as well as the entire financial system, is strengthened. It is about four types of protective layers of capital:

- protective layer for capital preservation determined at the level of 2.5% of assets weighted according to risks. All banks in the country are obliged to constantly maintain the protective layer for the preservation of capital in the amount of 2.5% of the assets weighted according to the risks. This protective layer is prescribed by the Law on Banks, it applies to all banks in the country and there is no special methodology for its introduction. During 2023, the capital preservation buffer was 2.5% of risk-weighted assets;
- countercyclical protective layer of the capital which can be up to 2.5% of the assets weighted according to the risks, but also more depending on other system factors/indicators. This protective layer is introduced or increased during periods of significant credit growth, and is reduced or released during periods when the credit cycle changes. NBRNM is obliged on a quarterly basis to determine the required rate of countercyclical protective layer of the capital for the exposures in the Republic of North Macedonia and to announce its amount, together with the date of application, if it is greater than 0%. As of 31.12.2023, the countercyclical protective layer for exposures in the country amounts to 0.5% of the assets weighted according to the risks, while the countercyclical protective layer for exposures to other countries is determined according to the amount of the rates determined by the competent authorities of the other countries. countries;
- protective capital layer for systemically important banks that can range from 1% to 3.5% of risk-weighted assets. The purpose of the protective layer of capital for systemically important banks is to increase the resilience of banks that are identified as systemically important banks to unexpected shocks or losses that may occur during their operations. Based on the prescribed methodology, NBRNM identifies the systemically important banks and reports accordingly. During 2023, the protective layer of capital for the Bank as a systemically important bank was 1.5%;
- systemic protective layer of the capital which can range from 1% to 3% of the assets weighted according to the risks and is introduced by the Governor of the National Bank in order to limit the risk of disruption of the financial system or the domestic economy. This protective layer of capital may be different for different banks or groups of banks. During 2023, NBRNM has not established a systemic protective layer of the capital.

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***3. Capital adequacy (continued)**

Policy of the Bank is to maintain a strong capital base to maintain the confidence of investors, creditors and the market and to sustain future development of the business. The Bank also has in mind the impact of the level of capital on shareholders' return and the need to maintain a balance between the higher returns and greater indebtedness and the advantages and security afforded by a sound capital position.

The regulated activities of the Bank are in compliance with all externally imposed capital requirements during the period.

**3.1 Report on own funds**

No.	Description	2023	2022
<b>A1.</b>	<b>Own funds</b>	<b>15.357.968</b>	<b>12.550.526</b>
A2.	Tier 1 Capital	15.338.423	12.530.981
A3.	Common Equity Tier 1 Capital (CET1)	15.338.423	12.530.981
A3.1	Positions of CET1	15.385.774	12.594.260
A3.1.1.	Capital instruments of CET1	12.846.910	11.001.910
A3.1.2.	Premium on the capital instruments of CET1	306.309	306.309
A3.1.3.	Mandatory general reserve (general reserve fund)	1.202.682	829.031
A3.1.4.	Retained undistributed earning	1.045.938	676.938
A3.1.5.	(-) Accumulated loss from previous years	-	-
A3.1.6.	Current profit or year-end profit	-	-
A3.1.7.	Accumulated other comprehensive income	(16.065)	(219.928)
A3.2.	(-) Deductions of CET1	(47.351)	(63.279)
A3.2.01.	(-) Loss at the year-end or current loss	-	-
A3.2.02.	(-) Intangible assets	(47.351)	(63.279)
A3.2.03.	(-) Deferred tax assets that rely on bank's future profitability	-	-
A3.2.04.	(-) Investments in own capital instruments of CET1	-	-
A3.2.04.1.	(-) Direct investment in own capital from CET1	-	-
A3.2.04.2.	(-) Indirect investments in own capital instruments of CET1	-	-
A3.2.04.3.	(-) Synthetic investments in own capital instruments of CET1	-	-
A3.2.04.4.	(-) Investments in own capital instruments of CET1 that the bank is contractually required to purchase	-	-
A3.2.05.	(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities, where such entities have investments in the bank	-	-
A3.2.06.	(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank does not have significant investment	-	-
A3.2.07.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank has significant investment	-	-
A3.2.08.	(-) Amount of deductions from AT1 which exceeds the total amount of AT1	-	-
A3.2.09.	(-) Amount of excess of limits on investments in non-financial institutions	-	-
A3.2.10.	(-) Tax costs	-	-
A3.2.11.	(-) Difference between the amount of required and actual impairment/special reserve	-	-
A3.3.	Regulatory adjustments of CET1	-	-
A3.3.1.	(-) Increase in CET1 which stems from securitization positions	-	-
A3.3.2.	(-) Gains or (+) losses from protection against cash flow risk	-	-
A3.3.3.	(-) Gains or (+) losses on bank's liabilities measured at fair value	-	-
A3.3.4.	(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value	-	-
A3.4.	Positions as a result of consolidation	-	-
A3.4.1.	Minority interest recognized in CET1 on a consolidated basis	-	-
A3.4.2.	Other	-	-
A3.5.	Other positions of CET1	-	-

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***3. Capital Adequacy (Continued)****3.1 Report on own funds (Continued)**

<b>No.</b>	<b>Description</b>	<b>2023</b>	<b>2022</b>
B4.	Additional Tier 1 Capital (AT1)	-	-
B4.1.	Position of AT1	-	-
B4.1.1.	Capital instruments of AT1	-	-
B4.1.2.	Premium on the capital instruments of AT1	-	-
B4.2.	(-) Deduction of AT1	-	-
B4.2.1.	(-) Investments in own capital instruments of AT1	-	-
B4.2.1.1.	(-) Direct investments in own capital instruments of AT1	-	-
B4.2.1.2.	(-) Indirect investments in own capital instruments of AT1	-	-
B4.2.1.3.	(-) Synthetic investments in own capital instruments of AT1	-	-
B4.2.1.4.	(-) Investments in own capital instruments of AT1 that the bank is contractually required to purchase	-	-
B4.2.2.	(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities, where such entities have investments in the bank	-	-
B4.2.3.	(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the Bank does not have significant investment	-	-
B4.2.4.	(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the Bank has significant investment	-	-
B4.2.5.	(-) Amount of deductions from T2 which exceeds the total amount T2	-	-
B4.2.6.	(-) Tax costs	-	-
B4.3.	Regulatory adjustments of AT1	-	-
B4.3.1.	(-) Increase in AT1 which stems from securitization positions	-	-
B4.3.2.	(-) Gains or (+) losses from protection against cash flow risk	-	-
B4.3.3.	(-) Gains or (+) losses on bank's liabilities measured at fair value	-	-
B4.3.4.	(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value	-	-
B4.4.	Positions as a result of consolidation	-	-
B4.4.1.	(+/-) Qualifying Additional Tier 1 capital recognized in AT1 on a consolidated basis	-	-
B4.4.2.	Other	-	-
B4.5.	Other positions of AT1	-	-
C5.	Tier 2 capital (T2)	19.545	19.545
C5.1.	Positions in T2	19.545	19.545
C5.1.1.	Capital instruments of T2		
C5.1.2.	Subordinated loans	-	-
C5.1.3.	Premium on the capital instruments of T2	19.545	19.545
C5.2.	(-) Deductions of T2	-	-
C5.2.1.	(-) Investments in own capital instruments of T2	-	-
C5.2.1.1.	(-) Direct investments in own capital instruments of T2	-	-
C5.2.1.2.	(-) Indirect investments in own capital instruments of T2	-	-
C5.2.1.3.	(-) Synthetic investments in own capital instruments of T2	-	-
C5.2.1.4.	(-) Investments in own capital instruments of T2 that the bank is contractually required to purchase	-	-
C5.2.2.	(-) Direct, indirect and synthetic investments in capital instruments of T2 of the financial sector entities, where such entities have investments in the bank	-	-
C5.2.3.	(-) Direct, indirect and synthetic investments in capital instruments of T2 of the financial sector entities in which the Bank does not have significant investment	-	-
C5.2.4.	(-) Direct, indirect and synthetic investments in capital instruments of T2 of the financial sector entities in which the Bank has significant investment	-	-

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**3. Capital Adequacy (Continued)****3.1 Report on own funds (Continued)**

<b>Note</b>	<b>Description</b>	<b>2023</b>	<b>2022</b>
C5.3.	Regulatory adjustments of T2	-	-
C5.3.1.	(-) Increase in T2 which stems from securitization positions	-	-
C5.3.2.	(-) Gains or (+) losses from protection against cash flow risk	-	-
C5.3.3.	(-) Gains or (+) losses on bank's liabilities measured at fair value	-	-
C5.3.4.	(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value	-	-
C5.4.	Positions as a result of consolidation	-	-
C5.4.1.	Qualifying Tier 2 recognized in T2 on a consolidated basis	-	-
C5.4.2.	Other	-	-
C5.5.	Other position of T2	-	-

**3. Capital Adequacy (Continued)**

**3.2 Report on Capital Adequacy Ratio**

No.	Description	2023	2022
<b>I</b>	<b>CREDIT RISK WEIGHTED ASSETS</b>		
1	Credit risk assets weighted under the standardized approach	75.777.932	67.998.288
2	Capital required for credit risk covering	6.062.235	5.439.863
<b>II</b>	<b>CURRENCY RISK WEIGHTED ASSETS</b>		
3	Aggregate foreign currency position	3.672.567	1.555.828
4	Net position for gold	-	-
5	Capital required for covering the currency risk	293.805	124.466
6	Currency risk weighted assets	3.672.567	1.555.828
<b>III</b>	<b>OPERATIONAL RISK WEIGHTED ASSETS</b>		
7	Capital required for covering the operational risk by applying the basic indicator approach	497.362	370.640
8	Capital required for covering the operational risk by applying the standardized approach	-	-
9	Operational risk weighted assets	6.217.019	4.632.995
<b>IV</b>	<b>OTHER RISK WEIGHTED ASSETS</b>		
10	Capital required for covering the risk of changes in the commodity prices	-	-
11	Capital required for covering for market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital required for covering the positioning risk (11.1+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital required for covering the specific risk from investments in debt instruments	-	-
11.1.2	Capital required for covering the general risk from investments in debt instruments	-	-
11.1.3	Capital required for covering the specific risk of investing in equity instruments	-	-
11.1.4	Capital required for covering the general risk of investing in equity instruments	-	-
11.2	Capital required for covering the settlement / delivery risk	-	-
11.3	Capital required for covering the counterparty risk	816	1.680
11.4	Capital required for covering the exceeding of exposure limits	-	-
11.5	Capital required for covering the market risk of option positions	-	-
12	Capital required for covering other risks	816	1.680
13	Other risk weighted assets	10.201	20.997
<b>V</b>	<b>RISK WEIGHTED ASSETS</b>	<b>85.677.719</b>	<b>74.208.108</b>
14	Capital required to risk coverage	6.854.218	5.936.649
<b>VI</b>	<b>OWN FUNDS</b>	<b>15.357.968</b>	<b>12.550.526</b>
<b>VII</b>	<b>CAPITAL ADEQUACY RATIO (VI/V)</b>	<b>17,93%</b>	<b>16,91%</b>

#### **4. Segment Reporting**

Segment reporting is carried out by the Group operating segments.

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

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

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

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

For the purposes of the financial reporting, the Bank groups two or more segments into one operating segment if those operating segments are similar in terms of the variety of the goods and services, the type and the group of the users of the goods and the services and the methods of distribution and offering of the goods and services. As in December 31.2023 and 2022 the Bank does not group two or more operating segments into one.

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

The Group discloses information for the concentration of the business activities towards separate significant clients. Significant client is an individual or a legal entity as well as parties related to them, if the Group realizes 10% or more from its total business income or expenditure. As at December 31.2023 and 2022 there are no significant clients in existence.

Geographical segments according to which the Bank is reporting are:

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

**HALK BANKA AD Skopje and subsidiary**
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**
*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**4. Segment Reporting (Continued)**
**A Operating Segments**

<i>In thousands of Denars</i>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Investment in securities</b>	<b>Liquidity</b>	<b>Insurance</b>	<b>All other insignificant operating segments</b>	<b>Unallocated</b>	<b>Total</b>
<b>2023 (Current year)</b>									
Net Interest income / (expense)	1.397.135	1.947.847	(153.912)	383.136	(22.275)	23.440	-	-	<b>3.575.371</b>
Net fees and commissions income / (expense)	288.599	1.057.637	(547.914)	-	(21.763)	(74.299)	-	(12.012)	<b>690.248</b>
Net trading income	-	-	-	-	5.833	1.816	-	-	<b>7.649</b>
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-	<b>-</b>
Other operating income	43.180	41.937	(49.312)	-	2	646.100	-	311.201	<b>993.108</b>
Income realized between segments	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total revenue by segment</b>	<b>1.771.551</b>	<b>3.047.419</b>	<b>(728.400)</b>	<b>383.136</b>	<b>(38.204)</b>		<b>-</b>	<b>299.189</b>	<b>4.734.691</b>
Impairment of financial assets on a net basis	(911.283)	(175.301)	(190)	-	(199)	13.340	-	(38.781)	<b>(1.112.414)</b>
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	-	(189)	<b>(189)</b>
Depreciation	-	-	-	-	-	(19.876)	-	(287.802)	<b>(307.678)</b>
Restructuring costs	-	-	-	-	-	-	-	-	<b>-</b>
Cost of investment in property and equipment	-	-	-	-	-	-	-	-	<b>-</b>
Other expenses	(1.224.213)	(152.405)	-	-	-	(183.484)	-	(988.406)	<b>(2.548.508)</b>
<b>Total expenditures by segment</b>	<b>(2.135.496)</b>	<b>(327.706)</b>	<b>(190)</b>		<b>(199)</b>	<b>(190.020)</b>	<b>-</b>	<b>(1.315.178)</b>	<b>(3.968.789)</b>
<b>Financial results by segment</b>	<b>(406.582)</b>	<b>2.719.715</b>	<b>(751.328)</b>	<b>383.136</b>	<b>(38.402)</b>	<b>407.037</b>	<b>-</b>	<b>(1.015.989)</b>	<b>1.297.587</b>
Income tax									<b>(117.975)</b>
<b>Profit / (loss) for the year</b>									<b>1.179.612</b>
Total assets by segment	25.740.309	36.847.305	1137.816	10.924.642	19.602.933	1.568.396	-	-	95.821.401
Unallocated assets by segment	-	-	-	-	-	-	-	2.309.666	2.309.666
<b>Total assets</b>	<b>25.740.309</b>	<b>36.847.305</b>	<b>1.137.816</b>	<b>10.924.642</b>	<b>19.602.933</b>	<b>1.568.396</b>	<b>-</b>	<b>2.309.666</b>	<b>98.131.067</b>
Total liabilities by segment	33.272.011	30.322.457	4.742.959	-	12.558.416	1.037.739	-	-	81.933.582
Unallocated liabilities by segment								380.364	380.364
<b>Total liabilities</b>	<b>33.272.011</b>	<b>30.322.457</b>	<b>4.742.959</b>	<b>-</b>	<b>12.558.416</b>	<b>1.037.739</b>	<b>-</b>	<b>380.364</b>	<b>82.313.946</b>



