

HALK BANKA AD Skopje

**Separate Financial Statements
For the Year Ended December 31, 2023 and
Independent Auditor's Report**

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

	Note	In thousands of Denars	
		2023	2022
Interest income		4.322.627	2.646.636
Interest expense		(770.697)	(512.036)
Interest income/(expense), net	6	3.551.930	2.134.600
Fee and commission income		1.532.934	1.341.966
Fee and commission expense		(768.387)	(700.629)
Fee and commission income/(expense), net	7	764.547	641.337
Net trading income	8	5.833	(3.481)
Net income from other financial instruments recorded at fair value	9	-	-
Foreign exchange gains/(losses), net	10	229.175	205.189
Other operating income	11	183.206	74.956
Share of profit from associates	24	-	-
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(1.125.755)	(433.115)
Impairment losses of non – financial assets, net	13	(189)	(241)
Personnel expenses	14	(982.892)	(770.139)
Depreciation and amortization	15	(287.802)	(287.938)
Other operating expenses	16	(970.094)	(760.903)
Share of loss from associates	24	-	-
Profit/(Loss) before tax		1.367.959	800.265
Income tax expense	17	(117.975)	(57.612)
Profit/(loss) for the year from continuing operations		1.249.984	742.653
Profit /(loss) from group of assets and liabilities held for sale*		-	-
Profit / (loss) for the year		1.249.984	742.653
Profit / (loss) for the year, attributable to*:			
Shareholders of the Bank		-	-
Non-controlling interest		-	-
Earnings per share:			
basic earnings per share (in Denars)	41	1.063	747
diluted earnings per share (in Denars)		1.063	747

The Bank's separate financial statements 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

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

	Note	In thousands of Denars	
		2023	2022
Profit/(loss) for the year		1.249.984	742.653
Other gains/(losses) for the period (before tax)		-	-
Other gains/(losses) for the period not recognized in the Income statement (before tax)		-	-
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 credit worthiness for financial liabilities measured at fair value		-	-
Income tax on other gains/(losses) not recognized in the income statement	17	-	-
Total other gains/(losses) in the period not recognized in the income statement		-	-
Other gains/ (losses) in the period which are, or might be reclassified in the income statement (before tax)		-	-
Revaluation reserve for debt assets available for sale		-	-
- unrealized net- changes in fair value of debt assets available for sale		203.862	(291.706)
- 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	(291.706)
Total other gains/ (losses) in the period		203.862	(291.706)
Total comprehensive income for the financial year,		1.453.846	450.947
Total comprehensive income for the financial year, attributable to*:			
Shareholders of the Bank		-	-
Non-controlling interest		-	-

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 Chief Executive
 Director

D-r. Berkan Imeri
 Executive Director

Mr. Turhan Ademi
 Executive Director

Mr. Aleksandar Iljov
 Executive Director

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

	Note	<i>In thousands of Denars</i>	
		2023	2022
Assets			
Cash and cash equivalents	18	21.266.101	14.737.639
Held-for-trading assets	19	-	-
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	-	-
Loans and advances to other customers	22.2	62.022.363	56.558.204
Investments in securities	23	9.662.475	7.968.416
Investments in associates (recorded according to "equity method")	24	1.368.843	937.559
Income tax receivables (current)	30.1	-	-
Other receivables	25	1.472.473	1.309.403
Pledged assets	26	-	-
Foreclosed assets	27	-	189
Intangible assets	28	174.027	176.336
Property, plant and equipment	29	2.121.368	2.222.990
Deferred tax assets	30.2	-	-
Non-current assets held for sale and disposal group	31	-	-
Total assets		98.087.650	83.910.736
Liabilities			
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	8.600.729	7.294.936
Deposits from other customers	34.2	66.676.024	57.055.834
Debt instruments issued	35	-	-
Borrowings	36	4.549.751	5.020.716
Subordinated debt	37	-	-
Special reserve and provisions	38	352.444	204.595
Income tax payable (Current)	30.1	62.719	9.614
Deferred tax liabilities	30.2	-	-
Other liabilities	39	1.190.683	968.587
Liabilities directly related to disposal group	31	-	-
Total liabilities		81.432.350	70.554.282
Equity and reserves			
Share capital	40	12.846.910	11.001.910
Share premium		325.854	325.854
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves		(16.067)	(219.929)
Other reserves		1.202.681	829.030
Retained earnings/ (Accumulated losses)		2.295.922	1.419.589
Total equity and reserves attributable to the shareholders of the Bank		16.655.300	13.356.454
Non-controlling interest*		-	-
Total equity and reserves		16.655.300	13.356.454
Total liabilities and equity and reserves		98.087.650	83.910.736
Contingent liabilities	42	39.591.300	33.390.883
Contingent assets	42	-	-

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Chief Executive
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Executive Director

Mr. Turhan Ademi
Executive Director

Mr. Aleksandar Ilijev
Executive Director

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

HALK BANKA AD Skopje

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

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

Separate 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	-	-	654.856	376.938	-	11.060.510	-	11.060.510
Corrections on the opening position As of December 31, 2022 (previous year), corrected	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9.156.910	325.854	-	-	69.419	2.358	-	-	-	474.175	-	-	654.856	376.938	-	11.060.510	-	11.060.510
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	742.650	-	-	742.650	-	742.650
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)	-	-	-	-	(291.706)	-	-	-	-	-	-	-	-	-	-	(291.706)	-	(291.706)
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	-	-	-	-	(291.706)	-	-	-	-	-	-	-	-	-	-	(291.706)	-	(291.706)
Total comprehensive income/(loss) for the current year	-	-	-	-	(291.706)	-	-	-	-	-	-	-	742.650	-	-	450.944	-	450.944

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

HALK BANKA AD Skopje

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

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

Separate 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	(Accumulated losses)			
<i>In thousands of Denars</i>																		
Transactions with the shareholders, recognized directly in equity and reserves:																		
Share issued in the period	1.845.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.845.000	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	354.855	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	(300.000)	300.000	-	-	-	-	-
As of December 31, 2022 (previous year) / January 1, 2022 (current year)	1.845.000	-	-	-	-	-	-	-	354.855	-	-	(654.855)	300.000	-	-	-	1.845.000	-
Corrections on the beginning balance	11.001.910	325.854	-	-	(222.287)	2.358	-	-	829.030	-	-	742.651	676.938	-	-	-	13.356.454	-
As of January 1, 2023 (current year), corrected	11.001.910	325.854	-	-	(222.287)	2.358	-	-	829.030	-	-	742.651	676.938	-	-	-	13.356.454	-
Total comprehensive income/(loss) for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	1.249.984	-	-	-	-	1.249.984	-
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	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with the shareholders, recognized directly in equity and reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

HALK BANKA AD Skopje

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

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

Separate 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
Transactions with the shareholders, recognized directly in equity and reserves:
 Share issued in the period
 Allocation of statutory reserve
 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
Transactions with shareholders, recognized directly in equity and reserves
As of December 31, 2023 (current year)
In thousands of Denars

	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	-							1.249.984				1.453.846	1.453.846
	1.845.000	-	-	-	-	-	-	-	373.651	-	-	-	(373.651)	-	-	-	1.845.000	1.845.000
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	(369.000)	369.000	-	-	-	-
	1.845.000	-	-	-	-	-	-	-	373.651	-	-	-	(742.651)	369.000	-	-	1.845.000	1.845.000
	12.846.910	325.854	-	-	(18.425)	2.358	-	-	1.202.681	-	-	-	1.249.984	1.045.938	-	-	16.655.300	16.655.300

The Bank's separate financial statements 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

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D-r Bilal Sucubasi
 Chief Executive
 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 separate financial statements

Separate 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
Operating cash flows		
Profit/(Loss) before taxation	1.367.959	800.265
Adjusted for:		
Non-controlling interest, included in the consolidated income statement*	-	-
Depreciation of:		
Intangible assets	88.352	87.876
Property plant and equipment	199.450	200.062
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	(4.322.627)	(2.646.636)
Interest expense	770.697	512.036
Trading income, net	(5.833)	3.481
Impairment losses of financial assets and special reserve, net		
Additional impairment losses and special reserve	1.542.852	1.013.150
Release of impairment losses and special reserve	(417.097)	(580.035)
Impairment losses of non-financial assets, net		
Additional impairment losses	189	241
Release of impairment losses	-	-
Special reserve:		
Additional provisions	297.503	231.942
Release of provisions	(149.286)	(186.172)
Dividend income	(1.745)	(904)
Share of profit/(loss) of associates	-	-
Other adjustments	-	-
Interest received	4.179.072	2.689.101
Interest paid	(635.276)	(483.196)
Profit/(loss) from operations before changes in operating assets	2.834.250	1.639.918
<i>(Increase)/decrease of operating assets:</i>		
Trading assets	5.833	(3.481)
Derivative assets held for risk management	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	(6.453.252)	(7.728.309)
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	(174.217)	(350.190)
Deferred tax assets	-	-
Non-current assets held-for-sale and disposal group	-	-

Separate 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	1.304.135	3.211.807
Deposits from other customers	9.495.366	5.003.722
Other liabilities	181.466	476.391
Liabilities directly related with disposal group	-	-
Net cash flow from operating activities before tax	5.930.270	1.315.236
(Paid)/received income tax	(64.870)	(36.567)
Net cash flow from operating activities	5.865.400	1.278.669
Cash flow from investing activities		
(Investment in securities)	(5.564.191)	(4.697.567)
Inflows from sale of investment in securities	4.132.686	4.487.371
(Outflows from investment in associates and investment in subsidiaries)	(431.284)	-
Inflows from disposal of investment in associates and subsidiaries	-	-
(Purchase of intangible assets)	(86.043)	(81.594)
Inflows from sale of intangible assets	-	-
(Purchase of property, plant and equipment)	(148.969)	(167.077)
Inflows from sale of property, plant and equipment	127.912	-
(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
Net cash flow from investing activities	(1.968.144)	(457.963)
Cash flow from financing activities		
(Repayment of debt securities issued)	-	-
Inflow from issued debt securities	-	-
(Repayment of borrowings)	(1.194.205)	(15.869.222)
Increase of borrowings	714.301	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)	-	-
(Other outflows from financing activities)	-	-
Other inflows from financing activities	-	-
Net cash flow from financing activities	1.365.096	1.891.020
Effect from allowance for impairment of cash and cash equivalents	(389)	1.049
Effect from foreign exchange differences of cash and cash equivalents	-	-
Net increase/(decrease) of cash and cash equivalents	5.261.963	2.712.775
Cash and cash equivalents as at 1 January	11.116.022	8.403.247
Cash and cash equivalents as at 31 December	16.377.985	11.116.022

* Only for consolidated financial statements

The Bank's separate 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- 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**(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 become 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 123.242 thousand denars (2.000.000 euros) and 184.954 thousand denars (3.000.000 euros) and on 31.12.2022 investment in the Subsidiary is 937.559 thousand denars (Note 24). As of December 31, 2022, the investment in the Subsidiary remains unchanged, i.e., thousands 937.559 Denars.

In January 2023, the Supervisory Board of the Bank adopted a Decision on Recapitalization of the Branch for a new amount of 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 1,184,338 thousand denar.

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.

INTRODUCTION (Continued)

(a) General Information (Continued)

The total number of employees of the Bank as of December 31, 2023 amounted to 773 employees (2021: 714 employees)

Members of the Board of Directors during 2023 and 2022 are as follows:

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. On the part of the Bank, a request has been submitted to National Bank of the Republic of North Macedonia ("NBRNM") 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 RSM on October 6, 2023, the Bank's Management Board continued to work with the following composition:

Members of the Management Board

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

The members of the Supervisory Board during 2023 and until the date of these separate 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
- Mr. Boris Petrovski, Independent 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 NBRNM on May 10, 2023 (received at the Bank on May 15, 2023) and the registration in the Central Registry of the RSM was carried out on May 18, 2023.

INTRODUCTION (Continued)

(b) Basis of Preparation of Separate Financial Statements

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 RSM 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 submitted a request to NBRNM 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 separate financial statements were approved by the Bank's Board of Directors on April 29, 2024 and were adopted by the Bank's Supervisory Board on April 29, 2024

Standards on the basis of which the separate financial statements are prepared

The data in the attached special financial reports of the Bank have been prepared in accordance with the Law on Commercial Companies, the Law on Banks, the secondary legislation 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.

Issued Standards but not yet effective

As of the date of issuance of these separate financial statements, there were no standards in issue but not yet effective.

Presentation of the Separate Financial Statements

These financial statements represent the Bank's separate financial statements. Starting from 2019, the Bank has investments in a subsidiary and since 2019, the Bank prepares consolidated financial statements in accordance with the Methodology.