**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**4. Segment Reporting (Continued)**

**A Operating Segments (Continued)**

<i>In thousands of Denars</i>	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Investment in securities</b>	<b>Liquidity</b>	<b>Insurance</b>	<b>All other insignificant operating segments</b>	<b>Unallocated</b>	<b>Total</b>
<b>2022 (Previous year)</b>									
Net Interest income / (expense)	1.176.267	1.094.004	(127.299)	132.543	(140.913)	7.040	-	-	2.141.642
Net fees and commissions income / (expense)	253.882	929.023	(520.968)	-	(10.534)	(69.033)	-	(10.065)	572.305
Net trading income	-	-	-	-	(3.481)	758	-	-	(2.723)
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-	-
Other operating income	23.247	(25.261)	(12.058)	-	1.044	679.102	-	208.571	925.167
Income realized between segments	-	-	-	-	-	-	-	-	-
<b>Total revenue by segment</b>	<b>1.453.396</b>	<b>1.997.766</b>	<b>(660.325)</b>	<b>132.543</b>	<b>(153.884)</b>	<b>617.867</b>	<b>-</b>	<b>198.506</b>	<b>3.636.391</b>
Impairment of financial assets on a net basis	(364.526)	(31.576)	(11)	-	1.060	13.258	-	(38.062)	(419.857)
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	-	(241)	(241)
Depreciation	-	-	-	-	-	(16.772)	-	(287.939)	(304.711)
Restructuring costs	-	-	-	-	-	-	-	-	-
Cost of investment in property and equipment	-	-	-	-	-	-	-	-	-
Other expenses	(870.180)	(140.206)	(4.136)	-	-	(778.950)	-	(519.794)	(2.313.266)
<b>Total expenditures by segment</b>	<b>(1.234.706)</b>	<b>(171.782)</b>	<b>(4.147)</b>	<b>-</b>	<b>1.060</b>	<b>(782.464)</b>	<b>-</b>	<b>(846.036)</b>	<b>(3.038.075)</b>
<b>Financial results by segment</b>	<b>218.960</b>	<b>1.876.506</b>	<b>(664.472)</b>	<b>132.543</b>	<b>(152.824)</b>	<b>(164.597)</b>	<b>-</b>	<b>(647.530)</b>	<b>598.316</b>
Income tax									(57.612)
<b>Profit / (loss) for the year</b>									<b>540.704</b>
Total assets by segment	25.664.594	31.418.417	853.536	9.198.429	13.180.320	1.217.006	-	-	81.532.302
Unallocated assets by segment	-	-	-	-	-	-	-	2.411.593	2.411.593
<b>Total assets</b>	<b>25.664.594</b>	<b>31.418.417</b>	<b>853.536</b>	<b>9.198.429</b>	<b>13.180.320</b>	<b>1.217.006</b>	<b>-</b>	<b>2.411.593</b>	<b>83.943.896</b>
Total liabilities by segment	27.580.277	25.320.775	5.838.497	-	11.398.545	1.047.268	-	-	71.185.362
Unallocated liabilities by segment								169.898	169.898
<b>Total liabilities</b>	<b>27.580.277</b>	<b>25.320.775</b>	<b>5.838.497</b>	<b>-</b>	<b>11.398.545</b>	<b>-</b>	<b>-</b>	<b>169.898</b>	<b>71.355.260</b>

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**4. Segment Reporting (Continued)**

**B Concentration of total revenues and expenditures by major customers**

In thousands of Denars

**2023 (Current year)**

(The bank should separately show total income and total expenditure by an important customer)

Customer 1

	Retail banking	Corporate banking	Investment banking	Investment in securities	Liquidity	All other insignificant operating segments	Unallocated	Total
Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-

Customer 2

Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-

Customer 3

Income	-	-	-	-	-	-	-	-
(expense)	-	-	-	-	-	-	-	-

**Total by segments**

	-	-	-	-	-	-	-	-
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**2022 (Previous year)**

(The bank should separately show total income and total expenditure by an important customer)

Customer 1

Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-

Customer 2

Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-

Customer 3

Income	-	-	-	-	-	-	-	-
(expense)	-	-	-	-	-	-	-	-

**Total by segments**

	-	-	-	-	-	-	-	-
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The Group has no significant concentration of total revenues and expenditures by major customers.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**4. Segment Reporting (Continued)**

**B Geographical Location**

	Republic of North Macedonia	EU member states	Europa (other countries)	OECD member states (without EU countries –members of OECD)	Other (List separately significant geographic segments)		Total
					Other	Unallocated	
<i>In thousands of Denars</i>							
<b>2023 (Current year)</b>							
Total income	6.828.637	15.339	19.011	246	85	-	6.863.318
Total assets	91.541.370	3.731.671	2.853.247	4.509	270		98.131.067
<b>2022 (Previous year)</b>							
Total income	4.866.604	6.885	33.432	116	107	-	4.907.144
Total assets	79.155.194	1.187.366	3.596.121	4.719	495	-	83.943.895

**5 Fair Value of Financial Assets and Financial Liabilities**

**A. Fair Value of Financial Assets and Financial Liabilities**

	Current year 2023		Previous year 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>In thousands of Denars</i>				
<b>Financial assets</b>				
Cash and cash equivalents	21.290.769	21.290.769	14.792.532	14.792.532
Trading assets	61.591	61.591	66.775	66.775
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	355.357	355.357	275.774	275.774
Loans and advances to customers	62.022.363	62.022.363	56.558.205	56.558.205
Investments in securities	10.048.324	10.048.324	8.233.398	8.233.398
Investments in associates	-	-	-	-
Receivables for income tax (current)	-	-	-	-
Other receivables	1.333.229	1.333.229	1.126.719	1.126.719
Pledged assets	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Financial liabilities</b>				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	8.600.728	8.600.728	7.294.936	7.294.936
Deposits from customers	66.520.060	66.520.060	56.809.798	56.809.798
Debt securities issued	-	-	-	-
Borrowings	4.549.750	4.549.750	5.020.716	5.020.716
Subordinated debt	-	-	-	-
Income tax liability (current)	60.200	60.200	7.095	7.095
Deferred tax liabilities	-	-	-	-
Other liabilities	1.132.831	1.132.831	900.528	900.528

**Cash and cash equivalents**

The carrying value of cash and cash equivalents is equal to their fair value as they include cash, nostro accounts and demand deposits and placements with NBRNM maturing in the short term.

**Loans and advances to banks**

Due to the insignificant risk of a change in value, the fair value of loans to and receivables from banks is equal to their carrying value.

## **5 Fair Value of Financial Assets and Financial Liabilities (Continued)**

### **A. Fair Value of Financial Assets and Financial Liabilities (Continued)**

#### **Loans and advances to customers**

Loans and advances to customers are carried at amortized cost less provisions for impairment. Loans and advances to customers in the credit portfolio of the bank for the most part have a variable interest rate. The estimated fair value of loans and advances from customers is determined by discounting the future cash flows, which are estimated to be received. Estimated future cash flows to determine fair value are discounted at the current market interest rate.

The bank provides loans from credit lines financed from the Macedonian Bank for Development Promotion, and the same are offered on the market by other banks as well, under the same conditions. Their interest rates are considered to be market interest rates. Furthermore, the Bank provides retail loans with fixed interest rates in the first years of the loan. Products with similar characteristics and interest rates are also offered by other banks in the market, and their interest rates are considered to be market interest rates.

#### **Investment in securities**

Investments in securities include debt securities, which are held to maturity presented at depreciated cost value using the method of effective interest rate and assets available for sale presented at fair value.

The fair value of available for sale assets (government securities and government bonds) are based on published prices in an active market. In cases where this information is not available, the fair value is based according to: information on the achieved prices of recent, normal, commercial transactions between known and voluntary parties; applying the current market price to another instrument that is essentially the same; analysis of discounted cash flows and other alternative pricing models.

For debt securities held to maturity, the fair value is determined using cash flow discounting techniques with a current yield curve on the primary debt securities market, for debt securities with a similar residual maturity.

Investments in securities include an amount of 46,888 thousand denars (2022: 47,951 thousand denars) which refer to investments for which there is no active market and there are no recent transactions that could be applied in determining the fair value. They participate with only 0.47% (2022: 0.58%) in total investments and are expressed according to their purchase value.

#### **Other receivables**

The fair value of other receivables represents their carrying value due to their mostly short-term nature.

#### **Deposits from banks**

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

## **5 Fair Value of Financial Assets and Financial Liabilities (Continued)**

### **A. Fair Value of Financial Assets and Financial Liabilities (Continued)**

#### **Deposits from customers**

The fair value of demand deposits, as well as time deposits with variable interest rates is equal to their carrying value. Of the total deposits of other clients, the amount of time deposits with a fixed interest rate is Denar 31.179.275 thousand (2022: Denar 27.176.404 thousand). Fixed interest rates mostly refer to time deposits up to one year (Denar 26.030.995 thousand), which began to be applied from July 1, 2017, and products with such characteristics and interest rates are offered by other banks on the market. Hence, these interest rates can be considered market, so the objective value of these deposits is equal to their accounting value.

#### **Borrowings**

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

#### **Other liabilities**

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

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

**B. Levels of the fair value of financial assets and liabilities measured at fair values**

**B.1. Levels of the fair value of financial assets and liabilities measured at fair values**

*In thousands of Denars*

**December 31, 2023 (Current year)**

**Financial assets measured at fair value**

Trading assets

Financial assets carried at a fair value through separate statement of profit and loss at initial recognition

Derivative assets held for risk management

Investment securities available for sale

**Total**

**Financial liabilities measured at fair value**

Trading liabilities

Financial liabilities at fair value through profit or loss designated as such upon initial recognition

Derivative liabilities held for risk management

**Total**

**December 31, 2022 (Previous year)**

**Financial assets measured at fair value**

Trading assets

Financial assets carried at a fair value through separate statement of profit and loss at initial recognition

Derivative assets held for risk management

Investment securities available for sale

**Total**

**Financial liabilities measured at fair value**

Trading liabilities

Financial liabilities at fair value through profit or loss designated as such upon initial recognition

Derivative liabilities held for risk management

**Total**

Note	Level 1	Level 2	Level 3	Total
19	-	-	61.591	61.591
20	-	-	-	-
21	-	-	-	-
23,1	-	9.627.768	46.888	9.674.656
<b>Total</b>	-	<b>9.627.768</b>	<b>108.479</b>	<b>9.736.247</b>
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
<b>Total</b>	-	-	-	-
19	-	-	66.775	<b>66.775</b>
20	-	-	-	-
21	-	-	-	-
23,1	-	7.933.708	47.951	7.981.659
<b>Total</b>	-	<b>7.933.708</b>	<b>114.726</b>	<b>8.048.434</b>
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
<b>Total</b>	-	-	-	-

## **5 Fair Value of Financial Assets and Financial Liabilities (Continued)**

### **B. Levels of the fair value of financial assets and liabilities measured at fair values B.1. Levels of the fair value of financial assets and liabilities measured at fair values**

The Group classifies all financial assets and financial liabilities measured at fair value using the fair value hierarchy, which shows the importance of the input parameters used in determining the fair value. The fair value hierarchy comprises the following levels:

- a) Level 1 - The fair value is determined by direct application / reference to quoted market prices of financial instruments in active markets;
- b) Level 2 – The fair value is determined by using valuation techniques that include inputs (inputs) from active markets, which may be direct or market prices, or indirect, i.e., derived from market prices;
- c) Level 3 - The fair value is determined by using valuation techniques that include inputs (inputs) that cannot directly or indirectly be traced in active markets, which are not visible.

Investments in securities available for sale in the amount of 9,674,656 thousand denars (2022: 7,981,659 thousand denars) include investments in State bonds in the amount of 7,424,777 thousand denars (2022: 5,582,927 thousand denars) and State bills in the amount of 2,202,991 thousand denars (2022: 2,350,781 thousand denars), while the amount of 46,888 thousand denars (2022: 47,951 thousand denars) represents investment in ownership shares.

Investments in trading assets refer to investments in shares in open-ended investment funds and are measured according to their fair value. All related realized and unrealized gains and losses are included in net trading income.



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

**B. Levels of the fair value of financial assets and liabilities measured at fair values (Continued)**

**B.2. Transfers between levels 1 and 2 of the fair value**

	Current year 2023		Previous year 2022	
	Transfers from Level 1 to Level 2	Transfers from Level 2 in Level 1	Transfers from Level 1 to Level 2	Transfers from Level 2 in Level 1
<i>In thousands of Denars</i>				
<b>Financial assets measured at fair value</b>				
Trading assets	-	-	-	-
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investment securities available for sale	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Financial liabilities measured at fair value</b>				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
<b>Total</b>	-	-	-	-
	-	-	-	-

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

**B. Levels of the fair value of financial assets and liabilities measured at fair values (Continued)**

**B.3. Reconciliation of movements during the year in the fair values measured in Level 3**

<i>In thousands of Denars</i>	Trading assets	Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	Investment securities available for sale	Total assets	Trading liabilities	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Total liabilities
<b>Balance as of January 1, 2022 (Previous year)</b>	-	-	53.878	53.878	-	-	-
Gains / (losses) recognized in:	-	-	-	-	-	-	-
- Income statement	-	-	-	-	-	-	-
- Other gains / (losses) during the period which are not recognized in the income statement	-	-	-	-	-	-	-
Purchase of financial instruments for the period	-	-	-	-	-	-	-
Sold financial instruments during the period	-	-	(5.493)	(5.493)	-	-	-
Financial instruments issued in the period	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Financial instruments reclassified to / (from) Level 3	-	-	-	-	-	-	-
Reclassified to loans and receivables	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	-	<b>48.385</b>	<b>48.385</b>	-	-	-
<b>Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of December 31, 2022 (previous year)</b>	-	-	-	-	-	-	-
<b>Balance as of January 1, 2023 (Current year)</b>	-	-	48.385	48.385	-	-	-
Gains / (losses) recognized in:	-	-	-	-	-	-	-
- Income statement	-	-	-	-	-	-	-
- Other gains / (losses) during the period which are not recognized in the income statement	-	-	-	-	-	-	-
Purchase of financial instruments for the period	-	-	-	-	-	-	-
Sold financial instruments during the period	-	-	-	-	-	-	-
Financial instruments issued in the period	-	-	(1.497)	(1.497)	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Financial instruments reclassified to / (from) Level 3	-	-	-	-	-	-	-
Reclassified to loans and receivables	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	-	<b>46.888</b>	<b>46.888</b>	-	-	-
<b>Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of December 31, 2023 (Current year)</b>	-	-	-	-	-	-	-

**6. Net Interest Income/ (Expense)**

**A Structure of income and expense by type of financial instruments**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Interest income</b>		
Cash and cash equivalents	161.015	37.818
Financial assets at fair value through income statement designated as such upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	12.755	2.980
Loans and advances to customers	3.828.984	2.421.082
Investments in securities	324.721	108.576
Other receivables	-	-
(Impairment losses on interest income, on a net basis)	22.228	82.106
Collected previously written-off interest	-	-
<b>Total interest income</b>	<b>4.349.703</b>	<b>2.652.562</b>
<b>Interest expense</b>		
Financial liabilities at fair value through income statement designated as such upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	39.160	96.908
Deposits from customers	606.536	324.032
Issued debt securities	-	-
Borrowings	128.395	82.331
Subordinated debt	-	-
Other liabilities	241	7.649
<b>Total interest expense</b>	<b>774.332</b>	<b>510.920</b>
<b>Net income / (expense) Interest</b>	<b>3.575.371</b>	<b>2.141.642</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**6. Net Interest Income/ (Expense) (Continued)**

**B Sectorial analysis of interest income and expense according to sector**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Interest income</b>		
Non-financial companies	2.165.698	1.127.916
Government	324.721	108.576
Non-profit institutions serving households	39	38
Banks	173.770	40.798
Other financial non-banking institutions	3.424	-
Households	1.653.524	1.269.121
Non-residents	6.299	24.007
(Allowance for impairment of Interest Income, net)	22.228	82.106
Collected previously written-off interest	-	-
<b>Total interest income</b>	<b>4.349.703</b>	<b>2.652.562</b>
<b>Interest expense</b>		
Non-financial companies	209.075	108.656
Government	234	418
Non-profit institutions serving households	8.356	1.598
Banks	114.187	152.432
Other financial non-banking institutions	157.339	125.570
Households	261.108	100.506
Non-residents	24.033	21.740
<b>Total interest expense</b>	<b>774.332</b>	<b>510.920</b>
<b>Net Interest income/(expense)</b>	<b>3.575.371</b>	<b>2.141.642</b>

**7. Net Fees and Commissions Income / (Expense)**

**A Structure of revenues and expenses from fees and commissions according to the type of financial activities**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Fee and commission income</b>		
Loans	103.908	103.506
Payment operations		
Domestic	330.771	286.602
Foreign	168.590	142.624
Letters of credit and guarantees	119.605	101.766
Brokerage	-	-
Asset management	-	-
Commission and fiduciary activities	2.575	2.709
Issuing Securities	-	-
Other (list separately income which represents more than 10% of the total fees and commissions income)		
VISA - charge	14.882	11.737
Master	60.300	60.182
Fees for transactions on POS	422.078	356.922
Fees for transactions on POS	37.158	34.795
ATM transactions fee	81.316	79.234
Electronic banking	59.788	44.441
Transaction with Poshta	63.764	61.057
Revenue from insurance	32.230	25.462
Treasury operations	22.324	20.143
Other operating revenues from fees and commissions	1.218	783
<b>Total fee and commission income</b>	<b>1.520.507</b>	<b>1.332.138</b>
<b>Fee and commission expenses</b>		
Loans	17.785	14.948
Payment operations		
Domestic	79.863	57.006
Foreign	53.482	46.889
Letters of credit and guarantees	1.897	2.578
Brokerage	-	-
Asset management	-	-
Commission and fiduciary activities	-	-
Issuing Securities	-	-
Other (list separately other expenses that are more than 10% of total fee and commission)		
VISA – charge	250.136	233.174
Master – charge	355.575	335.443
Treasury work	8.320	9.334
Other operating expenses from fees and commissions	63.201	60.461
<b>Total fee and commission expenses</b>	<b>830.259</b>	<b>759.833</b>
<b>Net fee and commission income / (expense)</b>	<b>690.248</b>	<b>572.305</b>

**7. Net Fees and Commissions Income / (Expense) (Continued)**

**B Sectoral analysis of revenue and expenditure of fees and commissions**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Fee and commission income</b>		
Non-financial companies	1.055.688	924.956
Government	66	51
Non-profit institutions serving households	3.696	2.438
Banks	35.178	29.309
Other financial institutions (non-banking)	38.722	28.690
Households	284.381	249.910
Non-residents	102.776	96.784
<b>Total fee and commission income</b>	<b>1.520.507</b>	<b>1.332.138</b>
<b>Fee and commission expenses</b>		
Non-financial companies	93.991	84.646
Government	-	-
Non-profit institutions serving households	-	-
Banks	54.551	43.376
Other financial institutions (non-banking)	24.117	16.062
Non-residents	657.600	615.749
<b>Total fee and commission expenses</b>	<b>830.259</b>	<b>759.833</b>
<b>Net fee and commission income / (expense)</b>	<b>690.248</b>	<b>572.305</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**8. Net Trading Income**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>Trading assets</i>		
Profit/(loss) from fair value changes on debt securities, net		
Realized	-	-
Unrealized	7.649	(2.723)
Profit/(loss) from fair value changes of equity instruments, net		
Realized	-	-
Unrealized	-	-
Income from dividends from trading assets	-	-
Income from interest of trading assets	-	-
<i>Trading liabilities</i>		
Profit/(loss) from fair value changes of trading deposits, net		
Realized	-	-
Unrealized	-	-
Profit/(loss) from fair value changes of trading deposits, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of other financial liabilities for trading, net		
Realized	-	-
Unrealized	-	-
Interest expense on financial liabilities held for trading	-	-
<i>Profit/(loss) from fair value change of derivatives held for trade, net</i>		
Realized	-	-
Unrealized	-	-
<b>Net trading income</b>	<b>7.649</b>	<b>(2.723)</b>

**9. Net Income from Other Financial Instruments Carried at Fair Value**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>Financial assets at fair value through the income statement designated as such upon initial recognition</i>		
Profit/(loss) from fair value changes on debt securities, net		
Realized	-	-
Unrealized	-	-
Gains/(losses) from changes in fair value of equity instruments, net		
Realized	-	-
Unrealized	-	-
Dividend income from financial assets at fair value through the income statement	-	-
Profit / (loss) from changes in fair value of loans and receivables at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition		
Profit / (loss) from fair value changes on debt securities, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from fair value changes on deposits at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of borrowings at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of other financial liabilities at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of derivatives held for risk management at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
<b>Net income from other financial instruments carried at fair value</b>	<b>-</b>	<b>-</b>



**10. Net Foreign Exchange Gains/(Losses)**

<i>In thousands of Denars</i>	
Current year 2023	Previous year 2022
Realized foreign exchange gains/(losses), net	246.658
Unrealized foreign exchange gains/(losses), net	
Foreign exchange differences of allowance for impairment of financial assets, net	(1.126)
Other foreign exchange differences, net	(40.541)
Exchange rates differences from off balance sheet exposures	-
<b>Net foreign exchange gains/(losses)</b>	<b>204.991</b>
	<b>228.993</b>

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***11. Other Operating Income**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Gain on sale of assets available for sale	-	-
Dividend from equity instruments available for sale	1.745	904
Net income from investments in subsidiaries and associates	-	-
Capital gains from the sale of:		
Property and equipment	76.772	-
Intangible assets	-	-
Foreclosed assets	3.188	1.293
Non-current assets held for sale and disposal group	-	-
Rent income	939	915
Income derived from litigations	109	-
Collected previously written-off receivables	66.120	29.859
Reversal of allowance and provision for:		
Contingent commitments based on litigations	-	-
pensions and other employee benefits	-	-
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Other (list separately income that are more than 10% of total other operating income)		
Income from insurance charged claims	427	662
Master card - campaign	16.800	21.860
Income from sale of bills of exchange	415	400
Reimbursement of telephone expenses	132	112
Net insurance premium	524.846	617.283
Other income from insurance	56.049	28.592
Income from reports from the Macedonian Credit Bureau	3.669	3.783
Other income	12.904	14.513
<b>Total operating income</b>	<b>764.115</b>	<b>720.176</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**12. Impairment of Financial Assets on a Net Basis**

<i>In thousands of Denars</i>	Loans and advances to banks	Loans and advances to customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Receivables for fees and commissions	Other receivables	Total allowance for impairment of financial assets	Special reserve for off balance sheet exposure	Total
<b>2023 (Current year)</b>										
<b>Allowance for impairment and special reserve</b>										
Additional allowance for impairment and special reserve	-	2.790.542	-	-	2.368	25.728	13.807	2.832.445	151.868	2.984.313
(Release of allowance for impairment and special reserve)	-	(1.716.586)	-	-	(1.979)	(20.187)	(21.542)	(1.760.294)	(111.605)	(1.871.899)
<b>Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net</b>	<b>-</b>	<b>1.073.956</b>	<b>-</b>	<b>-</b>	<b>389</b>	<b>5.541</b>	<b>(7.735)</b>	<b>1.072.151</b>	<b>40.263</b>	<b>1.112.414</b>
<b>2022 (Previous year)</b>										
<b>Allowance for impairment and special reserve</b>										
Additional allowance for impairment and special reserve	-	1.572.014	-	-	3.968	7.615	62.547	1.646.144	177.972	1.824.116
(Release of allowance for impairment and special reserve)	-	(1.184.582)	-	-	(5.017)	(2.372)	(73.281)	(1.265.252)	(139.007)	(1.404.259)
<b>Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net</b>	<b>-</b>	<b>387.432</b>	<b>-</b>	<b>-</b>	<b>(1.049)</b>	<b>5.243</b>	<b>(10.734)</b>	<b>380.892</b>	<b>38.965</b>	<b>419.857</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**13. Loss on Impairment of Non-Financial Assets, Net**

<i>In thousands of Denars</i>	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and disposal group	Other non-financial assets	Non-controlling participation	Total
<b>2023 (Current year)</b>							
Additional impairment losses	-	-	189	-	-	-	189
(Release of impairment loss)	-	-	-	-	-	-	-
<b>Total impairment of non-financial assets on a net basis</b>	<b>-</b>	<b>-</b>	<b>189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189</b>
<b>2022 (Previous year)</b>							
Additional impairment losses	-	-	241	-	-	-	241
(Release of impairment loss)	-	-	-	-	-	-	-
<b>Total impairment of non-financial assets on a net basis</b>	<b>-</b>	<b>-</b>	<b>241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**14. Personnel Expenses**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Short-term employee benefits</b>		
Salaries	728.742	599.237
Compulsory social and health insurance contributions	283.905	220.917
Short-term paid absences	885	249
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	4.983	1.843
	<b>1.018.515</b>	<b>822.246</b>
<b>Benefits after termination of employment</b>		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long-term benefits	-	-
Other benefits upon termination of employment	-	-
	-	-
<b>Termination benefits</b>		
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other (costs for employees that represent more than 10% of the total costs for employees)	45.651	36.401
	-	-
	-	-
<b>Total personnel expenses</b>	<b>1.064.166</b>	<b>858.647</b>

*(All amounts are expressed in thousands of Denars unless otherwise stated)***15. Depreciation and Amortization**

<i>In thousands of Denars</i>	
Current year 2023	Previous year 2022
Amortization of intangible assets	
Internally developed software	-
Software purchased from external suppliers	52.263
Other internally developed intangible assets	-
Other intangible assets	26.796
Investments in intangible assets taken under lease	12.168
	<b>91.227</b>
Amortization of property and equipment	
Buildings	52.630
Vehicles	4.683
Furniture and office equipment	11.842
Other equipment	113.568
Other items of property and equipment	7.359
Investments in property and equipment taken under lease	23.402
	<b>213.484</b>
<b>Total</b>	<b>304.711</b>

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***16. Other Operating Expense**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Loss from sale of assets available for sale	-	-
Software licensing expense	-	-
Deposit insurance premium	80.130	57.039
Premium on property and employee insurance	29.093	25.416
Materials and services	443.512	426.420
Administrative and marketing expenses	248.222	188.828
Other taxes and contributions	24.014	11.968
Rent expense	95.049	97.272
Court litigation expenses	327	1.136
Provisions for pension and other employee benefits, net	100.185	10.603
Provisions for contingent liabilities based on court litigations, net	11.732	4.596
Other provisions, net	-	-
Loss from sale of:	-	-
Property and equipment	-	-
Intangible assets	-	-
Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other (expenses that represent more than 10% of total other operating expenses)	-	-
Incurred claims, net	329.185	496.901
Other insurance technical costs, reduced for reinsurance	37.143	37.932
Money transfer	37.376	31.731
Documentation archiving	10.248	8.871
Expenses for repaid loans before maturity	1.299	96
Other expenses	36.827	55.810
<b>Total other operating expenses</b>	<b>1.484.342</b>	<b>1.454.619</b>

**17. Income Tax**

**A Expenses/income for current and deferred tax**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Current income tax</b>		
Expense/(income) based on current income tax for the year	117.975	57.612
Adjustments for previous years	-	-
Benefits of previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	<b>117.975</b>	<b>57.612</b>
<b>Deferred income tax</b>		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previously unrecognized tax losses	-	-
Change in tax rate	-	-
Introduction of new taxes	-	-
Benefits of previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	-	-
	-	-
<b>Total expense/(return) on income tax</b>	<b>117.975</b>	<b>57.612</b>

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Current income tax</b>		
Recognized in the income statement	117.975	57.612
Recognized in the equity and reserves	-	-
	<b>117.975</b>	<b>57.612</b>
<b>Deferred income tax</b>		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
	-	-
	-	-
<b>Total expense/(return) on income tax</b>	<b>117.975</b>	<b>57.612</b>



**17. Income Tax (Continued)**

**B Reconciliation between average effective tax rate and applicable tax rate**

	<i>in %</i>	<i>In thousands of Denars</i>	<i>in %</i>	<i>In thousands of Denars</i>
		Current year 2023		Previous year 2022
Profit/ (loss) before taxation		1.297.587		598.316
Income tax as per applicable tax rate	10%	129.759	10%	59.832
Effects from different tax rates in other countries	-	-	-	-
Corrections for previous years and changes in tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expense unrecognized for tax purposes	1,04%	13.549	1,49%	8.905
Tax-exempt income	-	-	-	-
Tax exemption unrecognized in income statement	-2,49%	(32.371)	(5,23%)	(31.319)
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes in deferred tax	-	-	-	-
Other	0,54%	7.038	3,38%	20.194
<b>Total expense/(return) on income tax</b>		<b>117.975</b>		<b>57.612</b>
<b>Average effective tax rate</b>	<b>9,09%</b>		<b>9,63%</b>	

Pursuant to the Income Tax Law which is in appliance for the fiscal 2023 and 2022, basis for taxation represents the realized gross profit (difference between the total income and expenditures) increased by certain costs that are not subject to taxation, or decreased by certain income, investments and similar which are not subject to taxation.