The accompanying separate financial statements of the Bank have been presented in accordance with 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 referred to as the "Decision").

Functional and Reporting Currency

The accompanying separate financial statements are presented in Macedonian Denars ("MKD" or "Denar"), which is the functional and reporting currency of the Bank. Except where indicated, financial information is presented in thousands of Denars.

INTRODUCTION (Continued)**(b) Basis of Preparation of Separate Financial Statements (continued)****Use of Estimates and Judgements**

The presentation of the separate financial statements in accordance with the accounting standards applicable in the Republic of North Macedonia requires the use of best estimates and reasonable assumptions by the Bank's management, which affects the presented values of assets and liabilities, and the revenues and expenses in the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for estimation of the carrying amounts of assets and liabilities for which no other data is available. Actual results in subsequent period may differ from these estimates.

The estimates and assumptions are reviewed on a continuous basis. The revised accounting estimates are recognized in the period for which the estimate has been revised if it affects only that period, or in the period of the estimate and future periods if the revised estimate affects both periods – the current and future period.

Information regarding the critical judgments in implementation of the accounting policies with the most significant impact on the amounts disclosed in the separate financial statements are disclosed in note 1(d).

(c) Significant Accounting Policies

The accounting policies presented below have been applied consistently to all periods presented in these separate financial statements.

(i) Foreign Currency Transactions

Business changes in foreign currency are translated to denars at exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to denars at the exchange rate at the balance sheet date. Gains and losses from foreign exchange differences from monetary items is the difference between amortized cost in local currency to the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in the income statement.

The foreign currencies in which the Bank operates are predominantly in Euro (EUR) and U.S. Dollars (USD).

The exchange rates as of December 31, 2023 and 2022 were as follows:

	2023	2022
	МКД	МКД
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 expense are recognized in the income statement for all interest bearing instruments on accrual basis, measured at amortized cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering the contractual terms of the financial instrument but not future credit loss impairment. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

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

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities measured at amortized cost using an effective interest rate;
- interest on financial assets and liabilities measured at fair value through the remaining comprehensive income using an effective interest rate.

(iii) Fees and Commissions

Revenues and expenditures of fees and commissions that are an integral part of the effective interest rate on financial assets and liabilities are included in the calculation of the effective interest rate.

Other fees and commissions, including the financial services provided by the Bank in respect of currency exchange, payment operations in the country and abroad, guarantees, letters of credit and other services are recognized as the related services are performed. When a loan commitment is not expected to result in the withdrawal of loan, the fees for loans is recognized proportionately over the period of payment. Other fees and commissions expenses are related to financial services the Bank receives and are recognized as an expense as the related service is received.

(iv) Dividend Income

Dividends are recognized when the entity has the right to receive payment. Dividends are recognized as part of net trading income or dividend income based on the underlying classification of the instrument.

(v) Rent Expenses

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (continued)

(vi) Current and Deferred Tax Expenses

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date of 10%, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent for which is probable that the future taxable profits against which the asset can be utilized. Deferred tax assets are estimated at the end of each reporting period and reduced to the extent that is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it is probable that sufficient taxable profit will be available.

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

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 that are not measured at fair value through the income statement, for transaction costs that are directly related to the acquisition or issuance.

Classification

Financial assets can be classified in one of the following categories:

- a monetary asset,
- equity instruments 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 to the Bank, or
- a contract that will or may be settled in the Bank's own equity instruments, and is
 - a) a non-derivative for which the bank is or may be obliged to receive variable number of its own equity instruments, or
 - b) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the bank's own equity instruments.

Financial liabilities are classified according to the content of the contractual engagement and include: deposit with banks, financial institutions and clients, borrowings and other liabilities.

The Bank classifies the financial assets at initial recognition. Financial assets can be classified in one of the following categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through other comprehensive Income;
- financial assets measured at fair value through profit and loss.

The classification of the financial assets is performed based on the following criteria:

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

In the category "financial assets that are measured at fair value through other comprehensive income", the Bank classifies financial assets that fulfil the following criteria:

- manages the financial asset for the purpose of collecting contractual cash flows and / or for sale, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

In this category, the Bank classifies the following financial assets: cash, trade receivables, lease receivables, fees and commissions receivables and other financial assets that represent credit risk exposure pursuant to the Decision on Credit Risk Management, for which SPPI condition is not applicable. For these assets the SPPI condition is not required to be met.

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 bank classifies financial assets that meet the following criteria:

- the bank manages the financial asset in order to collect the 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 profit or loss, the Bank classifies financial assets with the purpose of trading and settling cash flows from their sale. This is also a residual category, i.e., the Bank in this category also classifies all those financial assets that do not fulfil the criteria of the other two categories.

Assessment of the business model of the Bank

Assessment of the business model of the Bank is performed on business process level, not by separate instrument. The Bank can have more business processes for financial instruments management. The Bank can use and manage a separate financial instrument in different manners, so that one financial instrument can appear in different business processes for financial instruments management of the Bank.

The assessment of the business model is performed exclusively from the key management of the Bank, while all relevant and available information are taken into account for the manner of the financial instruments management, especially, how the success/accomplishments are followed in the business process and how is the management of Bank reported about the risks that influence the accomplishments of that business model and how the risks are managed.

In accordance with the financial assets managements, three business models are identified:

- **Financial assets measured at amortized fair value**, i.e., financial assets are held for the purpose to collect the contractual cash flows (principal and interest). If certain financial instruments from this category are sold before their contractual maturity (premature sales), that is not a direct indicator for the change of the business model of the Bank. In the case of premature sales of these assets, the Bank has to do analysis if a change happened in the business model of the bank for these financial assets, whereas all data for the frequency, periods and volume of sales, causes for sales should be taken into account. (for example worsened credit risk, sale for liquidity management)
- **Financial assets measured at fair value through Other Comprehensive income**, i.e., financial assets held for the purpose to collect the contractual cash flows (principal and interest) and/or for sale. The bank holds these financial assets for liquidity management, maintaining certain interest profit, for reconciliation of the maturity (duration) of the financial assets with the maturity (duration) of the financial liabilities that are source of these assets etc.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Financial Assets and Liabilities (Continued)

- **Financial assets measured at fair value through profit or loss**, i.e., financial instruments held for trading and gaining profit from the changes in the fair value of the asset. This is residual category, i.e., the bank in this category classifies all the other financial assets that do not meet the criteria of the other two categories, considering that these financial assets are held by the Bank for active and frequent trading in order to gain profit from the changes in the fair value of the assets. The bank is managing these assets with purpose of realization of their market/fair value and management decisions are carried based on their market/fair value.

SPPI test

Debt funds that according to the Bank's business model should be classified in the categories of financial assets that are measured at amortized cost value or financial assets that are measured at fair value through the remaining comprehensive income, should meet another condition - under the terms of the contract of the asset, the Bank expects cash flows on certain dates "solely payment of principal and interest – SPPI". Within the contractual cash flows, the "*principal*" is the fair value of the financial asset at the initial recognition. The *Interest* represents compensation for the time value of the money, credit risk, liquidity risk, administrative or services costs, as well as profits margin.

To meet the SPPI condition, contractual cash flows should not include any exposure to risk or volatility that is not a common credit arrangement (for example, risk exposure to a change in stock prices or goods). The assessment of whether the SPPI condition is met is made in the currency in which the asset is denominated. SPPI condition can only be considered for debt financial assets. Those debtor financial assets that are deemed not to meet the requirement of the SPPI, the Bank will classify as financial assets that are measured at fair value through the income statement and will measure their fair value.

The analysis of whether the SPPI condition is met is made at the initial recognition of each / group debt financial asset.

The analysis of whether the SPPI condition is met is based on the contractual terms of the instrument and all cash flows determined in the agreement are taken into account. For those debts financial assets, which arise from a particular product for which the Bank has a typical contract (or contractual terms) which applies to all separate claims for that product, the Bank whether the SPPI condition is met analyses makes at the product level and not by separate financial asset.

When analyzing whether the condition of SPPI is met, the Bank takes into account the following:

- for financial assets that have a different interest rate than the one normally used on the same or similar financial instruments, the Bank makes a comparison between the non-discounted cash flows of the analyzed financial asset and the non-discounted cash flows of the financial asset with the same credit quality and the same contractual terms, 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 requirement of the SPPI and is classified and measured at fair value through the Income Statement;
- for the financial assets for which the regulator prescribes the maximum value of the interest rate that must not be exceeded, it is considered that it meets the condition 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 is provided below / above which the interest rate cannot fall / exceed, it is considered that they meet the condition of SPPI;
- for financial instruments whose interest rate is periodically adjusted for the inflation rate, it is considered that they meet the SPPI condition;
- for the financial means for which the contractual conditions provide for a change of the interest rate if there is a change in the creditworthiness of the client (regulated in the agreement that it is monitored through any indicator of the creditworthiness of the client, such as: non-payment of contractual obligations in a certain period of time, deterioration / improvement of the internal or regulatory risk category, exceeding a certain value of a certain / and financial indicator / and the operation of the client, etc.), are considered to meet the condition of the SPPI;
- for financial instruments approved in MKD with currency clause, it is considered that they meet the SPPI requirement (if the other characteristics of the instrument indicate the fulfillment of the SPPI condition);
- if the financial instrument contains a certain characteristic due to which the SPPI condition is not met, but that characteristic has a negligible impact on the contractual cash flows of the asset (de minimis feature), the Bank considers that the SPPI requirement is met;
- if the financial instrument contains a certain characteristic that would change the contractual cash flows of the asset only if a certain extremely rare event occurs with a low probability of occurrence, the Bank considers that the condition of SPPI is met;
- if the contractual terms 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 unpaid principal and due unpaid interest, as well as reasonable compensation for early termination of the contract (up to 5% from early the amount repaid), the Bank considers that the SPPI condition has been met;
- if the contractual terms of the financial instrument provide for the possibility of extension of the maturity and if the cash flows in the extended maturity period meet the requirement of SPPI (may include reasonable compensation for the extension of the maturity period), the Bank considers that SPPI condition is met.

In case of change of the contractual cash flows of the existing financial asset, the Bank on the date of the change re-evaluates / checks whether the condition of SPPI is met with the new amended contractual conditions and accordingly classifies the financial asset.

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 Bank for management of those assets. Reclassifications are made in rare cases when the change in the business model has a significant impact on the Bank's business operations, when the change is due to changes in external or internal factors that have a significant impact on the Bank's activities, etc. The decision to change the business model is made by the Bank's management. If there is a change in the business model, the Bank must reclassify all funds from one category to another. In such cases, the reclassified funds continue to be measured in accordance with the principles of the new category from that date perspective, i.e., no correction of all previously recognized gains or losses is made.

Reclassification of equity financial assets from one category to another is not permitted.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Financial Assets and Liabilities (Continued)

Measurement Principles

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

- Financial assets measured at amortized cost,
- Financial assets that are measured at fair value

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

- the amount of the initial recognition;
- reduced for principal repayments;
- reduced or increased for the amount of accumulated amortization by using the method of effective interest rate, for each difference between the amount at the initial recognition and the amount at maturity and
- reduced for the correction of the value due to damage or non-payment.

The effective interest rate is equal to the rate that discounts the expected future cash inflows and outflows from the instrument to the date of final maturity of the instrument or for a shorter period of time, if appropriate. The measurement using the effective interest rate method enables amortization of the purchase value of the financial instrument and the income / interest income in the period of 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 paid commissions and fees that are an integral part of the effective interest of the financial asset or liability (fees for assessing the financial condition of the client, for mediation in negotiating the terms of the financial instrument, fees for submitting a request and processing the request for loan approval, fees for withdrawal of funds under the financial instrument, regular monthly loan management fee until the final maturity of the loan that is borrowed and charged at the same time as borrowing and collection of regular contract interest, etc.);
- transaction costs directly related to the transaction (fees and commissions paid to sales agents, advisors, brokers, dealers, regulatory fees, taxes paid and customs duties, etc.) and
- premiums and / or discounts approved by the financial instrument.

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

Measurement by fair value assumes that the asset or liability is exchanged between market participants, in a normal transaction, according to the current market conditions of the measurement date. The fair value is determined in different ways, depending on whether the asset or liability is traded on an active market or not.

INTRODUCTION (Continued)**(c) Significant Accounting Policies (Continued)****(vii) Financial Assets and Liabilities (Continued)***Measurement Principles (Continued)*

An active market is a market where transactions are carried out with the asset or liability with sufficient frequency and volume to provide pricing information for the asset or liability. The corresponding quoted market price for the asset or liability is the one that is within a range between the purchase and selling price, which best represents fair value in the given circumstances. Typically used is the current: the purchase price of the asset which is kept or the liability that should be issued, or retail/offered price for the asset that will be acquired or liability that is kept; the average market price or other price in accordance with the usual, accepted market practice.

If there is no active market for the financial asset or liability in order to determine the fair value of the asset or liability, the Bank applies valuation techniques that have most available data, giving preference to data that can be validated on the market. The common valuation techniques include: *market approach* (quoted prices are used or other relevant information from market transactions with the same or similar assets or liabilities), *cost approach* (known as the current replacement cost, representing the amount that would be required to replace the current asset) and *income approach* (discounted value of current market expectations for future amounts, cash flows or income and expense, of the asset or liability). When applying valuation techniques, the Bank:

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

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

Allowance for Impairment

The Bank, at least monthly, assesses whether there is objective evidence that financial assets or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

The Bank recognizes allowance for impairment in accordance with the Decision on Credit Risk Management approved by NBRNM.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Financial Assets and Liabilities (Continued)

Measurement Principles (Continued)

Allowance for Impairment (Continued)

The Bank considers evidence of impairment for loans and receivables and investment securities on individual basis.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the income statement and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in equity to profit or loss. The cumulative loss that is removed from equity and recognized in profit or loss is the difference between the cost, less any impairment loss previously recognized in the income statement. Changes in the allowance account, which are result of the time value of money, are recognized as part of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity.

De-Recognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Financial Assets and Liabilities (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at the National Bank of North Macedonia ("NBRNM"), deposits with banks and highly liquid financial assets with original maturities of three or less than three months, subject to insignificant risk of changes in their fair value.

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

Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities, which the Bank acquired mainly with the purpose of selling or buying again in the near future, or keeping them as part of a portfolio for 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 are directly recognized in the income statement. All changes in fair value are recognized as part of net trading income in the income statement. Assets and liabilities for trading are not reclassified subsequent to their initial recognition.

Loans and Advances

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

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

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Financial Assets and Liabilities (Continued)

Investments

Investments are initially measured at fair value in the case of investment securities, which are not measured at fair value through profit or loss, by adding the incremental direct transaction costs and are subsequently accounted for depending on their classification.

Held-to-Maturity Investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

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

There are some exceptions to this rule:

- Prematurely sold or reclassified assets, which are close to their maturity, so that changes in market interest rates would have an insignificant effect on the fair value of the financial assets.
- The Bank has already collected almost the entire original principal amount of the financial asset through payments in accordance with the amortization plan, or through advances or
- The exceptions are related to an isolated event that do not recur and are beyond the control of the Bank.

Available-for-Sale Investments

Available-for-sale financial assets are those investments that are neither held for trading nor held to maturity. Available-for-sale investments include treasury bills, bonds issued by state and investments in equity instruments.

Investments available for sale are carried at fair value, except for financial assets that do not have quoted market price and whose fair value cannot be reliably measured and 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 Bank will be entitled to receive payment. Gains or losses from exchange rate differences on debt instruments available-for-sale are recognized in the income statement.

Changes in fair value of investments available-for-sale are recognized in equity until the investment is sold or impaired when the amount recognized in equity is transferred in the income statement.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) Foreclosed Assets

Foreclosed assets include property and equipment obtained through foreclosing procedures in order to fulfill customers' liabilities, fully or partially, for the appropriate credit and are presented in the line item foreclosures assets. Foreclosed properties are initially recognized at a lower from the appraised value, reduced for the expected selling cost, which are borne by the Bank, and the value of the foreclosed property referred to in the act, which is passed by the Executor in the procedure for enforced collection, which represents the legal basis for gaining ownership. The appraised value is determined by a certified valuator.

At the date of the initial recognition of the asset, the Bank is obliged in accordance with the Decision on accounting and regulatory treatment of foreclosed assets to reduce the value of the foreclosed asset in the balance sheet by at least 20% of the initial recognized value.

If the closed allowance for impairment / special reserve is greater than impairment from the previous paragraph, the Bank recognizes this difference as a revaluation reserve at the date of foreclosure.

After the initial recognition, at least once in a period of twelve-months, the Bank performs a valuation of the foreclosed property and determines a difference with the carrying amount. At the same time, the Bank calculates 20% of the carrying amount of the foreclosed property and compares it with the difference between the estimated and carrying amount. The greater amount is recognized in the income statement as impairment loss.

If a foreclosed asset becomes a property of the Bank for own use, the value at which the asset will be recognized is at the lower of the latest valuation determined by a certified valuator and the carrying amount of the asset at the date of the change in use (determined at that date in accordance with the Decision for accounting and regulatory treatment of foreclosed assets).

(ix) Property and Equipment

Recognition and Measurement

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

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

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

Subsequent Expenditures

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the asset when there are probable future economic benefits for the Bank and its cost can be measured reliably. The cost of daily maintenance of property and equipment are recognized in the income statement as an expense as incurred.

INTRODUCTION (Continued)**(c) Significant Accounting Policies (Continued)*****(ix) Property and Equipment (Continued)****Depreciation*

Depreciation of property and equipment is calculated on a straight-line method to write off the cost of assets over their estimated useful lives.

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

	%
Buildings	2,5
Equipment	10 – 25

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

The method of depreciation, useful lives and residual values are reviewed at each reporting date.

(x) Intangible Assets*Recognition and Measurement*

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

Subsequent Expenditures

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the income statement as an expense as incurred.

Amortization

Amortization is recognized on a proportional basis in a way to write off the cost of assets over their estimated useful lives.

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

	%
Software	25
Licenses	25

The method of amortization, useful lives and residual values are reviewed at each reporting date.

(xi) Assets Taken on Lease - Lessee

Leases that transfer all the risks and rewards of ownership are classified as finance leases. At the start of the lease, finance leases are recorded at the lower of the fair value amount and the present value of minimum lease payments. Consequently, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the balance sheet of the Bank.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(xii) Impairment of Non-Financial Assets

Non-financial assets of the Group are reviewed at each date of the balance sheet in order to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. In estimating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss of an asset is reversed if there is an indication that the impairment loss recognized for the asset no longer exists and there are changes in the estimates used to determine the recoverable amount.

The increased carrying amount of an asset due to reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation), had not been recognized impairment loss of an asset in previous years.

(xiii) Deposits and Borrowings

Deposits and borrowings are sources of funding for the Bank.

Deposits and borrowings are initially measured at cost, representing the fair value of the consideration received plus transaction costs. They are subsequently measured at amortized cost using the effective interest method.

(xiv) Provisions

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

INTRODUCTION (Continued)**(c) Significant Accounting Policies (Continued)*****(xiv) Provisions (Continued)***

Provision for onerous contracts is recognized when the expected benefits of the contract for the Bank are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the present value of the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes an impairment loss on the assets associated with the contract.

(xv) Employee benefits*Defined Contribution Plans*

The Bank pays contributions to the pension fund in accordance with the national legislation. Contributions are based on salaries and are paid in the pension funds, which are responsible for payment of pensions. There is no additional liability in respect of these plans. The liabilities for the payment of contributions to defined contribution plans are recognized as an expense in the income statement when they are due.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

The Bank recognizes obligation and expense for the amount expected to be paid as bonus or as a share of the profits if the Bank has a present legal or derived obligation to pay this amount as a result of services rendered in prior periods if the obligation can be estimated reliably.

The Bank recognizes the costs of employee private medical insurance and liabilities in this respect on an annual basis.

Other Long Term Employee Benefits

Pursuant to the local regulations, the Bank pays two average monthly net salaries paid in the Republic of North Macedonia in the preceding three months to its employees at the moment of their retirement. The balance of these liabilities at the end of the reporting period presents the discounted amount of future payments. The Bank has no additional liability for payments on this base.

(xvi) Share Capital*Ordinary Shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and stock options are recognized as a deduction from equity.

Purchase of Own Shares

When the Bank purchases own shares, the consideration paid, including directly attributable costs, is recognized as a reduction in capital. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold, the amount received is recognized as an increase in capital and surplus or deficit on the transaction is transferred to / from share premium.

Dividends

Dividends are recognized as a liability in the period when announced.

INTRODUCTION (Continued)

(B) Significant Accounting Policies (Continued)

(xvii) Earnings Per Share

The Bank presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated when the net gain or loss attributable to holders of ordinary shares is divided by the weighted average number of ordinary shares in circulation during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to holders of ordinary shares and the weighted average number of shares outstanding during the period for the effect of all potential ordinary diluting shares.

(xviii) Segment Reporting

An operating segment is a component of the Bank that can be defined or that is engaged either in providing products or services (business segment), or in providing products or services in certain areas (geographical segment) and is subject to risks and rewards different from those of the other segments. The results of operations are regularly reviewed by the Supervisory Board in order to assess performance and make decisions about future business activities for which discrete financial information is available.

The Bank primarily reports by business segments. The following main segments are identified: retail banking, corporate banking, working with securities and unallocated. Main information on segments is based on internal reporting structure made by business segments.

(xix) Subsidiaries

Subsidiary is an entity over which the Bank has power to govern its financial and operating policies and holds more than one half of its voting rights. In determining whether the Bank governs the entity, the existence of control and effects of the voting rights should be taken into consideration. The cost of investments is the fair value of the assets. The Bank records the investments in subsidiaries at cost.

(xx) Off-Balance Sheet

The Bank keeps off-balance sheet records of commitments and contingent liabilities for transactions that currently do not meet the recognition criteria as an asset or liability, and can generate future inflows and outflows of funds and are a source of information in operations, for determining the risk in operations and possible future liabilities. This record includes the following items: uncovered payment and payment guarantees issued, open unsecured credentials, vouchers, acceptances, non-repayable credit commitments, unused portion of approved framework loans, unused default interest and other credit card limits, non-credit cards under guarantee by which the Bank may arise payment obligations and receivables, as well as other accounting records that do not pose a special risk for it (records of written-off receivables, covered loans, covered guarantees, etc.).

INTRODUCTION (Continued)

(d) Use of Estimates and Judgements

Significant Judgments in Applying Accounting Policies

Significant accounting judgments in applying accounting policies are presented below:

Fair Value of Financial Instruments

The fair values of the financial instruments that are not quoted in active markets are determined using internal valuation techniques. These include present value methods, models based on observable input parameters. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed by qualified personnel independent of the area that created the model. Wherever possible, the Bank compares valuations derived from models with quoted prices of similar instruments, and with actual values when realized, in order to further validate and standardize models. A variety of factors are incorporated into the models, including actual or estimated market prices and rates, such as time value and volatility, and market conditions and liquidity. The Bank applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment.

In the Republic of North Macedonia sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

The Management assesses its overall risk exposure and in instances in which it estimates that the value in the books may not be realized, it recognizes a provision. In the opinion of management, the reported carrying amounts for the assets that are not quoted in an active market represent the most valid and useful reporting values under the present market conditions.

Allowance for Impairment of Loans

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The Bank's management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

INTRODUCTION (Continued)

(d) Use of Estimates and Judgements (Continued)

Significant Judgments in Applying Accounting Policies (Continued)

Useful Lives of Tangible and Intangible Assets

The Bank's management determines estimated useful lives and related depreciation and amortization charges for its tangible and intangible assets. The appropriateness of the estimated useful lives is reviewed whenever there is an indication of significant changes in the underlying assumptions, such as anticipated technological developments and changes in the broad economic and industry factors.

Actuarial Assumptions in respect of Defined Benefit Plan

The eventual cost to Bank depends on actual future experience and in particular change in discount rate and pay increase. Other factors will also change the overall liability such as the number of employees, leaving service before the retirement and the number of new employees.

(e) Changes in the Accounting Policies, Accounting Estimates and Correction of Errors

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

(f) Compliance with Regulations

The Bank performs its activities in accordance with the legislation prescribed by the National Bank of the Republic of North Macedonia.

The following reports from the conducted NBRNM controls were submitted to the Bank:

- 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 March 15, 2023, in the Bank's premises, NBRNM conducted a partial direct control of the operation of the money processing machines used by the Bank's customers. NBRNM submitted Minutes of the performed partial field control no. 11-15369/2 dated 25.04.2023 registered in the Bank under number 12-13651/1 dated 26.04.2023.

INTRODUCTION (Continued)

(f) Compliance with Regulations (Continued)

- 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 the NBRM in connection with this control.
- During the year 2023, questionnaires, letters, requests and other communication were submitted from NBRNM to the Bank, to which the responsible organizational units promptly submitted their answers.

(g) Risk management disclosures

The description, qualitative and quantitative information on individual risks is disclosed in details in Note 2. Risk Management.