Pursuant to the previously applicable Income Tax Law, the accumulated undistributed profit for the period from FY 2009 to FY 2013 shall be subject to taxation at the moment of its distribution.

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***17. Income Tax (Continued)****B Income tax from other profit/(losses) for the period, unrecognized in Profit and Loss**

	Current year 2023			Previous year 2022		
	Before taxation	(expense)/return on income tax	Deducted by the income tax	Before taxation	(expense)/return on income tax	Deducted by the income tax
<i>In thousands of Denars</i>						
Revaluation reserve for assets available for sale	-	-	-	-	-	-
Reserve for instruments for hedge of cash flows	-	-	-	-	-	-
Reserve for instruments for hedge of net investing in foreign operations.	-	-	-	-	-	-
Reserve of foreign exchange differences from investing in foreign operations	-	-	-	-	-	-
Share in other profit/(losses) from associates, unrecognized in Profit and Loss	-	-	-	-	-	-
Other profit/(losses) unrecognized in the Profit and Loss	-	-	-	-	-	-
<b>Total other profit/(losses) unrecognized in Profit and Loss</b>	-	-	-	-	-	-

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***18. Cash and cash equivalents**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Cash on hand	1.975.577	1.472.982
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	8.399.868	5.200.152
Current accounts and transaction deposits with foreign banks	214.735	2.260.724
Current accounts and transaction deposits with local banks	84.737	92.243
Treasury bills that may be traded on the secondary market	1.262.166	1.208.137
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	4.463.655	864.803
Other short-term highly liquid assets	-	75.000
Interest receivables	2.531	309
(Allowance for impairment)	(616)	(435)
<b>Included in cash and cash equivalents for the purposes of the Statement of cash flows</b>	<b>16.402.653</b>	<b>11.173.915</b>
Obligatory foreign currency deposits	4.328.998	3.101.879
Restricted deposits for MasterCard and Visa	183.183	99.579
Reserve guarantee fund-KIBS	376.197	420.223
(Allowance for impairment)	(262)	(64)
<b>Total</b>	<b>21.290.769</b>	<b>14.795.532</b>

The restricted deposits for MasterCard and Visa include current account in a foreign bank which is limited and serves to provide claims by MASTERCARD in the amount of Denar 135.373 thousand (2022: Denar 52.535 thousand) and a limited current account in foreign bank that serves for securing the claims by VISA in the amount of Denar 47.810 thousand (2022: 47.044).

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**18. Cash and cash equivalents (Continued)**

	Current year 2023				Previous year 2022			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
<i>In thousands of Denars</i>								
<b>Movements in allowance for impairment</b>								
Balance as of January 1	499	-	-	499	1.544	-	-	1.544
Impairment loss for the year								
Additional impairment	2.368	-	-	2.368	1.673	2.295	-	3.968
(Release of impairment)	(1.979)	-	-	(1.979)	(2.721)	(2.295)	-	(5.016)
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	(10)	-	-	(10)	3	-	-	3
(Written off receivables)	-	-	-	-	-	-	-	-
<b>Balance as of December 31</b>	<b>878</b>	<b>-</b>	<b>-</b>	<b>878</b>	<b>499</b>	<b>-</b>	<b>-</b>	<b>499</b>

**19. Trading Assets**

**A Structure of trading assets by type of financial instrument**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Trading securities</b>		
Debt trading securities	-	-
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Listed	-	-
Non-listed	-	-
Equity instruments for trading	-	-
Equity instruments issued by banks	-	-
Other equity instruments	61.591	66.775
	<b>61.591</b>	<b>66.775</b>
Listed	-	-
Non-listed	-	-
<b>Trading derivatives</b>		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	-	-
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	-	-
<b>Loans and advances</b>		
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
	-	-
<b>Total trading assets</b>	<b>61.591</b>	<b>66.775</b>

The ownership instruments on December 31, 2023, refer to investments of the Subsidiary in investment funds, as follows

Fund	Quantity of shares	Price in denars	Value of shares in thousands of denars
KB Publicum Cash	4.588,5748	136,9453	628
Generali Cash Deposit	46.827,8980	129,0659	6.044
Generali Cash Fund	56.787,9165	129,0659	7.329
VFP Cash Deposit	161.893,4731	117,0545	18.950
WVP 100% Bond	20.288,4054	117,3695	2.381
Vega Cash	253.005,6217	103,7837	26.259
			<b>61.591</b>

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***19. Means of Trading (continued)****A Structure of trading assets by type of financial instrument (continued)**

The ownership instruments on December 31, 2022, refer to investments of the Subsidiary in investment funds, as follows:

<b>Fund</b>	<b>Quantity of shares</b>	<b>Price in denars</b>	<b>Value of shares in thousands of denars</b>
KB Publicum Cash	138.012,6938	133,8576	18.474
Generali Cash Deposit	124.407,6496	125,9268	15.666
Generali Cash Fund	56.787,9165	125,9268	7.151
VFP Cash Deposit	203.056,4384	114,4422	23.238
WVP 100% Bond	20.288,4054	110,6841	2.246
Vega Cash	138.012,6938	133,8576	18.474
			<b>66.775</b>

**20. Financial Assets at Fair Value through the Income Statement designated as such upon Initial Recognition**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Debt securities</b>		
Treasury bills	-	-
Government bills	-	-
Other instruments on the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Listed	-	-
Non-listed	-	-
<b>Equity instruments</b>		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Listed	-	-
Non-listed	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
<b>Total financial assets at fair value through the income statement designated as such upon initial recognition</b>	-	-

**21. Derivative Assets and Liabilities Held for Risk Management**

		<i>In thousands of Denars</i>			
		Current year 2023		Previous year 2022	
		Derivative assets	(Derivative liabilities)	Derivative assets	(Derivative liabilities)
A	<b>Hedging derivatives / derivatives held for risk management</b>				
A.					
1	<i>by type of the variable</i>				
	Agreements dependent on interest rate change				
	Contracts subject to exchange rate fluctuations	-	-	-	-
	Agreements dependent on changes in the price of securities	-	-	-	-
	Other agreements that meet the IFRS 9 criteria	-	-	-	-
	<b>Total derivatives held for risk management</b>	-	-	-	-
	Agreements dependent on interest rate change	-	-	-	-
A.					
2	<i>by type of protection against risk</i>				
	Hedge of the fair value	-	-	-	-
	Hedge of cash flows	-	-	-	-
	Hedges of net investments in foreign operations	-	-	-	-
	<b>Total derivatives held for risk management</b>	-	-	-	-
B	<b>Inherent derivatives</b>				
	Agreements dependent on interest rate change	-	-	-	-
	Contracts subject to exchange rate fluctuations	-	-	-	-
	Agreements dependent on changes in the price of securities	-	-	-	-
	Other contracts that meet the criteria of IFRS 9	-	-	-	-
	<b>Total inherent derivatives</b>	-	-	-	-
	<b>Total derivatives held for risk management</b>	-	-	-	-

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**22. Loans and Advances**

**22.1 Loans and Advances to Banks**

	<i>In thousands of Denars</i>			
	Current year 2023		Previous year 2022	
	Short-term	Long-term	Short-term	Long-term
Loans to banks				
Domestic	-	-	-	-
Foreign	-	-	-	-
Term deposits - maturity over three months				
Domestic	34.036	311.501	21.280	252.000
Foreign	-	-	-	-
Repo				
Domestic	-	-	-	-
Foreign	-	-	-	-
Other receivables				
Domestic	-	-	-	-
Foreign	-	-	-	-
Interest receivables	9.820		2.494	
Current maturity	-	-	-	-
<b>Total loans and advances to banks before impairment</b>	<b>43.856</b>	<b>311.501</b>	<b>23.774</b>	<b>252.000</b>
(Impairment)	-	-	-	-
<b>Total loans and advances to banks less impairment</b>	<b>43.856</b>	<b>311.501</b>	<b>23.774</b>	<b>252.000</b>

On December 31, 2023, the Bank has no loans to banks and no receivables from banks (2022: none). In 2023 and 2022, the subsidiary has time deposits in domestic banks, with a maturity of two years and an interest rate in the range of 2.4 to 3.5 percent.



**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

**22. Loans and Advances (Continued)**

**22.1 Loans and advances to banks (Continued)**

*In thousands of Denars*

	<i>Current year 2023</i>				<i>Previous year 2022</i>			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
<b>Movements of allowance for impairment</b>								
<b>Balance as of January 1</b>	-	-	-	-	-	-	-	-
Allowance for impairment for the year								
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
Transfer to:	-	-	-	-	-	-	-	-
- allowance for impairment for Group 1	-	-	-	-	-	-	-	-
- allowance for impairment for Group 2	-	-	-	-	-	-	-	-
- allowance for impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
<b>Balance as of December 31</b>	-	-	-	-	-	-	-	-

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***22. Loans and Advances (Continued)****22.2 Loans and advances to other customers****A Structure of loans and advances to other customers by the type of the debtor**

	<i>In thousands of Denars</i>			
	Current year 2023		Previous year 2022	
	Short-term	Long-term	Short-term	Long-term
Non-financial companies				
Receivables upon principal	6.609.271	30.574.512	5.605.516	25.644.695
Interest receivables	238.874	-	129.334	-
Government				
Receivables upon principal	-	-	-	-
Interest receivables	-	-	-	-
Non-profit institutions that serve households				
Receivables upon principal	755	-	607	-
Interest receivables	5	-	3	-
Financial companies, besides banks				
Receivables upon principal	-	-	-	-
Interest receivables	-	-	-	-
Households				
Receivables upon principal				
Housing loans	33.590	9.554.909	15.490	9.281.286
Customer loans	406.998	13.854.930	356.773	13.627.037
Vehicle loans	(117)	34,300	303	33.761
Mortgage loans	-	-	-	-
Credit cards	1.289.593	8.430	1.310.078	10.544
Other loans	857.525	55.003	897.773	127.917
Interest receivables	173.727	-	197.752	-
Non-residents, except banks				
Receivables upon principal	101.980	62.045	3.582	249.415
Interest receivables	152	-	681	-
Current maturity	7.516.597	(7.516.597)	6.627.666	(6.627.666)
<b>Total loans and advances to other customers before impairment</b>	<b>17.228.950</b>	<b>46.627.532</b>	<b>15.145.558</b>	<b>42.346.989</b>
(Allowance for impairment)	(1.117.717)	(716.402)	(569.289)	(365.052)
<b>Total loans and advances to other customers, net of allowance for impairment</b>	<b>16.111.233</b>	<b>45.911.130</b>	<b>14.576.268</b>	<b>41.981.937</b>

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**22. Loans and Advances (Continued)**

**22.2 Loans and advances to other customers (Continued)**

**A Structure of the loans and advances to other customers by the type of the debtor (Continued)**

	Current year 2023				Previous year 2022			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
In thousands of Denars								
<b>Movements of allowance for impairment</b>								
<b>Balance as of January 1</b>	96.936	323.180	514.225	934.341	49.267	294.556	491.003	834.826
Allowance for impairment for the year								
Additional allowance for impairment	379.837	1.229.224	1.181.481	2.790.542	310.315	496.007	765.692	1.572.014
(Release of allowance for impairment)	(311.482)	(907.333)	(497.771)	(1.716.586)	(261.622)	(467.383)	(455.578)	(1.184.583)
Transfer to:								
- allowance for impairment for Group 1	27.151	(26.779)	(371)	-	55.224	(53.998)	(1.226)	-
- allowance for impairment for Group 2	(16.690)	19.820	(3.130)	-	(4.713)	8.245	(3.532)	-
- allowance for impairment for Group 3	(1.177)	(56.400)	57.577	-	(663)	(37.678)	38.341	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	158	(18)	(300)	(160)	(1.024)	-	-	(1.024)
(Written-off receivables)	-	-	(174.018)	(174.018)	-	-	(286.892)	(286.892)
<b>Balance as of December 31</b>	<b>165.449</b>	<b>645.053</b>	<b>1.023.617</b>	<b>1.834.119</b>	<b>96.936</b>	<b>323.180</b>	<b>514.225</b>	<b>934.341</b>

In accordance with the Decision on credit risk management, which came into force on July 1, 2019, the Group carried out a mandatory transfer of the accounts to the off-balance sheet record of credit exposures for which twelve months have passed since the date when the Group was obliged to perform a value correction, i.e., to set aside a special reserve of 100%. The larger amount in the line of written off receivables arises from that basis.

**22. Loans and Advances (Continued)**

**22.2 Loans and advances to other customers (Continued)**

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

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>(Current carrying amount of loans and advances)</i>		
First-class security instruments		
Cash deposits (the depot and / or limited accounts)	1.259.226	1.213.017
Government securities		-
Government unconditional guarantees		-
Bank guarantees	1.004.018	163.152
Guarantees from insurance companies and insurance policies	7.499.670	7.410.285
Corporate guarantees (besides banks and guarantees from insurance companies)	1.836.938	-
Guarantees from individuals	2.560.718	2.834.300
Mortgage on real estate		
private property (apartments, houses)	14.746.922	14.588.153
business premises	18.003.719	17.313.723
Pledge of movables	2.714.587	1.464.311
Other types of collateral	1.919.135	668.038
Unsecured	10.477.429	10.903.226
<b>Total loans and advances to customers net of impairment</b>	<b>62.022.363</b>	<b>56.558.205</b>

**23. Investment in Securities**

**23.1 Investments in financial assets available for sale**

**A Structure of investments in financial assets available for sale by type of financial instrument**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>Debt Securities</i>		
Treasury bills	-	-
Government bills	2.202.991	2.350.781
Other instruments on the money market	-	-
Government bonds	7.424.777	5.582.927
Corporate bonds	-	-
Other debt instruments	-	-
	<b>9.627.768</b>	<b>7.933.708</b>
Listed	-	-
Non-listed	9.627.768	7.933.708
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	46.888	47.951
	<b>46.888</b>	<b>47.951</b>
Listed	223	223
Non-listed	46.665	47.728
<b>Total investment in financial instruments available for sale</b>	<b>9.674.656</b>	<b>7.981.659</b>

From the shown structure of investments in financial assets available for sale according to the type of financial instrument: their maturity date and applied interest rate is shown.