(h) Events after the date of the Balance Sheet

Events after the balance sheet date are the events, favorable and unfavorable, that occur between the balance sheet date and the date when the separate financial statements are approved for issuance. If there is evidence of conditions that existed on the balance sheet date, the Bank shall correct the separate financial statements. The Bank does not make corrections to the separate financial statements for events after the balance sheet date, for which conditions appeared after the balance sheet date.

HALK BANKA AD Skopje

Notes to the Separate 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>						
2022 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	21.266.101	21.266.101
Held-for-trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	62.022.363	62.022.363
Investments in securities	-	-	9.627.767	34.708	-	9.662.475
Other receivables	-	-	-	-	1.333.403	1.333.403
Total financial assets	-	-	9.627.767	34.708	84.621.867	94.284.342
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	8.600.729	8.600.729
Deposits from other customers	-	-	-	-	66.676.024	66.676.024
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	4.549.751	4.549.751
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1.133.007	1.133.007
Total financial liabilities	-	-	-	-	80.959.511	80.959.511

HALK BANKA AD Skopje

Notes to the Separate 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>						
2022 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	14.737.639	14.737.639
Held-for-trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	56.558.204	56.558.204
Investments in securities	-	-	7.933.708	34.708	-	7.968.416
Other receivables	-	-	-	-	1.126.972	1.126.972
Total financial assets	-	-	7.933.708	34.708	72.422.815	80.391.231
Financial liabilities						
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	-	-	-	-	57.055.834	57.055.834
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	5.020.716	5.020.716
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	900.781	900.781
Total financial liabilities	-	-	-	-	70.272.267	70.272.267

2. Risk Management

The 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 Bank's exposure to each of these risks, the objectives, policies and ways of measuring and managing the Bank's risks.

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 Bank. The bank 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 bank 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 Bank 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 Bank'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 Bank, 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 Bank. Therefore, the Risk Appetite is related to the other strategic documents of the Bank such as the Risk Management Strategy, ICAP, ILAAP, Recovery Plan, Capital Management Policy and the Bank's Business Plan.

The risk appetite framework sets the Bank'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 Bank.

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

Risk Management (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 Bank are determined within the defined Risk Appetite Statement. However, the determination of available capital, capital structure and dividend rules in the Bank 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 Bank. 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 Bank'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 Bank. The risk appetite statement, together with the Risk Management Strategy and other relevant strategic documents of the Bank 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 Bank'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 Bank. The audit committee is assisted in the performance of these functions by the internal audit. The Internal Audit Department performs regular and periodic audits of controls and risk management procedures in accordance with the Annual Work Plan of the Internal Audit Department, 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 Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks, guarantees and letters of credit and investments in securities. In order to manage the risk, the Bank 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 Bank'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 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

Notes to the Separate 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>																		
Exposure to Credit Risk, classified in Group 1																		
Carrying amount before the allowance for impairment/special reserve	-	-	56.514.574	53.606.569	9.627.767	7.933.708	-	-	17.684.923	11.263.808	24.787	37.773	927.919	785.221	16.053.662	14.685.282	100.833.633	88.875.589
(Allowance for impairment/ special reserve)	-	-	(165.437)	(96.936)	-	-	-	-	(879)	(499)	(181)	(243)	(215)	(338)	(12.166)	(31.873)	(178.878)	(165.864)
Carrying amount, reduced by allowance for impairment and the special reserve	-	-	56.349.137	53.509.633	9.627.767	7.933.708	-	-	17.684.044	11.263.309	24.606	37.530	927.704	784.883	16.041.496	14.653.409	100.654.755	88.709.725
Exposure to Credit Risk, classified in Group 2																		
Carrying amount before the allowance for impairment/special reserve	-	-	6.192.236	3.221.039	-	-	-	-	-	-	8.299	7.899	9.951	122	355.706	150.645	6.566.191	2.816.492
(Allowance for impairment/ special reserve)	-	-	(645.063)	(323.180)	-	-	-	-	-	-	(1.616)	(551)	(938)	(11)	(38.630)	(20.725)	(686.247)	(308.504)
Carrying amount, reduced by allowance for impairment and the special reserve	-	-	5.547.173	2.897.859	-	-	-	-	-	-	6.683	7.348	9.013	111	317.076	129.920	5.879.944	2.507.988
Exposure to Credit Risk, classified in Group 3																		
Carrying amount before the allowance for impairment/special reserve	-	-	1.348.601	818.695	-	-	-	-	-	-	8.746	5.868	9.699	9.820	42.079	-	1.409.126	834.369
(Allowance for impairment/ special reserve)	-	-	(1.023.619)	(514.225)	-	-	-	-	-	-	(8.436)	(5.617)	(8.735)	(8.521)	(42.079)	-	(1.082.869)	(528.354)
Carrying amount, reduced by allowance for impairment and the special reserve	-	-	324.982	304.470	-	-	-	-	-	-	310	251	964	1299	-	-	326.257	306.015
Total carrying amount of the credit risk receivables before the allowance for impairment and special reserve	-	-	64.055.411	57.646.303	9.627.767	7.933.708	-	-	17.684.923	11.263.808	41.832	51.540	947.569	795.163	16.451.447	14.835.927	108.808.950	92.526.450
(Total allowance for impairment and special reserve)	-	-	(1.834.119)	(934.341)	-	-	-	-	(879)	(499)	(10.233)	(6.411)	(9.888)	(8.870)	(92.875)	(52.598)	(1.947.994)	(1.002.722)
Total Carrying amount of the credit risk receivables less the allowance for impairment and special reserve	-	-	62.221.292	56.711.962	9.627.767	7.933.708	-	-	17.684.044	11.263.309	31.599	45.129	937.681	786.293	16.358.572	14.783.329	106.860.956	91.523.728

Restructured Loans

As of December 31, 2023, the Bank 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 Bank, 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank classifies credit exposures as follows:

Regulatory framework (according to the Decision for credit risk)	Internal procedure	GROUP
<ul style="list-style-type: none"> - 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; - 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 	<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>	<p>Group 1</p>
<ul style="list-style-type: none"> - The credit exposure that is in the last year of the trial period 	<ul style="list-style-type: none"> - credit exposure that is in the last year of the trial period is taken into account 	<p>Group 1</p>
<ul style="list-style-type: none"> - the creditworthiness of the client assessed by applying an internal risk category, if the bank has developed internal risk categories 	<p>into account are taken ratings for following segments:</p> <ul style="list-style-type: none"> - legal entities (rating from CORP 1 to CORP 6) individuals with revolving credit products (rating from ROT 1 to ROT 11 and NROT 1 to NROT 11) 	<p>Group 1</p>
<ul style="list-style-type: none"> - credit exposure to a client/project whose cash inflows are inadequate for regular settlement of obligations; - the credit exposure to a client/project with an inadequate term structure of funding sources and its inflows; - credit exposure to a client/project whose indebtedness is high compared to capital and/or a client who has significant debt to creditors 	<ul style="list-style-type: none"> - 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; - 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; - 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 C risk category 	<p>Group 2</p>

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Regulatory framework (according to the Decision for credit risk)	Internal procedure	GROUP
<ul style="list-style-type: none"> - 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 - 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 	<p>the current and historical days of delay on the reporting date are taken into account,</p> <ul style="list-style-type: none"> - 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; - 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 	<p>Group 2</p>
<ul style="list-style-type: none"> - the credit exposure that has the treatment of restructured credit exposure; - the credit exposure that has not been treated as a restructured non-functional credit exposure for at least one year. 	<ul style="list-style-type: none"> - 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 	<p>Group 2</p>
<ul style="list-style-type: none"> - the customer's creditworthiness assessed using an internal risk category, if the bank has developed internal risk categories 	<p>the ratings determined for the following segments are taken into account:</p> <ul style="list-style-type: none"> - legal entities (ratings CORP 7 and CORP 8) - 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 	<p>Group 2</p>

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Regulatory framework (according to the Decision for credit risk)	Internal procedure	GROUP
<ul style="list-style-type: none"> - 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; - 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 	<p>the current and historical days of delay on the reporting date are taken into account,</p> <ul style="list-style-type: none"> - 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; - 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; - which have current days of delay over 240 days are classified in risk category D 	<p>Group 3</p>
<ul style="list-style-type: none"> - the credit exposure to a client who is insolvent 	<ul style="list-style-type: none"> - 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) 	<p>Group 3</p>
<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - restructured non-performing claims are classified at least in G risk category 	<p>Group 3</p>
<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - to clients against whom bankruptcy proceedings have been initiated, they are classified in the D risk category 	<p>Group 3</p>

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 bank 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 bank 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 Bank, 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 bank makes full correction of the value of the accrued interest on nonfunctional credit exposures.

Write-Off Policy

The Bank 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 Bank 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 Bank was obliged to make correction of value, that is, to set aside a special reserve of 100%.

Collateral for Credit Exposures

The bank 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 Bank does not take security for placements in banks. The Bank does not take collateral for the securities and has no such collateral as of December 31, 2023 (2022: none).

Allowed 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
Notes to the Separate 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
Total value of collateral for credit exposures which are assessed for impairment on an individual basis	-	-	118.604.555	107.458.892	-	-	-	-	-	-	514.201	433.113	13.416.067	9.592.941	132.534.823	117.484.946

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
Notes to the Separate 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
Notes to the Separate 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	-	-	47.084	69.933	-	-	-	-	17.684.044	11.263.309	448	570	916.479	748.222	1.875.520	1.358.025	20.523.564	13.440.059	
Activities related to real estate	-	-	3.012.851	2.904.563	-	-	-	-	-	-	36	30	60	30	52.611	220.437	3.065.559	3.125.060	
Professional, scientific and technical activities	-	-	554.161	567.948	-	-	-	-	-	-	316	318	1	4	200.967	275.921	755.456	844.191	
Administrative and support service activities	-	-	329.201	312.749	-	-	-	-	-	-	307	199	11.310	17.921	414.791	133.883	755.608	464.752	
Public administration and defense; compulsory social insurance	-	-	-	-	9.627.767	7.933.708	-	-	-	-	-	-	19	-	-	-	9.627.786	7.933.708	
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	16.695	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	-	-	25.752.833	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	
Total	-	-	62.221.293	56.711.961	9.627.767	7.933.708	-	-	17.684.044	11.263.309	31.599	45.130	937.680	786.292	16.358.573	14.783.328	106.860.956	91.523.728	

HALK BANKA AD Skopje

Notes to the Separate 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>																		
Geographical location	-	-	62.098.946	56.458.457	9.627.767	7.933.708	-	-	12.821.500	8.038.559	31.175	43.981	187.787	208.368	12.346.020	10.956.975	97.113.195	83.640.048
Republic of North Macedonia	-	-	4.836	-	-	-	-	-	3.702.447	1.182.933	76	7	316.984	201.754	6.337	817	4.030.680	1.385.511
European Union countries	-	-	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
Europe (rest)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Member countries of the OECD (excluding European members of the OECD)	-	-	4.530	5.265	-	-	-	-	-	-	1	-	-	-	1.120.958	560.722	1.125.489	565.987
Other (specify separately the exposure that is more than 10% of total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	62.221.293	56.711.961	9.627.767	7.933.708	-	-	17.684.044	11.263.309	31.599	45.130	937.680	786.292	16.358.573	14.783.328	106.860.956	91.523.728

HALK BANKA AD Skopje

Notes to the Separate 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>														
Carrying amount of financial assets measured at fair value														
Risk category														
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carrying amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2. Risk Management (Continued)

2.2 Liquidity risk

Liquidity risk is the risk that the Bank 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 Bank 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 Bank. The most significant source of funding for the Bank 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 Bank 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 Bank'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 Bank.

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 Bank 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 bank 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 Bank continuously assesses the liquidity risk by identifying and monitoring the changes in funding that are needed to meet the operational goals set in the Bank's strategy.