	Due date	Interest rate (%)
Government bonds	2024-2038	0.8 - 6.15
Government bills	10.01.2024-11.12.2024	3.5 - 4.25

Investments in equity instruments available for sale in the amount of 34,708 thousand denars (2022: 34,708 thousand denars) include investments in securities with which the Group participates with no more than 10% in the share capital of financial and non-financial companies.

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**23. Investment in Securities (Continued)**

**23.1 Investments in financial assets available for sale (Continued)**

	Current year 2023				Previous year 2022			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
In thousands of Denars								
<b>Movements of allowance for impairment</b>	-	-	-	-	-	-	-	-
<b>Balance as of January 1,</b>	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Additional impairment	-	-	-	-	-	-	-	-
(Transfer to reserves)	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
Transfer to:	-	-	-	-	-	-	-	-
- allowance for impairment for Group 1	-	-	-	-	-	-	-	-
- allowance for impairment for Group 2	-	-	-	-	-	-	-	-
- allowance for impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	-	-	-
<b>(Written-off receivables)</b>	-	-	-	-	-	-	-	-

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***23. Investments in Securities (Continued)****23.2 Investments in financial assets held to maturity**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>Debt Securities</i>		
Treasury bills	-	-
Government bills	58.003	141.439
Other instruments on the money market	-	-
Government bonds	315.665	110.300
Corporate bonds	-	-
Other debt instruments	-	-
	<b>373.668</b>	<b>251.739</b>
Listed	-	-
Non-listed	-	-
<b>Total investment in financial instruments held to maturity before impairment</b>	<b>373.668</b>	<b>251.739</b>
(Impairment)	-	-
<b>Total investment in financial instruments held to maturity less impairment</b>	<b>373.668</b>	<b>251.739</b>

State bills in the amount of MKD 58,003 thousand have an interest rate of 4.25% (2022: 0.7%-2.6%) and have a maturity of up to 1 year. State bonds in the amount of 315,665 thousand denars have interest rates of 2.5%-6.2% (2022: 0.7%-5.4%) and a maturity period of 2-15 years.

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**23. Investments in Securities (Continued)**

**23.2 Investments in financial assets held to maturity (Continued)**

	Current year 2023				Previous year 2022			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
In thousands of Denars								
<b>Movements of allowance for impairment</b>								
<b>Balance as of January 1,</b>	-	-	-	-	-	-	-	-
Allowance for impairment for the year	-	-	-	-	-	-	-	-
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
Transfer to:	-	-	-	-	-	-	-	-
- allowance for impairment for Group 1	-	-	-	-	-	-	-	-
- allowance for impairment for Group 2	-	-	-	-	-	-	-	-
- allowance for impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
<b>Balance as of December 31,</b>	-	-	-	-	-	-	-	-



**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***24. Investments in Subsidiaries and Associates****A Percentage of the Bank's share in associates and subsidiaries**

		<i>in %</i>			
Name of subsidiaries and associates	Country	Percentage of participation in ownership		Percentage of voting right	
		Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
HALK INSURANCE – subsidiary	North Macedonia	100%	100%	100%	100%

**B Financial information on associates**

Name of subsidiaries and associates	<i>In thousands of Denars</i>				
	Total assets	Total liabilities	Total equity and reserves	Income	Profit/(loss) for the financial year
Current year 2023	-	-	-	-	-
	-	-	-	-	-
Previous year 2022	-	-	-	-	-
	-	-	-	-	-

The Bank became a 100% owner of the insurance company NOVA OSIGURUVANJE AD Skopje, registered in the Central Securities Depository on January 9, 2019. The Bank, with prior realization of two block transactions, bought the capital for Denar 198.893 thousand (EUR 3.212.000). On February 25, 2019, the subsidiary was renamed into HALK INSURANCE AD Skopje. The investment in the subsidiary increased during 2019 by Denar 430.470 thousand and as of December 31, 2020 amounts to Denar 629.363 thousand and after the increase of the share capital through the issuance of new shares through a private offer on two occasions in 2021 for 123,242 thousand denars (2,000,000 euros) and 184,954 thousand denars (3,000,000 euros), on December 31, 2022 the total investment amounts 937,559 thousand denars (15,500,000 euros).

In January 2023, the Supervisory Board of the Bank passed a Decision on Recapitalization of the Branch for a new 4 million euros. The Supervisory Board of Halk Insurance made a Decision on borrowing through subordinated debt in the amount of 4 million euros, which was realized by reaching a Subordinated Debt Agreement with Halk Bank AD Skopje on 03.02.2023. The recapitalization of the subsidiary was carried out in April 2023, after the previous transformation of the subordinated debt of 4 million euros into equity. As of June 2023, the total contribution amounts to MKD 1,184,338 thousand. In the same year, another recapitalization was carried out through the issuance of the 9th issue of shares in the amount of MKD 184,504,800 (EUR 3 million). The transformation of the recapitalization into a stake was carried out on 11.12.2023. As of 31.12.2023, the total contribution amounts to 1,368,843 thousand denars.

**25. Other receivables**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Trade receivables	27.477	6.289
Prepaid expenses	156.306	180.577
Deferred income	-	-
Fees and commission receivables	38.186	48.797
Receivables from employees	2.609	2.451
Advances for intangible assets	33.420	40.485
Advances for property and equipment	-	-
Other (receivables representing more than 10% of the total other receivables)	-	-
<i>Receivables from other banks for transactions with Master cards</i>	298.149	201.273
<i>Receivables from other banks for transactions with Visa cards</i>	433.051	376.212
<i>Receivables from other bank for the card operations settlement</i>	153.500	168.444
<i>Pre-paid pensions</i>	346.944	279.983
<i>Western Union</i>	948	503
<i>Inventories</i>	15.146	12.946
<i>Receivables from court fees</i>	6.154	5.446
<i>Insurance premiums</i>	159.952	163.570
<i>Receivables from insurance intermediaries</i>	41.268	43.184
<i>Receivables on the basis of reinsurance</i>	54.408	53.650
<i>Receivables on the basis of recourse claims</i>	33.346	44.781
<i>Other</i>	109.600	102.138
<b>Total other receivables before value allowance</b>	<b>1.910.464</b>	<b>1.730.729</b>
(Allowance for impairment)	(142.921)	(159.730)
<b>Total other receivables, net of allowance for impairment</b>	<b>1.767.543</b>	<b>1.570.999</b>

In addition to receivables on the basis of transactions with Mastercard cards in the amount of 298,149 thousand denars (2022: 201,273 thousand denars), the Group also has liabilities on that basis in the amount of 191,772 thousand denars (2022: 111,166 thousand denars) (Note 39).

In addition to receivables based on transactions with Visa cards in the amount of 433,051 thousand denars (2022: 376,212 thousand denars), the Group also has liabilities on that basis in the amount of 400,440 thousand denars (2022: 332,434 thousand denars) (Note 39).

Prepaid pensions in the amount of MKD 346,944 thousand (2022: MKD 279,983 thousand) refer to the December payment of pensions in 2023 from the Group's funds that were collected from the Pension and Disability Insurance Fund of the Republic of North Macedonia on January 3, 2024 (2022: 5 January 2023).

As of December 31, 2023, of the total value adjustment of other receivables in the amount of 142,921 thousand denars (2022: 159,730 thousand denars), 21,158 thousand denars (2022: 15,281 thousand denars) refer to the adjustment of value for other receivables from Halk Banka AD Skopje, while the rest of 121,764 thousand denars (2022: 144,448 thousand denars) refers to the value adjustment of receivables from Halk Insurance AD Skopje.

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**25. Other receivables (Continued)**

In thousands of Denars	Current year 2023				Previous year 2022			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
<b>Movements of allowance for impairment</b>								
<b>Balance as of January 1,</b>	581	562	14.138	15.281	139	541	13.597	14.277
Allowance for impairment for the year								
Additional allowance for impairment	1.769	4.450	30.110	36.329	1.145	1.429	14.790	17.364
(Release of allowance for impairment)	(1.952)	(2.446)	(20.785)	(25.183)	(702)	(1.408)	(7.488)	(9.598)
Transfer to:								
- allowance for impairment for Group 1	103	(39)	(64)	-	1.273	(47)	(1.226)	-
- allowance for impairment for Group 2	(235)	299	(64)	-	(4)	50	(46)	-
- allowance for impairment for Group 3	(3)	-	3	-	(3)	(46)	48	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	(2)	(298)	-	(300)	(1)	-	-	(1)
(Written-off receivables)	-	-	(4.969)	(4.969)	-	-	(6.761)	(6.761)
<b>Balance as of December 31,</b>	<b>396</b>	<b>2.268</b>	<b>18.494</b>	<b>21.158</b>	<b>581</b>	<b>562</b>	<b>14.138</b>	<b>15.281</b>

In accordance with the Decision on Credit Risk Management, effective as from July 1, 2019, the Bank made mandatory transfer of credit exposures to off-balance sheet accounts if twelve months have passed since the Bank was obliged to recognize an allowance for impairment i.e., to allocate a special reserve of 100%. The major part in the line of written off receivables results from that basis.

The movement of the value correction of other receivables from the subsidiary Halk Insurance is as follows:

In thousands of denars	Current year 2023	Previous year 2022
Balance on January 1	144.448	157.927
additional reservations during the year	3.206	52.798
(release of reservations during the year)	(16.544)	(66.056)
(Write off)	(9.347)	(221)
<b>Balance on 31 December</b>	<b>121.763</b>	<b>144.448</b>

**26. Foreclosed assets**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Debt securities	-	-
Equity instruments	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
Other receivables	-	-
<b>Total pledged assets</b>	<b>-</b>	<b>-</b>

**27. Foreclosed assets**

<i>In thousands of Denars</i>	Land	Buildings	Equipment	Residential facilities and apartments	Other valuables	Total
<b>Initial carrying amount</b>						
Balance as of January 1, 2022 (Previous year)	5.908	2.309	-	4.157	581	12.955
foreclosed during the year	-	-	-	-	-	-
(sold during the year)	(338)	-	-	(1.355)	-	(1.693)
(transfer to own assets)	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	<b>5.570</b>	<b>2.309</b>	<b>-</b>	<b>2.802</b>	<b>581</b>	<b>11.262</b>
Balance as of January 1, 2023 (Current year)	5.570	2.309	-	2.802	581	11.262
foreclosed during the year	-	-	-	-	-	-
(sold during the year)	(4.993)	-	-	-	-	(4.993)
(transfer to own assets)	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	<b>577</b>	<b>2.309</b>	<b>-</b>	<b>2.802</b>	<b>581</b>	<b>6.269</b>
<b>Impairment</b>						
Balance as of January 1, 2022 (Previous year)	5.395	2.309	-	4.157	581	12.442
Impairment loss during the year	241	-	-	-	-	241
(sold during the year)	(255)	-	-	(1.355)	-	(1.610)
(transfer to own assets)	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	<b>5.381</b>	<b>2.309</b>	<b>-</b>	<b>2.802</b>	<b>581</b>	<b>11.073</b>
Balance as of January 1, 2023 (Current year)	5.381	2.309	-	2.802	581	11.073
Impairment loss during the year	189	-	-	-	-	189
(sold during the year)	(4.993)	-	-	-	-	(4.993)
(transfer to own assets)	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	<b>577</b>	<b>2.309</b>	<b>-</b>	<b>2.802</b>	<b>581</b>	<b>6.269</b>
<b>Current carrying amount as of</b>						
January 1, 2023 (Previous year)	513	-	-	-	-	513
<b>December 31, 2022 (Previous year)</b>	<b>189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189</b>
<b>December 31, 2023 (Current year)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

As of December 31, 2023, according to the latest estimates available to the Bank, the objective value of the property taken over is 16,571 thousand denars. Within the scope of the sale of the foreclosed property, it was sold during the year in the amount of 4,627 thousand denars, while the rest of 366 thousand denars is due to the effect of exchange rate differences

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**28. Intangible assets**

**A Reconciliation of the current carrying amount**

<i>In thousands of Denars</i>	Internally Developed software	Software purchased from external suppliers	Other internally developed intangible assets	Other intangible assets	Investments in intangible assets under lease	Non-controlling interest	Total
<b>Cost</b>							
Balance as of January 1.2022 (Previous year)	-	393.440	-	175.544	53.819	-	622.803
Increase through new acquisitions	-	45.845	-	18.401	17.348	-	81.594
Increase through internal development	-	4.923	-	-	-	-	4.923
Increase through business combinations	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-
(Transfer to non-current assets held-for-sale)	-	-	-	-	-	-	-
<b>Balance as of December 31.2022 (Previous year)</b>	-	<b>444.208</b>	-	<b>193.945</b>	<b>71.167</b>	-	<b>709.320</b>
Balance as of January 1, 2023 (Current year)	-	444.208	-	193.945	71.167	-	709.320
Increase through new acquisitions	-	116.440*	-	19.665	15.065	-	151.170
Increase through internal development	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-
(Transfer to non-current assets held-for-sale)	-	-	-	-	-	-	-
Transfer from non-current assets held-for-sale	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	<b>560.648</b>	-	<b>213.610</b>	<b>86.232</b>	-	<b>860.490</b>
<b>Depreciation and impairment</b>							
Balance as of January 1.2022 (Previous year)	-	264.422	-	113.676	50.642	-	428.740
Depreciation for the year	-	52.269	-	26.796	12.168	-	91.233
Impairment loss during the year	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	<b>316.691</b>	-	<b>140.472</b>	<b>62.810</b>	-	<b>519.973</b>
Balance as of January 1.2023 (Current year)	-	316.691	-	140.472	62.810	-	519.973
Depreciation for the year	-	54.382	-	26.089	12.794	-	93.265
Impairment loss during the year	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	<b>371.074</b>	-	<b>166.561</b>	<b>75.604</b>	-	<b>613.239</b>
<b>Current carrying amount as of</b>							
January 1.2022 (Previous year)	-	129.018	-	61.868	3.177	-	194.063
<b>December 31, 2022 (Previous year)</b>	-	<b>127.517</b>	-	<b>53.473</b>	<b>8.357</b>	-	<b>189.347</b>
<b>December 31, 2023 (Current year)</b>	-	<b>189.574</b>	-	<b>47.049</b>	<b>10.628</b>	-	<b>247.251</b>

\*Included in the new purchases is the implementation of a new software solution of the subsidiary which would ensure that the basic function of the IT Department in Halk Osiguruvanje AD Skopje is a service to the business in the direction of efficient and successful implementation of the set plans and strategies of the company. As of December 31, 2023, the same is under preparation. The company started working in the new system starting from 01.04.2024.

(All amounts are expressed in thousands of Denars unless otherwise stated)

**28. Intangible Assets (Continued)*****B Carrying amount of the intangible assets over which there is limited ownership and/or are pledged as collateral/pledge for bank's liabilities***

<i>In thousands of Denars</i>	Internally Developed software	Software purchased from external suppliers	Other internally developed intangible assets	Other intangible assets	Investments in intangible assets under lease	Total
Current carrying amount as of December 31.2022 (Previous year)	-	-	-	-	-	-
December 31.2023(Current year)	-	-	-	-	-	-

As of December 31, 2023, the Group has not pledged intangible assets as security for the Bank's obligations (as of December 31, 2022: none).

**HALK BANKA AD Skopje and subsidiary**
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**
*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**29. Property and Equipment**
**A Reconciliation of the current carrying amount**

<i>In thousands of Denars</i>	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Leasehold improvements	Total
<b>Cost</b>									
Balance as of January 1, 2022 (Previous year)	-	2.098.699	50.041	139.952	908.673	81.830	26.989	242.332	3.548.516
Increases	-	32.462	1.519	18.310	117.323	6.043	(6.435)	218	169.440
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(3.090)	(101)	(19.832)	(13)	-	-	(23.036)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	<b>2.131.161</b>	<b>48.470</b>	<b>158.161</b>	<b>1.006.164</b>	<b>87.860</b>	<b>20.554</b>	<b>242.550</b>	<b>3.694.920</b>
Balance as of January 1, 2022 (Current year)	-	2.131.161	48.470	158.161	1.006.164	87.860	20.554	242.550	3.694.920
Increases	-	298.782	7.146	3.013	71.789	18.132	9.172	10.154	418.188
(Disposal and write off)	-	(127.280)	(2.068)	-	(5.645)	-	-	-	(134.993)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	<b>2.302.663</b>	<b>53.548</b>	<b>161.174</b>	<b>1.072.308</b>	<b>105.992</b>	<b>29.726</b>	<b>252.704</b>	<b>3.978.115</b>
<b>Depreciation and impairment</b>									
Balance as of January 1, 2022 (Previous year)	-	262.499	40.332	111.193	642.654	40.948	-	151.791	1.249.417
Depreciation for the year	-	52.630	4.745	11.843	113.576	7.504	-	23.257	213.555
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(3.090)	(81)	(18.552)	(5)	-	-	(21.728)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	<b>315.129</b>	<b>41.987</b>	<b>122.955</b>	<b>737.678</b>	<b>48.447</b>	-	<b>175.048</b>	<b>1.441.244</b>
Balance as of January 1, 2023 (Current year)	-	315.129	41.987	122.955	737.678	48.447	-	175.048	1.441.244
Depreciation for the year	-	54.390	4.538	12.364	115.324	7.522	-	20.277	214.415
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(8.389)	(1.379)	-	(5.645)	-	-	-	(15.413)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	<b>361.130</b>	<b>45.146</b>	<b>135.319</b>	<b>847.357</b>	<b>55.969</b>	-	<b>195.325</b>	<b>1.640.246</b>
<b>Carrying amount as of</b>									
January 1, 2022 (Previous year)	-	1.836.200	9.709	28.759	266.019	40.882	26.989	90.541	2.299.099
<b>December 31, 2022 (Previous year)</b>	-	<b>1.816.032</b>	<b>6.483</b>	<b>35.206</b>	<b>268.486</b>	<b>39.413</b>	<b>20.554</b>	<b>67.502</b>	<b>2.253.676</b>
<b>December 31, 2023 (Current year)</b>	-	<b>1.941.533</b>	<b>8.402</b>	<b>25.855</b>	<b>224.951</b>	<b>50.023</b>	<b>29.726</b>	<b>57.379</b>	<b>2.337.869</b>

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**29. Property and Equipment (Continued)****B. Carrying amount of the items of property, plant and equipment over which there is limited ownership and/or are pledged as collateral/pledge for bank's liabilities**

<i>In thousands of Denars</i>	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Leasehold improvements	Total
Carrying amount as of:									
December 31, 2022	-	753	-	-	-	-	-	-	753
December 31, 2023	-	715	-	-	-	-	-	-	715

On December 31, 2023, the Group does not have one title deed for office space with a net present value of MKD 715 thousand (2022: MKD 753 thousand). The Agency for Real Estate Cadastre is charged by the Ministry of Finance with determining the ownership of the property and its registration in the real estate cadastre.

As of December 31, 2023, the Group has not pledged real estate and equipment as security for the Bank's obligations (as of December 31, 2022: none).



(All amounts are expressed in thousands of Denars unless otherwise stated)

**30. Current and Deferred Tax Assets and Liabilities**

**30.1 Current tax assets and current tax liabilities**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Current income tax receivables	2.518	2.518
Current income tax liabilities	(62.718)	(9.613)

**30.2 Deferred tax assets and deferred tax liabilities**

**A Recognized deferred tax assets and deferred tax liabilities**

<i>In thousands of Denars</i>	Current year 2023			Previous year 2022		
	Deferred tax assets	Deferred tax liabilities	Net basis	Deferred tax assets	Deferred tax liabilities	Net basis
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Deferred tax assets / liabilities recognized in the income statement</b>	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Hedges of cash flows	-	-	-	-	-	-
<b>Deferred tax assets / liabilities recognized in equity</b>	-	-	-	-	-	-
<b>Total recognized deferred tax assets / liabilities</b>	-	-	-	-	-	-

**B Unrecognized deferred tax assets**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Tax losses	-	-
Tax credit	-	-
<b>Total unrecognized deferred tax assets</b>	-	-

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**30. Current and Deferred Tax Assets and Liabilities (Continued)**

**30.2 Deferred tax assets and deferred tax liabilities (Continued)**

**C Reconciliation of the movement of deferred tax assets/liabilities during the year**

<i>In thousands of Denars</i>	Recognized during the year in:			Balance as of 31 December
	As of 01 January	Income statement	Equity	
<b>Previous year 2022</b>				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Hedges of cash flows	-	-	-	-
<b>Total recognized deferred tax assets/ liabilities</b>	-	-	-	-
<b>Current year 2023</b>				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Hedges of cash flows	-	-	-	-
<b>Total recognized deferred tax assets/ liabilities</b>	-	-	-	-

**31. Non-current Assets Held for Sale and Disposal Group**

**A Non-current assets held for sale**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Intangible assets	-	-
Property and equipment	-	-
<b>Total non-current assets held for sale</b>	<b>-</b>	<b>-</b>

**B Disposal Group**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>Group of assets for disposal</i>		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investments in associates	-	-
Income tax receivables	-	-
Other assets	-	-
<i>Total group of assets for disposal</i>	<b>-</b>	<b>-</b>
<i>Liabilities directly associated with the group of assets for disposal</i>		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
<i>Total liabilities directly associated with the group of assets for disposal</i>	<b>-</b>	<b>-</b>

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

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***32. Trading Liabilities**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<i>Due to banks</i>		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
<i>Due to other customer</i>		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<i>Other financial liabilities</i>	-	-
<i>Trading derivatives</i>		
Contracts dependent on the interest rate change	-	-
Contracts dependent on the exchange rate change	-	-
Contracts dependent on the price of securities	-	-
Other contracts that meet the criteria of IFRS 9	-	-
	-	-
<b>Total trading liabilities</b>	-	-

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**33. Financial Liabilities at Fair Value through Profit or Loss Designated as such upon Initial Recognition**

	<i>In thousands of Denars</i>			
	Current year 2023		Previous year 2022	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
<i>Due to banks</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Due to other customer</i>				
Current accounts, demand deposits and overnight	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Issued debt securities</i>				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
<i>Subordinated debt</i>	-	-	-	-
<i>Other liabilities</i>	-	-	-	-
<b>Total financial liabilities at fair value through profit and loss designated as such upon initial recognition</b>	-	-	-	-

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
<b>Movement of changes in credit capability of the bank, for financial liabilities at fair value</b>		
Balance as of January 1	-	-
Recognized in Other comprehensive income for the year	-	-
(Transfer to other reserve funds)	-	-
<b>Balance as of December 31</b>	-	-

**34. Deposits**

**34.1 Deposits from banks**

<i>In thousands of Denars</i>			
Current year 2023		Previous year 2022	
Short-term	Long-term	Short-term	Long-term
Current accounts			
domestic banks	41.722	-	30.832
foreign banks	1.809.502	-	1.534.041
Demand deposits	-	-	-
domestic banks	-	-	-
foreign banks	-	-	-
Time deposits	-	-	-
domestic banks	596.502	-	835.639
foreign banks	6.149.500	-	4.892.578
Restricted deposits	-	-	-
domestic banks	610	-	610
foreign banks	-	-	-
Other deposits	-	-	-
domestic banks	-	-	-
foreign banks	-	-	-
Interest payable on deposits	-	-	-
domestic banks	134	-	55
foreign banks	2.759	-	1.181
Current maturity	-	-	-
<b>Total deposits from banks</b>	<b>8.600.729</b>	<b>-</b>	<b>7.294.936</b>

**HALK BANKA AD Skopje and subsidiary**
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**
*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**34. Deposits (Continued)**
**34.2 Deposits from other customer**

	<i>In thousands of Denars</i>			
	Current year 2023		Previous year 2022	
	Short-term	Long-term	Short-term	Long-term
Non-financial entities				
Current accounts	17.841.763	-	14.607.589	-
Demand deposits	-	-	-	-
Time deposits	1.740.338	5.405.739	1.371.648	4.879.408
Restricted deposits	731.547	1.486.773	635.154	1.075.784
Other deposits	-	-	-	-
Interest payable on deposits	40.283	-	30.015	-
	<b>20.353.931</b>	<b>6.892.512</b>	<b>16.644.406</b>	<b>5.955.192</b>
Government				
Current accounts	197.512	-	280.103	-
Demand deposits	-	-	-	-
Time deposits	-	-	-	-
Restricted deposits	-	-	-	-
Other deposits	-	-	-	-
Interest payable on deposits	-	-	-	-
	<b>197.512</b>	<b>-</b>	<b>280.103</b>	<b>-</b>
Non-profit institutions serving households				
Current accounts	737.440	-	671.716	-
Demand deposits	-	-	-	-
Term deposits	6.638	387.761	52.328	298.453
Restricted deposits	309	2.704	976	1.309
Other deposits	-	-	-	-
Interest payable on deposits	2.386	-	868	-
	<b>746.773</b>	<b>390.465</b>	<b>725.888</b>	<b>299.762</b>
Financial institutions, except banks				
Current accounts	182.764	-	320.247	-
Demand deposits	-	-	-	-
Time deposits	459.173	2.981.709	465.071	3.751.853
Restricted deposits	-	134.779	-	6.585
Other deposits	-	-	-	-
Interest payable on deposits	37.294	-	30.585	-
	<b>679.231</b>	<b>3.116.488</b>	<b>815.903</b>	<b>3.758.438</b>
Households				
Current accounts	13.223.173	-	11.618.759	-
Demand deposits	1.571.891	-	1.634.607	-
Time deposits	2.843.916	13.665.696	1.297.225	11.387.184
Restricted deposits	77.666	1.036.459	94.511	942.079
Other deposits	16.589	-	16.589	-
Interest payable on deposits	186.789	-	81.096	-
	<b>17.920.024</b>	<b>14.702.155</b>	<b>14.742.787</b>	<b>12.329.263</b>
Foreign entities, except banks				
Current accounts	296.164	-	291.744	-
Demand deposits	2.169	-	2.169	-
Time deposits	32.767	1.136.758	11.358	884.547
Restricted deposits	14.702	37.636	29.611	38.134
Other deposits	-	-	-	-
Interest payable on deposits	776	-	493	-
	<b>346.578</b>	<b>1.174.394</b>	<b>335.375</b>	<b>922.681</b>
Current maturity	<b>11.722.406</b>	<b>(11.722.406)</b>	<b>11.672.112</b>	<b>(11.672.112)</b>
<b>Total deposits from other customers</b>	<b>51.966.452</b>	<b>14.553.608</b>	<b>45.216.574</b>	<b>11.593.224</b>

(All amounts are expressed in thousands of Denars unless otherwise stated)

**35. Debt securities Issue**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on debt securities issued	-	-
<b>Total debt securities issued</b>	<b>-</b>	<b>-</b>



**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***36. Borrowings****A Borrowings structure according to liability type and creditor's sector**

	<i>In thousands of Denars</i>			
	Current year 2023		Previous year 2022	
	Short-term	Long-term	Short-term	Long-term
Banks				
Residents				
Borrowings	-	3.860.028	3.075	4.028.891
Repo transactions		-	-	-
Interest liabilities	16.822	-	7.656	-
Non-residents				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-financial companies				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Government				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-profit institutions serving households				
Borrowings	-	-	-	-
Interest liabilities	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-residents, except banks				
Non-financial companies				
Borrowings	-	671.028	-	978.994
Repo transactions	-	-	-	-
Interest liabilities	1.873	-	2.100	-
Government				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-profit institutions serving households				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Households				
Borrowings	-	-	-	-
Interest liabilities	-	-	-	-
Current maturity	949.618	(949.618)	1.093.336	(1.093.336)
<b>Total borrowings</b>	<b>968.313</b>	<b>3.581.438</b>	<b>1.106.167</b>	<b>3.914.549</b>

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023***(All amounts are expressed in thousands of Denars unless otherwise stated)***36. Borrowings (Continued)****B Borrowings by lender**

		<i>In thousands of Denars</i>			
		Current year 2023		Previous year 2022	
		Short-term	Long-term	Short-term	Long-term
<i>Domestic sources:</i>					
Development Bank of North Macedonia JSC Skopje (DBNM)					
	16.822	3.860.028	10.731	4.028.891	
	<b>16.822</b>	<b>3.860.028</b>	<b>10.731</b>	<b>4.028.891</b>	
<i>Foreign sources:</i>					
European Foundation for Southeastern Europe (EFSE)					
	1.606	578.777	1.690	795.795	
Green for Growth Fund (GGF)					
	267	92.250	410	183.199	
	<b>1.873</b>	<b>671.027</b>	<b>2.100</b>	<b>978.994</b>	
Current maturity					
	949.618	(949.619)	1.093.336	(1.093.336)	
<b>Total borrowings</b>	<b>968.313</b>	<b>3.581.437</b>	<b>1.106.167</b>	<b>3.914.549</b>	

The Group has pledged receivables, in form of notarial act, in favor of the Development Bank of North Macedonia (DBNM), related to sub-loan agreements concluded with final users, approved by EIB credit lines 1, 2, 3 and 4 and Framework Contract for participation in the borrowing programme for the development of micro, small and medium enterprises, support export and permanent working capital. It is the Bank's liability to pledge the receivables incurred from contracts with its client in favor of DBNM.