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

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
2023 (Previous year)							
Financial Assets							
Cash and cash equivalents	16.561.785	-	-	4.328.998	-	-	20.890.783
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	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
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	1.406.438	897.390	2.796.001	1.501.883	2.238.796	821.966	9.662.474
Investments in associates	-	-	-	-	-	1.368.843	1.368.843
Receivables for income tax (current)	-	-	-	-	-	-	-
Other receivables	1.381.224	-	-	-	-	-	1.381.224
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	20.981.415	3.270.371	16.020.002	13.474.517	17.800.999	25.822.355	97.369.659
Financial Liabilities							
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	36.797.146	2.206.338	13.076.229	6.973.628	5.030.489	2.592.191	66.676.021
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)	62.719	-	-	-	-	-	62.719
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1.133.007	-	-	-	-	-	1.133.007
Total financial liabilities	46.795.896	2.206.444	13.842.140	7.694.890	7.115.640	3.369.572	81.024.582
Off balance sheet items							
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
Liquidity gap	(24.340.446)	(99.355)	(2.803.086)	3.605.816	8.521.137	22.101.884	5.617.107

(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>	Financial Assets	Financial Assets	Financial Assets	Financial Assets	Financial Assets	Financial Assets	Total
2022 (Previous year)							
Financial Assets							
Cash and cash equivalents	11.213.342	-	-	3.101.879	-	-	14.315.221
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	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
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	534.294	201.525	2.353.429	2.212.524	1.615.802	1.050.843	7.968.417
Investments in associates	937.559	-	-	-	-	-	937.559
Receivables for income tax (current)	-	-	-	-	-	-	-
Other receivables	1.142.253	-	-	-	-	-	1.142.253
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	15.283.396	2.531.488	13.713.074	13.448.335	14.537.761	22.477.760	81.991.814
Financial Liabilities							
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	34.148.882	1.632.522	9.649.208	7.872.129	3.247.174	505.916	57.055.831
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)	9.614	-	-	-	-	-	9.614
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	900.781	-	-	-	-	-	900.781
Total financial liabilities	42.477.995	1.709.623	10.554.492	8.768.124	5.221.717	1.555.939	70.287.890
Off balance sheet items							
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
Liquidity gap	(27.892.964)	(144.898)	(2.309.717)	1.965.353	8.369.761	20.916.233	903.768

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 Bank, 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 bank 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 Bank 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 Bank 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 Bank 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 Bank's 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 Bank. The Bank 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 Bank 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 Bank's business strategies and market trends.

Activities of management assets and liabilities are carried in terms of the Bank's sensitivity to changes in the interest rates. Overall, the Bank 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.

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

	Profit / Loss	Own assets	Risk-weighted assets	Capital adequacy rate
	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>in %</i>
2022 (Current year)				
Amount before analysis of sensitivity / stress tests (as of December 31.2023)	1.249.984	15.357.968	85.677.717	17,93%
Effects of application of scenarios				
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%
Risk of changes in interest rates (list separately the various scenarios, including the basic characteristics of the scenario)	(1.160.316)	14.197.652	84.517.401	16,80%
Increase in variable interest rates on assets and liabilities:	(309.830)	15.048.138	85.367.887	17,63%
Changes in interest rates by 300 basis points	(743.889)	14.614.079	84.933.828	17,21%
Changes in interest rates by 200 basis points				
Changes in interest rates by 100 basis points	(1.668.652)	13.689.316	84.009.065	16,30%
Decrease in variable interest rates on assets and liabilities:				
Changes in interest rates by 100 basis points				
Changes in interest rates by 200 basis points	81.443	15.439.411	85.677.717	18,02%
Changes in interest rates by 300 basis points	54.261	15.412.229	85.677.717	17,99%
Risk of changes in market prices for investments in equity securities (list separately the various scenarios, including the basic characteristics of the scenario)	27.078	15.385.046	85.677.717	17,96%
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				
Amount before analysis of sensitivity / stress tests (as of December 31.2022)	(25.327)	15.332.641	85.677.717	17,90%
Amount before analysis of sensitivity / stress tests (as of December 31.2022)	(53.732)	15.304.236	85.677.717	17,86%
Effects of application of scenarios				
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%	(79.439)	15.278.529	85.677.717	17,83%
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)				

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)

	Profit / Loss	Own assets	Risk-weighted assets	Capital adequacy rate
	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>In thousands of Denars</i>	<i>in %</i>
2022 (Previous year)				
Amount before analysis of sensitivity / stress tests (as of December 31.2022)	742.651	12.550.526	74.208.108	16,91%
Effects of application of scenarios				
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 3% (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%
Changes in interest rates by 100 basis points				
Deterioration of the DTI indicator in the population segment by 50%	(1.903.461)	10.647.065	72.304.647	14,73%
Changes in interest rates by 100 basis points				
Changes in interest rates by 200 basis points				
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%
Reduction of variable interest rates in assets and liability:				
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 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 (specify separately the different scenarios, including the basic characteristics of the script)				

HALK BANKA AD Skopje**Notes to the Separate 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)	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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.

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	397.543
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	TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)		1.095.836
3	OWN FUNDS		15.357.968
4	TOTAL WEIGHTED VALUE/EQUITY (2/3*100)		7,14%

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	247.550
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	TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)		940.362
3	OWN FUNDS		12.550.526
4	TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)		7,49%

HALK BANKA AD Skopje

Notes to the Separate 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
2023 (Current year)							
Financial assets							
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	-	-	-	-	-	-	-
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	2.785.728	1.465.520	2.218.335	801.583	9.521.278
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive assets	41.564.342	4.517.497	14.475.582	6.544.326	6,850,640	7.610.286	81.562.673
Financial liabilities							
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	12.529.217	6.742.790	4.662.511	16.249	33.343.335
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	-	-	-	-	-	-	-
Total interest sensitive liabilities	15.443.389	2.722.292	13.419.173	7.005.261	5.343.597	506.061	44.439.773
Net balance sheet position	26.120.953	1.795.205	1.056.409	-460.935	1.507.043	7.104.225	37.122.900
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
Net off-balance sheet position	-	-	-	-	-	-	-
Total net position	26.120.953	1.795.205	1.056.409	(460.935)	1.507.043	7.104.225	37.122.900

HALK BANKA AD Skopje

Notes to the Separate 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
2022 (Previous year)								
Financial assets								
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		-	-	-	-	-	-	-
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	199.602	2.353.429	2.191.238	1.604.323	1.037.732	7.885.910
Other non-specified interest sensitive assets		-	-	-	-	-	-	-
Total interest sensitive assets		34.584.636	1.722.142	13.468.805	7.462.645	5.878.220	6.371.302	69.487.750
Financial liabilities								
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		5.044.104	2.139.029	10.891.028	7.630.022	2.724.994	16.730	28.445.907
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		-	-	-	-	-	-	-
Total interest sensitive liabilities		12.483.887	2.800.274	12.166.826	7.914.215	3.284.052	383.316	39.032.570
Net balance sheet position		22.100.749	(1.078.132)	1.301.979	(451.570)	2.594.168	5.987.986	30.455.180
Off-balance sheet interest sensitive assets items		-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items		-	-	-	-	-	-	-
Net off-balance sheet position		-	-	-	-	-	-	-
Total net position		22.100.749	(1.078.132)	1.301.979	(451.570)	2.594.168	5.987.986	30.455.180

(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 bank is to maximize the stability and profitability, by obtaining optimal currency structure on both assets and liabilities.

The bank has established Policy for managing the currency risk, adopted by the Supervisory board of the Bank and it is regularly revised on annual basis. The policy defines the basic objectives, evaluation of the Bank'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 Bank'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 Bank'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 Bank as at December 31.2023 and 2022.

HALK BANKA AD Skopje
Notes to the Separate 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

	MKD	EUR	USD	list separately the currencies that represent more than 10 % of total monetary assets/liabilities					Other currencies	Total
2023 (current year)										
Monetary assets										
Cash and cash equivalents	7.984.857	10.624.391	2.161.843	-	-	-	-	495.010	21.266.101	
Held-for-trading assets	-	-	-	-	-	-	-	-	-	
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	
Loans and advances to banks	-	-	-	-	-	-	-	-	-	
Loans and advances to other customers	35.516.548	26.494.945	10.870	-	-	-	-	-	62.022.363	
Investments in securities	7.222.399	2.440.076	-	-	-	-	-	-	9.662.475	
Investments in associates	1.368.843	-	-	-	-	-	-	-	1.368.843	
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	
Other receivables	960.184	500.028	8.050	-	-	-	-	4.211	1.472.473	
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	
Total Monetary Assets	53.052.831	40.059.440	2.180.763	-	-	-	-	499.221	95.792.255	
Monetary Liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	
Due to banks	2.447	8.558.696	5.074	-	-	-	-	34.512	8.600.729	
Due to other customers	41.068.939	22.545.058	2.272.321	-	-	-	-	789.706	66.676.024	
Debt instruments issued	-	-	-	-	-	-	-	-	-	
Borrowings	182.978	4.366.773	-	-	-	-	-	-	4.549.751	
Subordinated debt	-	-	-	-	-	-	-	-	-	
Income tax payable (current)	62.719	-	-	-	-	-	-	-	62.719	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
Other liabilities	577.196	560.496	29.626	-	-	-	-	23.365	1.190.683	
Total Monetary Liabilities	41.894.279	36.031.023	2.307.021	-	-	-	-	847.583	81.079.906	
Net-position	11.158.552	4.028.417	(126.258)	-	-	-	-	(348.362)	14.712.349	

HALK BANKA AD Skopje

Notes to the Separate 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>									
2022 (Previous year)									
Monetary assets									
Cash and cash equivalents	7.103.209	6.324.912	1.081.164	-	-	-	-	228.354	14.737.639
Held-for-trading assets	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-	-
Loans and advances to other customers	30.225.850	26.321.102	11.252	-	-	-	-	-	56.558.204
Investments in securities	6.085.255	1.883.161	-	-	-	-	-	-	7.968.416
Investments in associates	937.559	-	-	-	-	-	-	-	937.559
Income tax receivable (current)	-	-	-	-	-	-	-	-	-
Other receivables	871.978	435.284	90	-	-	-	-	2.051	1.309.403
Assets pledged as collateral	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Total Monetary Assets	45.223.851	34.964.459	1.092.506	-	-	-	-	230.405	81.511.221
Monetary Liabilities									
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	34.946.038	20.420.449	1.009.266	-	-	-	-	680.081	57.055.834
Debt instruments issued	-	-	-	-	-	-	-	-	-
Borrowings	127.300	4.893.416	-	-	-	-	-	-	5.020.716
Subordinated debt	-	-	-	-	-	-	-	-	-
Income tax payable (current)	9.614	-	-	-	-	-	-	-	9.614
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	420.823	444.007	70.242	-	-	-	-	33.515	968.587
Total Monetary Liabilities	35.506.196	32.477.087	1.620.489	-	-	-	-	745.915	70.349.687
Net-position	9.717.655	2.487.372	(527.983)	-	-	-	-	(515.510)	11.161.534

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 bank as well as external events.

The bank 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 Bank has defined the acceptable level of operational risk exposure.

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

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 been 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.

Bank's own funds are the sum of the Bank's Tier I capital and Tier II capital. The Tier I capital consists of Common Equity Tier I capital and Additional Tier I capital and the Bank should maintain at least:

- rate of Common Equity Tier I capital of 4.5% of risk weighted assets and
- rate of Tier I capital of 6% of risk-weighted assets.

Common Equity Tier I capital (CET1) consists of capital instruments of CET1; premium on capital instruments sold; mandatory general reserve; reserves increase based on allocation of the revaluation reserve; retained undistributed earnings unencumbered by any future obligations recorded in the bank's balance sheet and confirmed by decision of the Shareholders' Assembly of the bank; current profit, or year-end profit if the regulation requirements are fulfilled; accumulated other comprehensive income that includes other profit or loss not recorded in the income statement of the bank.

3. Capital Adequacy (Continued)

Deductions from CET1 are as follows: loss at the year-end or current loss; intangible assets, deferred tax assets that rely on bank's future profitability; the amount of direct, indirect and synthetic investments in own capital instruments of the CET1, including capital instruments that the bank is contractually required to purchase; the amount of direct, indirect and synthetic instruments in capital instruments of the CET1 of the financial sector entities, where such entities have investments in the bank that artificially increase its own funds; the amount of direct, indirect and synthetic investments in capital instruments of CET1 of the financial entities in which the bank has no significant investments; the amount of direct, indirect and synthetic investments in capital instruments of the CET1 of the financial sector entities in which the bank has a significant investment, with the exception of those held up to five days; the amount of deductions from the Additional Tier 1 capital which exceeds the total amount of Additional Tier 1 capital; investments in non-financial institutions; tax costs that may be determined at the time of calculation; difference between impairment and special reserve established by the bank and the required amount of impairment and special reserves, according to the NBRNM's credit risk management regulation.

Additional Tier I capital (AT1) includes capital instruments of AT1, premium on capital instruments of AT1 and hybrid instruments.

Deductions from AT1 are as follows: the amount of direct, indirect and synthetic investments in own capital instruments of the AT1, including capital instruments for which the bank has a contractual obligation to buy; the amount of direct, indirect and synthetic investments in capital instruments of the AT1 of financial sector entities, where such entities have investments in the bank that artificially increase its own funds; the amount of direct, indirect and synthetic investments in capital instruments of the AT1 of the financial sector entities where the bank has no significant investment; the amount of direct, indirect and synthetic investments in capital instruments of the AT1 of the financial sector entities in which the bank has a significant investment, with the exception of those held up to five days; the amount of deductions from the AT1 which exceeds the total amount of AT1; tax costs that may be determined at the time of calculation.