In case of default of payment by the Halk Bank towards DBNM, DBNM would have an executive title in the form of a notarial act, with which DBNM would collect the debt that Halk Bank claims from its customers.

**Terms of repayment**

Lender	Security	Currency	Interest rate	Year of maturity
DBNM	Promissory notes + pledged receivables from clients	EUR	0%-1%+3 months EURIBOR	2034
EFSE	Unsecured loan	EUR	2,30%+ 6 months EURIBOR	2021-2027
GGF	Unsecured loan	EUR	2,40% + 6 months EURIBOR	2018-2024

As of 31 December 2023 and 31 December 2022, the Bank is in accordance with the covenants determined by the creditor EFSE and GGF.

**HALK BANKA AD Skopje and subsidiary****Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**37. Subordinated debt**

<i>In thousands of Denars</i>	
Current year 2023	Previous year 2022
<i>Subordinated deposit liabilities</i> (list separately)	
_____	-
_____	-
_____	-
_____	-
Interest liabilities	-
	-
<i>Subordinated loan liabilities</i> (list separately)	
_____	-
_____	-
_____	-
_____	-
Interest liabilities	-
	-
<i>Subordinated debt on issued securities</i> (list separately)	
_____	-
_____	-
_____	-
_____	-
Interest liabilities	-
	-
Redeemable preference shares	-
<b>Total subordinated debt</b>	-

**HALK BANKA AD Skopje and subsidiary**

**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**38. Special Reserve and Provision**

<i>In thousands of Denars</i>	Provision for off-balance sheet credit exposures	Provisions for contingent liabilities arising from litigation	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for erroneous contracts	Other provision	Total
Balance as of January 1, 2022 (Previous year)	13.739	22.474	124.487	-	-	848.435	1.009.135
additional provisions during the year	177.972	6.149	124.517	-	-	-	308.638
(used provisions during the year)	-	-	(113.914)	-	-	-	(113.914)
(release of provisions during the year)	(139.006)	(2.096)	-	-	-	(4.253)	(145.355)
Effect of exchange rate differences	(105)	-	-	-	-	-	(105)
<b>Balance as of December 31, 2022 (Previous year)</b>	<b>52.599</b>	<b>26.527</b>	<b>135.090</b>	<b>-</b>	<b>-</b>	<b>844.182</b>	<b>1.058.398</b>
Balance as of January 1, 2023 (Current year)	52.599	26.527	135.090	-	-	844.182	1.058.398
additional provisions during the year	151.869	13.217	219.078	-	-	10.194	394.358
(used provisions during the year)	-	(1.484)	(123.342)	-	-	-	(124.826)
(release of provisions during the year)	(111.605)	-	-	-	-	-	(111.605)
Effect of exchange rate differences	11	-	-	-	-	-	11
<b>Balance as of December 31, 2023 (Current year)</b>	<b>92.874</b>	<b>38.260</b>	<b>230.826</b>	<b>-</b>	<b>-</b>	<b>854.376</b>	<b>1.216.336</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**38. Special reserve and provision (Continued)**

The carrying amount of provisions for retirement and other employee benefits is determined by discounting estimated future cash outflows. The bank does not reserve funds for other benefits for employees.

The actuarial assumptions are as follows:

Year	2023	2022
Interest rate	5%	5%
Average salary growth	6% yearly/ 0,5% monthly	4,6% yearly/ 0,38% monthly
Personal income tax rate	10% only for 1 basis for retirement benefits	10% only for 1 basis for retirement benefits

In order to determine the current value of the expected future liabilities for retirement severance pay and the corresponding cost for current services, a model has been created according to the method of crediting a projected unit (Project Unit Credit Method - PUCM). The estimated expected value of the liability takes into account the probability that the benefit will be realized, based on the probability that the employee will not terminate the employment in the Bank and at the same time will experience the moment of retirement. This probability is derived from the defined actuarial assumptions about employee mortality and fluctuation.

The present value of the liability is a discounted value on the day of calculation, from the obtained estimated expected value of the liability, calculated in accordance with the assumptions with the probability that the cash outflow will be realized. The cost of current services is a discounted value on the day of the calculation, from the projected expected value of the unit, with the probability that the cash outflow will be realized.

The amount of 854,376 thousand denars (2022: 844,181 thousand denars) in the section other provisions represents the amount of net technical reserves of the subsidiary as follows:

	<i>In thousands of denars</i>	<i>In thousands of denars</i>
	current year 2023	current year 2022
Transfer premium	373.158	331.313
Transferred premium - part for reinsurance	(28.148)	(5.306)
Reported damages	261.518	344.542
Reported claims-reinsurance portion	(8.891)	(78.969)
Incurred but unreported damages (IBNR)	238.638	241.628
IBNR – reinsurance section	(13.898)	(18.348)
Reserves for indirect costs	13.315	12.175
Reserves for direct costs	16.190	16.105
Gross reserves for bonuses and discounts	2.494	1.041
<b>Total remaining reservations</b>	<b>854.376</b>	<b>844.181</b>

**39. Other Liabilities**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Trade payables	23.996	9.384
Received advances	-	-
Liabilities for commissions and fees	1.771	1.362
Accrued expenses	52	9
Deferred income from previous year	102.217	69.309
Short term employee liabilities	-	-
Short-term liabilities for employee benefits	-	-
Other (liabilities more than 10% of the total other liabilities)	-	-
Liabilities to other banks, upon transactions with Master cards	191.722	111.166
Liabilities to other banks, upon transactions with Visa cards	400.440	332.434
Liabilities to other banks for settlement from card operations	77.307	58.376
Reinsurance obligations	82.597	120.421
Obligations towards policyholders	-	31.111
Deposits for performing of work	5.526	843
Other taxes and contributions	7.853	4.419
Undistributed inflow (in MKD)	11.738	10.318
Undistributed foreign exchange inflow	349.226	315.603
Founding deposit for firms	14.887	17.694
Obligations to employees	10.715	8.629
Other	86.825	73.239
<b>Total other liabilities</b>	<b>1.366.872</b>	<b>1.164.317</b>

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**40. Subscribed Capital**

**A Subscribed Capital**

	<i>In Denars</i>		<i>number of issued shares</i>				<i>In thousands of Denars</i>	
	Nominal value per share		Ordinary shares		Preference shares nonredeemable		Nominal value per share	
	ordinary shares	preference shares - nonredeemable	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Balance at 1 January - fully paid	10.000	-	1.100.191	915.691	-	-	11.001.910	9.156.910
Subscribed shares during the year	10.000	-	184.500	184.500	-	-	1.845.000	1.845.000
Realization of share options	-	-	-	-	-	-	-	-
Division/ increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
<b>As at 31 December – fully paid</b>	<b>10.000</b>	<b>-</b>	<b>1.284.691</b>	<b>1.100.191</b>	<b>-</b>	<b>-</b>	<b>12.846.910</b>	<b>11.001.910</b>

Holders of ordinary shares are entitled to the dividend when it is announced and have the right to one vote at the Bank's Meeting for the equivalent of 1 ordinary share (2021: 1 ordinary share). All shares carry the right to proportional participation in the division of the rest of the bankruptcy, that is, the liquidation mass.

In June 2022, the Bank's Shareholders' Assembly adopted a Decision to increase the share capital by issuing shares through a private offering in order to ensure optimal capital adequacy in the coming period. Additional 184,500 ordinary shares with a nominal value of 10,000 denars were issued, that is, the capital increase amounted to 1,845,000,000 denars. With this issue of shares, the ownership share in the capital of the largest shareholder of HALK BANKA AD Skopje, Turkiye Halk Bankasi a.s., increased. Istanbul, Turkey (see Note 40c).

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**40. Subscribed Capital (Continued)**

**B Dividends**

**B.1 Declared dividends and dividends paid by the Bank**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Dividends declared and paid dividends for the year	-	-

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Dividend per ordinary share	-	-
Dividend per preferential share	-	-

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

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Announced dividends following December 31	-	-

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Dividend per ordinary share	-	-
Dividend per preferential share	-	-

There is no proposed dividend by the Supervisory Board following the balance sheet date.



*(All amounts are expressed in thousands of Denars unless otherwise stated)***40. Subscribed Capital (Continued)****C Shareholders with more than 5% voting shares**

	<i>In thousands of Denars</i>		<i>in %</i>	
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Name of the shareholder	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
Turkiye Halk Bankasi A.S. Istanbul	12.799.050	10.954.050	99,63%	99,56%
<b>Total</b>	<b>12.799.050</b>	<b>10.954.050</b>	<b>99,63%</b>	<b>99,56%</b>

**Statutory reserves**

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

**Reserve for fair value**

The reserve for fair value of the Bank comprises the cumulative net change in the fair value of the investments available-for-sale, less the impairment losses, while the investment itself is derecognized.

**Revaluation reserve for foreclosed assets**

Revaluation reserves for foreclosed assets are formed at the moment of recognition of the foreclosed assets.

As of the foreclosure date the Group is obliged to record an impairment of at least 20% of the foreclosed asset initial carrying amount. If the released allowance for impairment/special reserve is higher than impairment of the foreclosed asset, the Bank should recognize the difference as a revaluation reserve as of the foreclosure date.

The Group derecognizes the revaluation reserve in the income statement at the time of sale of the asset. Furthermore, the revaluation reserve can be derecognized in a situation, where the asset is not sold, but the revaluation reserve is excluded from the additional capital in accordance with the Decision on the methodology for determining the adequacy capital.

**Share premium**

As of December 31, 2023, the share premiums of Denar 325.854 thousand (2022: Denar 325.854 thousand) represent the differences between par value and subscription price of the shares.

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**41. Earnings per share**

**A Basic earnings/(loss) per share**

<i>In thousands of Denars</i>	
Current year 2023	Previous year 2022
<i>Net profit attributable to holders of ordinary shares</i>	
1.179.612	540.704
Net profit for the year	
-	-
Dividends on non-redeemable preference shares	
-	-
Adjustments to net profit attributable to ordinary shareholders	
-	-
<b>Net - Profit attributable to holders of ordinary shares</b>	<b>540.704</b>
<b>1.179.612</b>	<b>540.704</b>

<i>Number of shares</i>	
Current year 2023	Previous year 2022
<i>Weighted average number of ordinary shares</i>	
1.100.191	915.691
Issued ordinary shares as of January 1	
Effects of the changes in the number of ordinary shares during the year:	
75.316	-
Effect of shares issued as of 04.08.2023	
-	78.855
Effect of shares issued as of 28.07.2022	
<b>1.175.507</b>	<b>994.546</b>
<b>Weighted average number of ordinary shares as of 31 December</b>	
<b>1.003</b>	<b>544</b>
<b>Basic earnings per share (in Denars)</b>	

**B Diluted earnings/(loss) per share**

<i>In thousands of Denars</i>	
Current year 2023	Previous year 2022
<i>Net profit attributable to holders of ordinary shares (diluted)</i>	
1.179.612	540.704
Net profit for the year attributable to holders of ordinary shares	
-	-
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares	
-	-
<b>Net - Profit attributable to holders of ordinary shares (diluted)</b>	<b>540.704</b>
<b>1.179.612</b>	<b>540.704</b>

<i>Number of shares</i>	
Current year 2023	Previous year 2022
<i>Weighted average number of ordinary shares (diluted)</i>	
1.100.191	915.691
Issued ordinary shares as of 1 January	
Effects of issued potential ordinary shares (list separately)	
75.316	-
Effect of shares issued as of 04.08.2023	
-	78.855
Effect of shares issued as of 28.07.2023	
<b>1.175.507</b>	<b>994.546</b>
<b>Weighted average number of ordinary shares (diluted) as of December 31</b>	
<b>1.003</b>	<b>544</b>
<b>Diluted earnings per share (MKD)</b>	

**42 Contingent Liabilities and Contingent Assets**

**42.1 Contingent liabilities**

<i>In thousands of Denars</i>		
	Current year 2023	Previous year 2022
Unsecured payment guarantees		
In Denar	3.565.609	3.391.088
In foreign currency	430.049	429.083
in Denar with foreign currency clause	2.425.349	2.020.258
Unsecured performance guarantees		
In Denar	2.278.429	1.484.722
In foreign currency	1.156.956	226.958
in Denar with foreign currency clause	2.381.114	2.334.736
Unsecured letter of credit		
In Denar	-	-
In foreign currency	838.494	1.669.901
in Denar with foreign currency clause	-	-
Unused overdraft on current accounts	617.469	575.020
Unused credit card limits	886.996	829.885
Commitments for credit and unused credit limits	24.481.281	19.966.407
Issued covered guarantees	519.667	506.865
Covered letters of credit	102.775	-
Other covered contingent liabilities	-	-
<b>Total contingent liabilities before special reserve</b>	<b>39.684.188</b>	<b>33.434.923</b>
(Special reserve)	(92.874)	(52.598)
<b>Total liabilities less special reserve</b>	<b>39.591.314</b>	<b>33.382.325</b>

**42 Contingent Liabilities and Contingent Assets (Continued)****42.1 Contingent Liabilities (Continued)****Litigations**

The bank is involved in court proceedings from its regular operations. The amount of legal disputes that are conducted against the Bank on December 31, 2023 is 94.864 thousand denars (2022: 102.495 thousand denars), for which a reserve in the amount of 19.387 thousand denars (2022: 7.830 thousand denars) has been recorded. The Bank's management believes that the final outcome of the rest of the court disputes will be resolved in favor of the Bank and that no materially significant losses will occur on the basis of these disputes.