Tier II capital (T2) includes capital instruments of the T2, subordinated loans and premium on capital instruments of the T2.

- Deductions from T2 are as follows: the amount of direct, indirect and synthetic investments in own funds of T2, including instruments for which the bank has contractual obligation to buy; the amount of direct, indirect, synthetic investments in capital instruments of T2 of financial sector entities, where such entities have investments in the bank that artificially increase its own funds; the amount of direct, indirect and synthetic investments in T2 of financial sector entities where the bank has no significant investment; the amount of direct, indirect and synthetic investments in capital instruments of the T2 of the financial sector entities in which the bank has a significant investment, with the exception of those held up to five days.

3. Capital Adequacy (Continued)

Pursuant to the Banking Law, the Bank should fulfil the additional requirements regarding the capital buffers besides the capital adequacy legal requirements determined by the regulations of NBRNM and/or corrective actions imposed by NBRNM. The capital buffers strengthen the Bank's solvency and its resistance against the unpredictable loss system from operations. In that way the stability and security of the banking system and the entire financial system are strengthened. There are four capital buffers:

- Capital conservation buffer is determined at 2,5% of the risk weighted assets. The banks in the Republic of North Macedonia should maintain the capital conservation buffer of 2,5% of the risk weighted assets. This capital buffer is prescribed pursuant to the provisions of the Banking Law and it is referred to all banks in the Republic of North Macedonia. There is no specific methodology for its introduction. During 2023, the capital conservation 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;
- Capital buffer for systemically important banks may range from 1% to 3.5% of the risk weighted assets. The purpose of the capital buffer for systemically important banks is to increase the resistance of the banks identified as systemically important banks against unexpected shocks or losses that could arise during their operations. Based on the prescribed methodology, NBRNM identifies systemically important banks and notifies each systemically important bank on the capital buffer rate it has to maintain. During 2022, the protective layer of capital for the Bank as a systemically important bank was 1.5%;
- Systemic risk capital buffer rate may range from 1% to 3% of risk weighted assets. The systemic risk capital buffer rate is prescribed by the Governor of NBRNM for limiting the risk of disruption to the financial system or the national economy. This capital buffer may be different for various banks or groups of banks. During 2023, NBRNM has not established systemic risk capital buffer.

(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
A1.	Own funds	15.357.968	12.550.526
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**Notes to the Separate 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)**

No.	Description	2023	2022
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**Notes to the Separate 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)**

Note	Description	2023	2022
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
I	CREDIT RISK WEIGHTED ASSETS		
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
II	CURRENCY RISK WEIGHTED ASSETS		
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
III	OPERATIONAL RISK WEIGHTED ASSETS		
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
IV	OTHER RISK WEIGHTED ASSETS		
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
V	RISK WEIGHTED ASSETS	85.677.719	74.208.108
14	Capital required to risk coverage	6.854.218	5.936.649
VI	OWN FUNDS	15.357.968	12.550.526
VII	CAPITAL ADEQUACY RATIO (VI/V)	17,93%	16,91%

4. Segment Reporting

Segment reporting is carried out by the Bank's operating segments.

Operating segment is a component of the activities of the Bank 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 Bank 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 Bank;
- 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 Bank's total assets;
- Management has assessed that they are significant to follow for the Bank'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 Bank 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 Bank 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 Bank 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
Notes to the Separate 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>	Retail banking	Corporate banking	Investment banking	Investment in securities	Liquidity	All other insignificant operating segments	Unallocated	Total
2023 (Current year)								
Net Interest income / (expense)	1.397.135	1.947.846	(153.911)	383.136	(22.276)	-	-	3.551.930
Net fees and commissions income / (expense)	331.235	1.057.637	(590.550)	-	(21.763)	-	(12.012)	764.547
Net trading income	-	-	-	-	5.833	-	-	5.833
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-
Other operating income	43.181	41.936	16.061	-	2	-	311.201	412.381
Income realized between segments	-	-	-	-	-	-	-	-
Total revenue by segment	1.771.551	3.047.419	(728.400)	383.136	(38.204)	-	299.189	4.734.691
Impairment of financial assets on a net basis	(911.283)	(175.302)	(190)	-	(199)	-	(38.781)	(1.125.755)
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	(189)	(189)
Depreciation	-	-	-	-	-	-	(287.802)	(287.802)
Restructuring costs	-	-	-	-	-	-	-	-
Cost of investment in property and equipment	-	-	-	-	-	-	-	-
Other expenses	(1.224.212)	(152.405)	-	-	-	-	(576.369)	(1.952.986)
Total expenditures by segment	(2.135.495)	(327.707)	(190)	-	(199)	-	(903.141)	(3.366.732)
Financial results by segment	(363.944)	2.719.712	(728.590)	383.136	(38.403)	-	(603.952)	1.367.959
Income tax								(117.975)
Profit / (loss) for the year								1.249.984
Total assets by segment	25.740.308	36.847.304	2.662.796	10.924.642	19.602.933	-	-	95.777.983
Unallocated assets by segment	-	-	-	-	-	-	2.309.667	2.309.667
Total assets	25.740.308	36.847.304	2.662.796	10.924.642	19.602.933	-	2.309.667	98.087.650
Total liabilities by segment	33.272.013	30.322.459	4.899.098	-	12.558.417	-	-	81.051.987
Unallocated liabilities by segment	-	-	-	-	-	-	380.363	380.363
Total liabilities	33.272.013	30.322.459	4.899.098	-	12.558.417	-	380.363	81.432.350

HALK BANKA AD Skopje
Notes to the Separate 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>	Retail banking	Corporate banking	Investment banking	Investment in securities	Liquidity	All other insignificant operating segments	Unallocated	Total
2022 (Previous year)								
Net Interest income / (expense)	1.176.267	1.094.002	(127.299)	132.543	(140.913)	-	-	2.134.600
Net fees and commissions income / (expense)	287.235	929.022	(554.322)	-	(10.533)	-	(10.065)	641.337
Net trading income	-	-	-	-	(3.481)	-	-	(3.481)
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-
Other operating income	23.247	25.262	22.021	-	1.044	-	208.571	280.145
Income realized between segments	-	-	-	-	-	-	-	-
Total revenue by segment	1.486.749	2.048.286	(659.600)	132.543	(153.883)	-	198.506	3.052.601
Impairment of financial assets on a net basis	(364.526)	(31.576)	(11)	-	1.061	-	(38.063)	(433.115)
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	(241)	(241)
Depreciation	-	-	-	-	-	-	(287.938)	(287.938)
Restructuring costs	-	-	-	-	-	-	-	-
Cost of investment in property and equipment	-	-	-	-	-	-	-	-
Other expenses	(870.181)	(140.206)	(861)	-	-	-	(519.794)	(1.531.042)
Total expenditures by segment	(1.234.707)	(171.782)	(872)	-	1.061	-	(846.036)	(2.252.336)
Financial results by segment	252.042	1.876.504	(660.472)	132.543	(152.822)	-	(647.530)	800.265
Income tax								(57.612)
Profit / (loss) for the year								742.653
Total assets by segment	25.664.594	31.418.417	2.037.383	9.198.429	13.180.320	-		81.499.143
Unallocated assets by segment	-	-	-	-	-	-	2.411.593	2.411.593
Total assets	25.664.594	31.418.417	2.037.383	9.198.429	13.180.320	-	2.411.593	83.910.736
Total liabilities by segment	27.580.277	25.320.775	6.084.787	-	11.398.546	-		70.384.385
Unallocated liabilities by segment	-	-	-	-	-	-	169.897	169.897
Total liabilities	27.580.277	25.320.775	6.084.787	-	11.398.546	-	169.897	70.554.282

HALK BANKA AD Skopje

Notes to the Separate 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 Bank has no significant concentration of total revenues and expenditures by major customers.

HALK BANKA AD Skopje

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

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

4. Segment Reporting (Continued)

C Geographical Location

<i>In thousands of Denars</i>	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	
2023 (Current year)							
Total income	6.239.094	15.339	19.011	246	85	-	6.273.775
Total assets	91.497.953	3.731.671	2.853.247	4.509	270		98.087.650
2022 (Previous year)							
Total income	4.228.207	6.885	33.432	116	107	-	4.268.747
Total assets	79.122.035	1.187.366	3.596.121	4.719	495		83.910.736

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>				
Financial assets				
Cash and cash equivalents	21.266.101	21.266.101	14.737.639	14.737.639
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	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	62.022.363	62.022.363	56.558.204	56.558.204
Investments in securities	9.662.475	9.662.475	7.968.416	7.968.416
Investments in associates	1.368.843	1.368.843	937.559	937.559
Receivables for income tax (current)	-	-	-	-
Other receivables	1.333.403	1.333.403	1.126.972	1.126.972
Pledged assets	-	-	-	-
Deferred tax assets	-	-	-	-
Financial liabilities				
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	8.600.729	8.600.729	7.294.936	7.294.936
Deposits from customers	66.676.024	66.676.024	57.055.834	57.055.834
Debt securities issued	-	-	-	-
Borrowings	4.549.751	4.549.751	5.020.716	5.020.716
Subordinated debt	-	-	-	-
Income tax liability (current)	62.719	62.719	9.614	9.614
Deferred tax liabilities	-	-	-	-
Other liabilities	1.133.007	1.133.007	900.781	900.781

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 the amount of Denar 34.708 thousand (Denar 2021: 34.708 thousand), 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 0.44% (2021: 0.43%) in the total investments and are expressed by their cost 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, 2021 (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	-	-	-	-
20	-	-	-	-
21	-	-	-	-
23,1	-	9.627.767	34.708	9.662.475
Total	-	9.627.767	34.708	9.662.475
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
Total	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
23,1	-	7.933.708	34.708	7.968.416
Total	-	7.933.708	34.708	7.968.416
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
Total	-	-	-	-

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 Bank 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.

Investment securities available for sale in the amount of Denar 9.662.475 thousand (2022: Denar 7.968.416 thousand), comprising investment in Government bonds in the amount of Denar 7.424.777 thousand (2022: Denar 5.582.927 thousand) and Treasury bills in the amount of Denar 2.202.990 thousand (2022: Denar 2.350.781 thousand), whereas the amount of Denar 34.708 thousand (2022: Denar 34.708 thousand) represents investment in own shares.

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>				
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	-	-	-	-
	-	-	-	-

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
Balance as of January 1, 2022 (Previous year)	-	-	34.708	34.708	-	-	-
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	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Financial instruments reclassified to / (from) Level 3	-	-	-	-	-	-	-
Reclassified to loans and receivables	-	-	-	-	-	-	-
Balance as of December 31, 2022 (Previous year)	-	-	34.708	34.708	-	-	-
Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of December 31, 2022 (previous year)	-	-	-	-	-	-	-
Balance as of January 1, 2023 (Current year)	-	-	34.708	34.708	-	-	-
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	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Financial instruments reclassified to / (from) Level 3	-	-	-	-	-	-	-
Reclassified to loans and receivables	-	-	-	-	-	-	-
Balance as of December 31, 2023 (Current year)	-	-	34.708	34.708	-	-	-
Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of December 31, 2023 (Current year)	-	-	-	-	-	-	-

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
Interest income		
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	-	-
Loans and advances to customers	3.828.983	2.421.082
Investments in securities	310.401	105.630
Other receivables	-	-
(Impairment losses on interest income, on a net basis)	22.228	82.106
Collected previously written-off interest	-	-
Total interest income	4.322.627	2.646.636
Interest expense		
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	606.533	325.761
Issued debt securities	-	-
Borrowings	124.770	82.331
Subordinated debt	-	-
Other liabilities	234	7.036
Total interest expense	770.697	512.036
Net income / (expense) Interest	3.551.930	2.134.600

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
Interest income		
Non-financial companies	2.165.697	1.127.916
Government	310.401	105.630
Non-profit institutions serving households	39	38
Banks	161.015	37.818
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	-	-
Total interest income	4.322.627	2.646.636
Interest expense		
Non-financial companies	209.075	108.656
Government	234	418
Non-profit institutions serving households	8.356	1.598
Banks	110.555	151.819
Other financial non-banking institutions	157.335	127.299
Households	261.109	100.506
Non-residents	24.033	21.740
Total interest expense	770.697	512.036
Net Interest income/(expense)	3.551.930	2.134.600