In 2020, the Bank identified an incident when processing transactions with VISA Direct OCT. As a result of an incident, the funds received for the same customer transaction were duplicated, i.e. double crediting of their accounts. The bank recorded a claim from the customers for the double-directed funds. At the same time, a reservation was made on the basis of potential litigation outside the regular established practice with the Legal Service for the reservation of funds in the amount of 18.738 thousand denars. In the course of 2021, court proceedings for acquisition without a basis were initiated against the debtors, and for those for which it was decided in favor of the Bank, in the course of 2023, MKD 182 thousand was collected (2022: MKD 1.019 thousand). For this amount at the same time, reserved funds are released.

As of December 31, 2023, the subsidiary is involved in 7 active lawsuits as a defendant that do not relate to the core business, that is, they are not related to compensation for damages. 6 (six) of the disputes are based on transferred situations from 2022, 5 (five) of them initiated by one plaintiff, a former representative and all are based on the same basis - debt. 1 (one) court case was initiated in 2023. The subsidiary expects that part of the disputes will end in its favor, and the balance of reserves as of December 31, 2023 amounts to MKD 2.104.128.

**42.2 Contingent Assets**

List separately the more significant contingent assets:

**Total contingent assets**

<i>In thousands of Denars</i>	
<i>Current year 2023</i>	<i>Previous year 2022</i>
-	-

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31, 2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**43. Activities on behalf of third parties**

	<i>In thousands of Denars</i>					
	Current year 2023			Previous year 202		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Deposits in denars	4.000	-	4.000	4.000	-	4.000
Foreign currency deposits	-	-	-	-	-	-
Loans in denars	230.488	-	230.488	234.023	-	234.023
Foreign currency loans	-	-	-	-	-	-
Other receivables in denars	1.984.149	-	1.984.149	1.429.358	-	1.429.358
Other foreign currency receivables	-	-	-	-	-	-
Asset management on behalf and for account of third parties						
Deposits in denars	-	(4.000)	(4.000)	-	(4.000)	(4.000)
Foreign currency deposits	-	-	-	-	-	-
Loans in denars	-	(230.488)	(230.488)	-	(234.023)	(234.023)
Foreign currency loans	-	-	-	-	-	-
Other receivables in denars	-	(1.984.149)	(1.984.149)	-	(1.429.358)	(1.429.358)
Other foreign currency receivables	-	-	-	-	-	-
Trust accounts	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>2.218.637</b>	<b>(2.218.637)</b>	<b>-</b>	<b>1.667.381</b>	<b>(1.667.381)</b>	<b>-</b>

The Group is active at the primary and secondary market in order to purchase securities in the name and on behalf of individuals and entities wishing to dispose the same, whether it be in government bills or treasury bills.

#### **44. Related party transactions**

On April 7, 2011 Turkiye Halk Bankasi a.s. Istanbul, Turkey bought the majority package of shares of IC Bank AD Skopje (HALK BANKA AD Skopje) in the amount of 91.56%, thus becoming the parent company. The shares were bought by Demir Halk Bank from the Netherlands (DHB Bank), which owned 66.56% of the shares of IC Bank AD Skopje (HALK BANKA AD Skopje), as well as 25.00% of the shares owned by the European Bank for Reconstruction and Development. development (EBRD). After the merger of Ziraat Bank AD Skopje in 2012 and the capital increase until 2023, Turkiye Halk Bankasi a.s. Istanbul, Turkiye Halk Bankasi a.s. Istanbul owns 99.63% (2022: 99.56%) of the voting shares and is the parent company of the Bank. The ultimate parent company of the Group is the Turkey Assets Fund (Türkiye Varlık Fonu), which is owned by the Privatization Agency, Government of the Republic of Turkey (The Republic of Turkey Prime Ministry Privatization Administration), controlled by the State Treasury of the Republic of Turkey (State Treasury of the Republic of Turkey).

According to the Banking Law, related parties of the Bank are: individuals with special rights and responsibilities in the Bank and related entities to them, qualified shareholders to participate in the Bank (directly or indirectly owning at least 5% of the total number of shares issued or shares with voting rights in the Bank or who allow a significant impact on the Bank) and related entities to them and also the responsible entities of those shareholders - legal entities and subsidiaries of the Bank and other individuals with whom the Bank has close connections.

At the end of the year, the transactions with related parties were as presented below.

*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**44. Related party transactions (Continued)**
**A Balance sheet**

<i>In thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
<b>Balance as of December 31.2023 (Current year)</b>						
<b>Assets</b>						
Current accounts	33.167	-	-	-	-	33.167
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	88.258	-	88.258
consumer loans	-	-	-	30.195	9.535	39.730
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	-	-	5.225	15.058	20.283
Investment in securities	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-
(Allowance for impairment)	(26)	-	-	(53)	(23)	(102)
Other assets	-	-	-	-	-	-
<b>Total</b>	<b>33.141</b>	<b>-</b>	<b>-</b>	<b>123.625</b>	<b>24.570</b>	<b>181.336</b>
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	7.895.416	-	-	138.951	169.088	8.203.455
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	2.599	-	-	22	-	2.621
<b>Total</b>	<b>7.898.015</b>	<b>-</b>	<b>-</b>	<b>138.973</b>	<b>169.088</b>	<b>8.206.076</b>
<b>Contingent liabilities</b>						
Issued guarantees	621.502	-	-	-	2.728	624.230
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	16.645	2.751	19.396
(Provision)	(205)	-	-	(14)	(3)	(222)
<b>Total</b>	<b>621.297</b>	<b>-</b>	<b>-</b>	<b>16.631</b>	<b>5.476</b>	<b>643.404</b>
<b>Contingent assets</b>						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(All amounts are expressed in thousands of Denars unless otherwise stated)

**44. Related party transactions (Continued)**

**A Balance sheet (Continued)**

<i>In thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
<b>Balance as of December 31, 2022 (Previous year)</b>						
<b>Assets</b>						
Current accounts	188.315	-	-	-	-	188.315
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	-	-	-
consumer loans	-	-	-	23.560	12.030	35.590
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	-	-	83.946	5.033	88.979
Investment in securities	-	-	-	-	-	-
Investment in subsidiaries	-	937.559	-	-	-	937.559
(Allowance for impairment)	(34)	-	-	-	(85)	(119)
Other assets	-	280	-	174	1	455
<b>Total</b>	<b>188.281</b>	<b>937.839</b>	<b>-</b>	<b>107.680</b>	<b>16.979</b>	<b>1.250.779</b>
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	6.093.195	-	-	153.882	99.134	6.346.211
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	553	-	-	9.552	-	10.105
<b>Total</b>	<b>6.093.748</b>	<b>-</b>	<b>-</b>	<b>163.434</b>	<b>99.134</b>	<b>6.356.316</b>
<b>Contingent liabilities</b>						
Issued guarantees	618.633	-	-	-	-	618.633
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	14.893	31	14.924
(Provision)	(68)	-	-	(36)	-	(104)
<b>Total</b>	<b>618.565</b>	<b>-</b>	<b>-</b>	<b>14.857</b>	<b>31</b>	<b>633.453</b>
<b>Contingent assets</b>						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



*(All amounts are expressed in thousands of Denars unless otherwise stated)*
**44. Related party transactions (Continued)**
**B Income and expenditures arising from related party transactions**

<i>In thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
<b>2023 (Current year)</b>						
<b>Income</b>						
Interest income	2.397	-	-	4.184	1.419	8.000
Fee and commission income	6.430	-	-	130	99	6.659
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>8.827</b>	<b>-</b>	<b>-</b>	<b>4.314</b>	<b>1.518</b>	<b>14.659</b>
<b>Expense</b>						
Interest expense	(18.003)	-	-	(1.497)	(1.359)	(20.859)
Fee and commission expense	(1.854)	-	-	-	-	(1.854)
Net trading loss	-	-	-	-	-	-
Expenditures for the purchase of non-current assets	-	-	-	-	-	-
Impairment of financial assets, net	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>(19.857)</b>	<b>-</b>	<b>-</b>	<b>(1.497)</b>	<b>(1.359)</b>	<b>(22.713)</b>

<i>In thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
<b>2022 (Previous year)</b>						
<b>Income</b>						
Interest income	1.441	-	-	3.540	1.645	6.626
Fee and commission income	5.729	-	-	706	168	6.603
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	789	99	888
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>7.170</b>	<b>-</b>	<b>-</b>	<b>5.035</b>	<b>1.912</b>	<b>14.117</b>
<b>Expense</b>						
Interest expense	87.973	-	-	3.540	1.645	93.158
Fee and commission expense	1.072	-	-	-	-	1.072
Net trading loss	-	-	-	-	-	-
Expenditures for the purchase of non-current assets	-	-	-	-	-	-
Impairment of financial assets, net	-	-	-	-	-	-
Other expenses	-	-	-	4.526	42	4.568
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>89.045</b>	<b>-</b>	<b>-</b>	<b>8.066</b>	<b>1.687</b>	<b>99.798</b>

(All amounts are expressed in thousands of Denars unless otherwise stated)

**44. Related party transactions (Continued)**

During 2023, Halk Banka AD Skopje concluded an agreement for the purchase and sale of real estate with the insurance company Halk Osiguruvanje AD Skopje in the amount of 3,179,678.00 euro in Denar equivalent at the middle exchange rate of the National Bank of the Republic of North Macedonia on the day of invoicing . The contract for the purchase and sale of immovable property has been implemented, the claims based on the sale of immovable property in the amount of 195,544 thousand denars have been collected during 2023 and at the same time a capital gain has been realized from the sale of fixed assets in the amount of 76,652 thousand denars.

**B Management compensations**

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Short-term employee benefits	268.467	241.585
Benefits after termination of employment	-	-
Benefits for termination of employment	-	-
Payments to employees based on shares settled with equity instruments	-	-
Payments to employees based on shares settled with cash	-	-
Other	-	-
<b>Total</b>	<b>268.467</b>	<b>241.585</b>

**45. Leases**

**A Lessor**

**A.1 Financial leases receivables**

	<i>In thousands of Denars</i>	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	Over 5 years
<b>Balance as of December 31.2023 (Current year)</b>				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance as of December 31.2022 (Previous year)</b>				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

(All amounts are expressed in thousands of Denars unless otherwise stated)

**45. Leases (Continued)**

**A Lessor**

**A.2 Receivables from irrevocable operating leases**

	Total receivables under irrevocable operating leases	Maturity period of receivables under irrevocable operating leases		
		up to 1 year	from 1 to 5 years	Over 5 years
<i>In thousands of Denars</i>				
<b>Balance as of December 31, 2023 (Current year)</b>				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

In thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
<b>Value of property given under operating leasehold</b>							
Balance as of December 31.2023 (Current year)	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31.2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**45. Leases (Continued)**

**5 Lessee**

**B.1 Liabilities for financial leases**

	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	Over 5 years
<i>In thousands of Denars</i>				
<b>Balance as of December 31.2023 (Current year)</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance as of December 31.2022 (Previous year)</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
<i>In thousands of Denars</i>							
<i>Value of a property given under financial lease</i>							
<b>Cost value</b>							
Balance as of January 1, 2022 (Previous year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write-offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	-	-	-	-	-	-
Balance as of January 1, 2023 (Current year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write-offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	-	-	-	-	-	-
<b>Accumulated depreciation and impairment</b>							
Balance as of January 1, 2022 (Previous year)	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-	-
(Release of the impairment loss during the year)	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	-	-	-	-	-	-
Balance as of January 1, 2023 (Current year)	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-	-
(Release of the impairment loss during the year)	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance as of December 31, 2023 (Current year)</b>	-	-	-	-	-	-	-
<b>Current carrying amount as of</b>							
January 1, 2022 (Previous year)	-	-	-	-	-	-	-
December 31, 2022 (Previous year)	-	-	-	-	-	-	-
December 31, 2023 (Current year)	-	-	-	-	-	-	-

**HALK BANKA AD Skopje and subsidiary**  
**Notes to the Consolidated Financial Statements for the Year Ended December 31.2023**

(All amounts are expressed in thousands of Denars unless otherwise stated)

**45. Leases (Continued)**

**B Lessee (Continued)**

**B.2 Irrevocable operating lease liabilities**

In thousands of Denars	Total receivables under irrevocable operating leases	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	Over 5 years
<b>Balance as of December 31, 2023 (Current year)</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance as of December 31, 2022 (Previous year)</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

**Operating lease**

The Group has an operating lease for its office space. The lease agreement is cancellable/irrecoverable with lease period up to and over 5 years.

**46. Share based payments**

	In thousands of Denars	
	Current year 2023	Previous year 2022
Date of granting of option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Share price on the date the option is granted	-	-
Variance	-	-
Expected dividend return	-	-
Interest rate	-	-
Fair value on the date the option is granted	-	-

	Current year 2023		Previous year 2022	
	number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
<b>Balance as of January 1</b>	-	-	-	-
Changes during the year:				
options given to the members of Supervisory Board	-	-	-	-
options given to the members of Board of Directors	-	-	-	-
other given options	-	-	-	-
forfeited options	-	-	-	-
realized options	-	-	-	-
options with expired deadline	-	-	-	-
<b>Balance as of December 31</b>	-	-	-	-

*(All amounts are expressed in thousands of Denars unless otherwise stated)*

#### **47. Tax risk**

The separate financial statements and accounting records of the Group are the subject to tax audit by tax authorities for a period of 5 years subsequent to the reported tax year, and may impose additional tax liabilities. According to the estimates by the Group's management, there are no any additional circumstances that may arise to a potential liability in this respect.

#### **48. Events after the reporting period**

From the end of the reporting period to the preparation of these financial statements, there are no events that require correction or additional disclosures in the separate financial statements for the year ended December 31, 2023, except as indicated below.

On February 02, 2024 (received by the Bank on 05.02.2024) the National Bank of the Republic of North Macedonia adopted a Decision to issue a prior consent for the appointment of Mr. Bilal Sujubashi as a member of the Management Board on 02.06. 2024 Resolutions were adopted for the issuance of prior consent for the appointment of Mr. Berkan Imeri and Mr. Aleksandar Iljov as members of the Management Board (received in the Bank on February 6, 2024). Entries in the Central Registry of the RNM were made on 02.07.2024, i.e. 02.08.2024.

Also, on March 11, 2024 (received by the Bank on March 11, 2024), the National Bank of RNM adopted Decisions on the issuance of prior consent for the appointment of Mr. Osman Arslan and Mr. Redzep Suleiman Ozdil for members of the Supervisory Board and Mrs. Seydefa Jafce as an independent member of the Supervisory Board. The registration in the Central Register of the RNM was carried out on March 14, 2024.