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
Fee and commission income		
Loans	103.908	103.508
Payment operations		
Domestic	330.916	286.825
Foreign	169.240	143.251
Letters of credit and guarantees	119.653	101.916
Brokerage	-	-
Asset management	-	-
Commission and fiduciary activities	2.629	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	422.959	357.813
Fees for transactions on ATM	37.158	34.795
ATM transactions fee	81.316	79.235
Electronic banking	59.805	44.448
Transaction with Posta	63.764	61.057
Insurance revenues	42.637	33.353
Treasury operations	22.324	20.143
Other operating revenues from fees and commissions	1.443	994
Total fee and commission income	1.532.934	1.341.966
Fee and commission expenses		
Loans	17.785	14.948
Payment operations		
domestic	80.008	57.229
foreign	54.132	47.343
Letters of credit and guarantees	1.902	2.570
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
Other operating expenses from fees and commissions	8.320	9.334
Total fee and commission expenses	529	588
Net fee and commission income / (expense)	768.387	700.629
Fee and commission income	764.547	641.337

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
Fee and commission income		
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)	8.512	5.165
Households	327.018	283.263
Non-residents	102.776	96.784
Total fee and commission income	1.532.934	1.341.966
Fee and commission expenses		
Non-financial companies	21.964	17.779
Government	-	-
Non-profit institutions serving households	-	-
Banks	52.279	41.210
Other financial institutions (non-banking)	36.544	25.890
Non-residents	657.600	615.750
Total fee and commission expenses	768.387	700.629
Net fee and commission income / (expense)	764.547	641.337

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	5.833	(3.481)
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	-	-
Net trading income	5.833	(3.481)

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	-	-
Net income from other financial instruments carried at fair value	-	-

10. Net Foreign Exchange Gains/(Losses)

<i>In thousands of Denars</i>		
Current year 2023	Previous year 2022	
Realized foreign exchange gains/(losses), net	248.389	246.658
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	123	(1.126)
Other foreign exchange differences, net	(19.337)	(40.343)
Exchange rates differences from off balance sheet exposures		-
Net foreign exchange gains/(losses)	229.175	205.189

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	940
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	2.327	2.238
Master card - campaign	16.800	21.860
Income from sale of bills of exchange	415	400
Reimbursement of telephone expenses	132	112
Transport of money	4.647	4.395
Income from reports from the Macedonian Credit Bureau	3.669	3.783
Other income	6.343	9.172
Total operating income	183.206	74.956

HALK BANKA AD Skopje

Notes to the Separate 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
2023 (Current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	-	2.790.542	-	-	2.368	25.728	10.601	2.829.239	151.868	2.981.107
(Release of allowance for impairment and special reserve)	-	(1.716.586)	-	-	(1.979)	(20.187)	(4.995)	(1.743.747)	(111.605)	(1.855.352)
Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net	-	1.073.956	-	-	389	5.541	5.606	1.085.492	40.263	1.125.755
2022 (Previous year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	-	1.572.014	-	-	3.968	7.615	9.749	1.593.346	177.972	1.771.318
(Release of allowance for impairment and special reserve)	-	(1.184.582)	-	-	(5.017)	(2.372)	(7.224)	(1.199.195)	(139.007)	(1.338.202)
Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net	-	387.432	-	-	(1.049)	5.243	2.525	394.151	38.965	433.116

HALK BANKA AD Skopje**Notes to the Separate 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
2023 (Current year)							
Additional impairment losses	-	-	189	-	-	-	189
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment of non-financial assets on a net basis	-	-	189	-	-	-	189
2022 (Previous year)							
Additional impairment losses	-	-	241	-	-	-	241
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment of non-financial assets on a net basis	-	-	241	-	-	-	241

HALK BANKA AD Skopje**Notes to the Separate 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	
Short-term employee benefits		
Salaries	647.467	530.577
Compulsory social and health insurance contributions	252.296	194.217
Short-term paid absences	885	249
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	40.166	13.396
	940.814	738.439
Benefits after termination of employment		
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	-	-
	-	-
Termination benefits		
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)	42.078	31.700
	982.892	770.139

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

(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	48.912
Other internally developed intangible assets	-
Other intangible assets	26.796
Leasehold improvements	12.168
	88.352
Amortization of property and equipment	
Buildings	52.631
Vehicles	1.627
Furniture and office equipment	6.593
Other equipment	111.212
Other items of property and equipment	5.868
Leasehold improvements	22.131
	199.450
Total	287.938

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	57.040
Premium on property and employee insurance	46.762	39.095
Materials and services	415.446	398.518
Administrative and marketing expenses	142.804	107.046
Other taxes and contributions	20.903	11.435
Rent expense	88.196	87.262
Court litigation expenses	327	1.136
Provisions for pension and other employee benefits, net	96.390	2.536
Provisions for contingent liabilities based on court litigations, net	11.183	4.054
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)		
Money transfer	37.376	31.731
Documentation archiving	10.248	8.871
Expenses for repaid loans before maturity	1.299	96
Other expenses	19.030	12.083
Total other operating expenses	970.094	760.903

17. Income Tax

A Expenses/income for current and deferred tax

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Current income tax		
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	-	-
	117.975	57.612
Deferred income tax		
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	-	-
	-	-
	117.975	57.612
Total expense/(return) on income tax	117.975	57.612

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

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		1.367.959		800.265
Income tax as per applicable tax rate	10%	136.796	10%	80.026
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	0.99%	13.550	1,11%	8.905
Tax-exempt income	-	-	-	-
Tax exemption unrecognized in income statement	(2.37%)	(32.371)	(3,91%)	(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	-	-	-	-
Total expense/(return) on income tax		117.975		57.612
Average effective tax rate	8.62%		7,20%	

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**Notes to the Separate 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	-	-	-	-	-	-
Total other profit/(losses) unrecognized in Profit and Loss	-	-	-	-	-	-

HALK BANKA AD Skopje**Notes to the Separate 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	1.962.544	1.432.656
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	73.103	74.677
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	4.463.654	864.802
Other short-term highly liquid assets	-	75.000
Interest receivables	2.531	309
(Allowance for impairment)	(616)	(435)
Included in cash and cash equivalents for the purposes of the Statement of cash flows	16.377.985	11.116.022
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)
Total	21.266.101	14.737.639

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

Notes to the Separate 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>								
Movements in allowance for impairment								
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)	-	-	-	-	-	-	-	-
Balance as of December 31,	878	-	-	878	499	-	-	499

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
Trading securities		
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	-	-
	-	-
Listed	-	-
Non-listed	-	-
Trading derivatives		
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	-	-
	-	-
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
	-	-
Total trading assets	-	-

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

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	Hedging derivatives / derivatives held for risk management				
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	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
	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	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
B	Inherent derivatives				
	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	-	-	-	-
	Total inherent derivatives	-	-	-	-
	Total derivatives held for risk management	-	-	-	-

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	-	-	-	-
Foreign		-	-	-
Repo				
Domestic	-	-	-	-
Foreign	-	-	-	-
Other receivables				
Domestic	-	-	-	-
Foreign	-	-	-	-
Interest receivables	-	-	-	-
Current maturity	-	-	-	-
Total loans and advances to banks before impairment	-	-	-	-
(Impairment)	-	-	-	-
Total loans and advances to banks less impairment	-	-	-	-

As of December 31, 2023 the Bank has no loans granted to banks and claims from banks (2022: nil).

HALK BANKA AD Skopje**Notes to the Separate 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
Movements of allowance for impairment								
Balance as of January 1,	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-
Balance as of December 31,	-	-	-	-	-	-	-	-

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	15.489	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	1.310.076	10.544
Other loans	857.525	55.003	897.774	127.917
Interest receivables	173.727	-	197.752	-
Non-residents, except banks				
Receivables upon principal	101.980	62.045	3.581	249.415
Interest receivables	152	-	681	-
Current maturity	5.433.201	(5.433.201)	6.627.666	(6.627.666)
Total loans and advances to other customers before impairment	15.145.554	48.710.928	15.145.555	42.346.989
(Allowance for impairment)	(1.117.717)	(716.402)	(569.289)	(365.052)
Total loans and advances to other customers, net of allowance for impairment	14.027.837	47.994.526	14.576.267	41.981.937

HALK BANKA AD Skopje

Notes to the Separate 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								
Movements of allowance for impairment								
Balance as of January 1,	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)	(1024)	-	-	(1.024)
(Written-off receivables)	-	-	(174.018)	(174.018)	-	-	(286.892)	(286.892)
Balance as of December 31,	165.449	645.053	1.023.617	1.834.119	96.936	323.180	514.225	934.431

In accordance with the Decision on credit risk management, which came into force on July 1, 2019, the Bank 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 Bank 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	18.003.720	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	10.903.225
Total loans and advances to customers net of impairment	62.022.363	56.558.204

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	2,202,990	2.350.781
Other instruments on the money market	-	-
Government bonds	7,424,777	5.582.927
Corporate bonds	-	-
Other debt instruments	-	-
	9,627,767	7.933.708
Listed	-	-
Non-listed	9,627,767	7.933.708
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	34,708	34.708
	34,708	34.708
Listed	223	223
Non-listed	34,485	34.485
Total investment in financial instruments available for sale	9,662,475	7.968.416

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 Bank participates with no more than 10% in the share capital of financial and non-financial companies.

HALK BANKA AD Skopje

Notes to the Separate 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								
Movements of allowance for impairment	-	-	-	-	-	-	-	-
Balance as of January 1,	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-

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	-	-
	Other instruments on the money market	-	-
	Government bonds	-	-
	Corporate bonds	-	-
	Other debt instruments	-	-
		-	-
	Listed	-	-
	Non-listed	-	-
Total investment in financial instruments held to maturity before impairment		-	-
(Impairment)		-	-
Total investment in financial instruments held to maturity less impairment		-	-

HALK BANKA AD Skopje

Notes to the Separate 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								
Movements of allowance for impairment								
Balance as of January 1,	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-
Balance as of December 31,	-	-	-	-	-	-	-	-

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	27.428	6.520
Prepaid expenses	87.170	128.362
Deferred income	-	-
Fees and commission receivables	38.185	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>	14.269	12.065
<i>Receivables from court fees</i>	6.134	5.364
<i>Other</i>	51.824	54.225
Total other receivables before value allowance	1.493.631	1.324.684
(Allowance for impairment)	(21.158)	(15.281)
Total other receivables, net of allowance for impairment	1.472.473	1.309.403

In addition to receivables based on transactions with Mastercard cards in the amount of 298,149 thousand denars (2022: 201,273 thousand denars), the Bank also has liabilities on that basis in the amount of 32,899 thousand denars (2022: 31,024 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 Bank also has liabilities on that basis in the amount of 241,617 thousand denars (2022: 252,291 thousand denars) (Note 39).

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

HALK BANKA AD Skopje

Notes to the Separate Financial Statements for the Year Ended December 31.2023

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

25. Other receivables (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								
Movements of allowance for impairment								
Balance as of January 1,	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)
Balance as of December 31,	396	2.268	18.494	21.158	581	562	14.138	15.281

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.

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

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	-	-
Total pledged assets	-	-

27. Foreclosed assets

<i>In thousands of Denars</i>	Land	Buildings	Equipment	Residential facilities and apartments	Other valuables	Total
Initial carrying amount						
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)	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	5.570	2.309	-	2.802	581	11.262
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)	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	577	2.309	-	2.802	581	6.269
Impairment						
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)	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	5.381	2.309	-	2.802	581	11.073
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)	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	577	2.309	-	2.802	581	6.269
Current carrying amount as of						
January1, 2023 (Previous year)	513	-	-	-	-	513
December 31.2022 (Previous year)	189	-	-	-	-	189
December 31.2023 (Current year)	-	-	-	-	-	-

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

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
Cost							
Balance as of January 1.2022 (Previous year)	-	372.635	-	175.546	53.819	-	602.000
Increase through new acquisitions	-	45.845	-	18.401	17.348	-	81.594
Increase through internal development	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-
(Transfer to non-current assets held-for-sale)	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	418.480	-	193.947	71.167	-	683.594
Balance as of January 1.2023 (Current year)	-	418.480	-	193.947	71.167	-	683.594
Increase through new acquisitions	-	51.314	-	19.665	15.065	-	86.044
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	-	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	-	469.794	-	213.612	86.232	-	769.638
Depreciation and impairment							
Balance as of January 1.2022 (Previous year)	-	255.065	-	113.676	50.642	-	419.383
Depreciation for the year	-	48.912	-	26.796	12.168	-	87.876
Impairment loss during the year	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	303.977	-	140.472	62.810	-	507.259
Balance as of January 1.2023 (Current year)	-	303.977	-	140.472	62.810	-	507.259
Depreciation for the year	-	49.469	-	26.089	12.794	-	88.352
Impairment loss during the year	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	-	353.446	-	166.561	75.604	-	595.611
Current carrying amount as of							
January 1.2022 (Previous year)	-	117.570	-	61.870	3.177	-	182.617
December 31.2022 (Previous year)	-	114.504	-	53.475	8.357	-	176.336
December 31.2023 (Current year)	-	116.348	-	47.051	10.628	-	174.027

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

(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
Cost									
Balance as of January 1.2022 (Previous year)	-	2.098.699	37.814	102.876	890.579	73.019	26.989	231.069	3.461.045
Increase through business combinations	-	32.462	1.519	18.031	116.715	5.946	(6.435)	218	168.456
(Disposal and write off)	-	-	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	(3.090)	(101)	(19.832)	(13)	-	-	(23.036)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	2.131.161	36.243	120.806	987.462	78.952	20.554	231.287	3.606.465
Balance as of January 1.2022 (Current year)	-	2.131.161	36.243	120.806	987.462	78.952	20.554	231.287	3.606.465
Increase through business combinations	-	103.238	7.146	1.735	70.987	18.132	9.172	6.309	216.719
(Disposal and write off)	-	-	-	-	-	-	-	-	-
(Disposal through business combinations)	-	(127.280)	-	-	(5.645)	-	-	-	(132.925)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	-	2.107.119	43.389	122.541	1.052.804	97.084	29.726	237.596	3.690.259
Depreciation and impairment									
Balance as of January 1.2022 (Previous year)	-	262.498	35.567	89.230	629.796	37.953	-	150.025	1.205.069
Depreciation for the year	-	52.631	1.688	6.593	111.223	5.868	-	22.131	200.134
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	-	-	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	315.129	34.165	95.742	722.467	43.816	-	172.156	1.383.475
Balance as of January 1.2023 (Current year)	-	315.129	34.165	95.742	722.467	43.816	-	172.156	1.383.475
Depreciation for the year	-	52.353	1.470	7.216	113.212	6.193	-	19.006	199.450
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(8.389)	-	-	(5.645)	-	-	-	(14.034)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	-	359.093	35.635	102.958	830.034	50.009	-	191.162	1.568.891
Carrying amount as of									
January 1.2022 (Previous year)	-	1.836.201	2.247	13.646	260.783	35.066	26.989	81.044	2.255.976
December 31.2023 (Previous year)	-	1.816.032	2.078	25.064	264.995	35.136	20.554	59.131	2.222.990
December 31.2023 (Current year)	-	1.748.026	7.754	19.583	222.770	47.075	29.726	46.434	2.121.368

(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 Bank 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 Bank 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	-	11.431
Current income tax liabilities	9.614	-

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	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in the income statement	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Hedges of cash flows	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in equity	-	-	-	-	-	-
Total recognized deferred tax assets / liabilities	-	-	-	-	-	-

B Unrecognized deferred tax assets

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

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	
Previous year 2022				
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	-	-	-	-
Total recognized deferred tax assets/ liabilities	-	-	-	-
Current year 2023				
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	-	-	-	-
Total recognized deferred tax assets/ liabilities	-	-	-	-

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	-	-
Total non-current assets held for sale	-	-

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>	-	-
<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>	-	-

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	-	-

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	-	-
	-	-
Total trading liabilities	-	-

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>			
	-	-	-
Total financial liabilities at fair value through profit and loss designated as such upon initial recognition			
-	-	-	-

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

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	-	-	-
Total deposits from banks	8.600.729	-	7.294.936

(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	-
	20.353.931	6.892.512	16.644.406	5.955.192
Government				
Current accounts	197.512	-	280.103	-
Demand deposits	-	-	-	-
Time deposits	-	-	-	-
Restricted deposits	-	-	-	-
Other deposits	-	-	-	-
Interest payable on deposits	-	-	-	-
	197.512	-	280.103	-
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	-
	746.773	390.465	725.888	299.762
Financial institutions, except banks				
Current accounts	194.745	-	360.338	-
Demand deposits	-	-	-	-
Time deposits	527.173	3.053.709	568.071	3.843.853
Restricted deposits	-	136.777	1.698	14.203
Other deposits	-	-	-	-
Interest payable on deposits	39.276	-	32.214	-
	761.194	3.190.486	962.321	3.858.056
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	-
	17.920.024	14.702.155	14.742.787	12.329.263
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	-
	346.578	1.174.394	335.375	922.681
Current maturity	7.516.597	(7.516.597)	11.739.732	(11.739.732)
Total deposits from other customers	47.842.609	18.833.415	45.430.612	11.625.222

(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	-	-
Total debt securities issued	-	-

(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)
Total borrowings	968.313	3.581.438	1.106.167	3.914.549

HALK BANKA AD Skopje**Notes to the Separate 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
		16.822	3.860.028	10.731	4.028.891
<i>Foreign sources:</i>					
European Foundation for Southeastern Europe (EFSE)					
		1.606	578.778	1.690	795.795
Green for Growth Fund (GGF)					
		267	92.250	410	183.199
		1.873	671.028	2.100	978.994
Current maturity		949.618	(949.618)	1.093.336	(1.093.336)
Total borrowings		968.313	3.581.438	1.106.167	3.914.549

The Bank 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**Notes to the Separate 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	-
Total subordinated debt	-

HALK BANKA AD Skopje**Notes to the Separate 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	20.918	124.487	-	-	-	159.144
additional provisions during the year	177.972	6.150	116.451	-	-	-	300.573
(used provisions during the year)	-	-	(113.914)	-	-	-	(113.914)
(release of provisions during the year)	(139.006)	(2.096)	-	-	-	-	(141.102)
Effect of exchange rate differences	(106)	-	-	-	-	-	(106)
Balance as of December 31.2022 (Previous year)	52.599	24.972	127.024	-	-	-	204.595
Balance as of January 1.2023 (Current year)	52.599	24.972	127.024	-	-	-	204.595
additional provisions during the year	151.869	11.365	215.284	-	-	-	378.518
(used provisions during the year)	-	(182)	(118.893)	-	-	-	(119.075)
(release of provisions during the year)	(111.605)	-	-	-	-	-	(111.605)
Effect of exchange rate differences	11	-	-	-	-	-	11
Balance as of December 31.2023 (Current year)	92.874	36.155	223.415	-	-	-	352.444

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.

39. Other Liabilities

	<i>In thousands of Denars</i>	
	Current year 2023	Previous year 2022
Trade payables	12.351	4.119
Received advances	-	-
Liabilities for commissions and fees	15	245
Accrued expenses	52	9
Deferred income from previous year	59.024	66.250
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	32.899	31.024
Liabilities to other banks, upon transactions with Visa cards	241.617	252.291
Liabilities to other banks for settlement from card operations	77.307	58.376
Liabilities to other banks for card settlement	285.591	156.047
Deposits for performing of work	5.526	843
Other taxes and contributions	7.663	4.479
Undistributed inflow (in MKD)	11.738	10.291
Undistributed foreign exchange inflow	349.226	315.603
Founding deposit for firms	14.887	17.694
Obligations based on population	1.849	7.153
Other	90.938	44.163
Total other liabilities	1.190.683	968.587

HALK BANKA AD Skopje**Notes to the Separate 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	-	-	-	-	-	-	-	-
As at 31 December – fully paid	10.000	-	1.284.691	1.100.191	-	-	12.846.910	11.001.910

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.

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%
Total	12.799.050	10.954.050	99,63%	99,56%

Statutory reserves

Under local statutory legislation, the Bank 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 Bank'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 Bank 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 Bank 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.

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>		
Net profit for the year	1.249.984	742.653
Dividends on non-redeemable preference shares	-	-
Adjustments to net profit attributable to ordinary shareholders	-	-
Net - Profit attributable to holders of ordinary shares	1.249.984	742.653

	<i>Number of shares</i>	
	Current year 2023	Previous year 2022
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares as of January 1	1.100.191	915.691
Effects of the changes in the number of ordinary shares during the year:		
Effect of shares issued as of 04.08.2023	75.316	-
Effect of shares issued as of 28.07.2022	-	78.855
Weighted average number of ordinary shares as of 31 December	1.175.507	994.546
Basic earnings per share (in Denars)	1.063	747

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>		
Net profit for the year attributable to holders of ordinary shares	1.249.984	742.653
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares	-	-
Net - Profit attributable to holders of ordinary shares (diluted)	1.249.984	742.653

	<i>Number of shares</i>	
	Current year 2023	Previous year 2022
<i>Weighted average number of ordinary shares (diluted)</i>		
Issued ordinary shares as of 1 January	1.100.191	915.691
Effects of issued potential ordinary shares (list separately)		
Effect of shares issued as of 04.08.2023	75.316	-
Effect of shares issued as of 28.07.2023	-	78.855
Weighted average number of ordinary shares (diluted) as of December 31	1.175.507	994.546
Diluted earnings per share (MKD)	1.063	747

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	24.481.282	19.966.892
Issued covered guarantees	519.652	514.938
Covered letters of credit	102.775	-
Other covered contingent liabilities	-	-
Total contingent liabilities before special reserve	39.684.174	33.443.481
(Special reserve)	(92.874)	(52.598)
Total liabilities less special reserve	39.591.300	33.390.883

42 Contingent Liabilities and Contingent Assets (Continued)**42.1 Contingent Liabilities (Continued)**

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extend for up to a year. Expirations are not concentrated in any period.

These contingent liabilities present off balance exposures, due to the fact that only fees and provisions for potential losses are recognized in statement of financial position until the contingent liabilities have been fulfilled or are due for recognition. Many of the contingent liabilities will be due without being advanced in full or in a part. Therefore, the amounts do not represent expected future cash flows.

The amount of revocable potential liabilities is 22,610,300 thousand denars (2022: 18,092,616 thousand denars), and the amount of irrevocable ones is 2,548,146 thousand denars (2022: 2,507,171 thousand denars).

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 basis were initiated against the debtors, and for those for which it was decided in favor of the Bank, in December 2023 the Bank was charged a total amount of MKD 182 thousand (2022: 1,019 thousand denars). For this amount at the same time, reserved funds are released.

42.2 Contingent Assets

<i>In thousands of Denars</i>	
Current year 2023	Previous year 2022
-	-

List separately the more significant contingent assets:

Total contingent assets

HALK BANKA AD Skopje**Notes to the Separate 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 2022		
	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	-	-	-	-	-	-
Total	2.218.637	(2.218.637)	-	1.667.381	(1.667.381)	-

Bank 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
Balance as of December 31.2023 (Current year)						
Assets						
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	-	1.368.843	-	-	-	1.368.843
(Allowance for impairment)	(26)	-	-	(53)	(23)	(102)
Other assets	-	184	-	-	-	184
Total	33.141	1.369.027	-	123.625	24.570	1.550.363
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	7.895.416	153.978	-	138.951	169.088	8.357.433
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	2.599	1.990	-	22	-	4.611
Total	7.898.015	155.968	-	138.973	169.0888	8.362.044
Contingent liabilities						
Issued guarantees	621.502	1.984	-	-	2.728	626.214
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	16.645	2.751	19.396
(Provision)	(205)	-	-	(14)	(3)	(222)
Total	621.297	1.984	-	16.631	5.476	645.388
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

(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
Balance as of December 31.2022 (Previous year)						
Assets						
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
Total	188.281	937.839	-	107.680	16.979	1.250.779
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	6.093.195	246.036	-	153.882	99.134	6.592.247
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	553	1.656	-	9.552	-	11.761
Total	6.093.748	247.692	-	163.434	99.134	6.604.008
Contingent liabilities						
Issued guarantees	618.633	8.557	-	-	-	627.190
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	485	-	14.893	31	15.409
(Provision)	(68)	-	-	(36)	-	(104)
Total	618.565	9.042	-	14.857	31	642.495
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

(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
2023 (Current year)						
Income						
Interest income	2.397	3.424	-	4.184	1.419	11.424
Fee and commission income	6.430	10.505	-	130	99	17.164
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	76.652	-	-	-	76.652
Other income	-	14.581	-	-	-	14.581
Transfers between entities	-	-	-	-	-	-
Total	8.827	105.162	-	4.314	1.518	119.821
Expense						
Interest expense	(18.003)	(3.420)	-	(1.497)	(1.359)	(24.279)
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	-	(61.188)	-	-	-	(61.188)
Transfers between entities	-	-	-	-	-	-
Total	(19.857)	(64.608)	-	(1.497)	(1.359)	(87.321)

<i>In thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
2022 (Previous year)						
Income						
Interest income	1.441	-	-	3.540	1.645	6.626
Fee and commission income	5.729	9.828	-	706	168	16.431
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	4.422	-	789	99	5.310
Transfers between entities	-	-	-	-	-	-
Total	7.170	14.250	-	5.035	1.912	28.367
Expense						
Interest expense	87.973	1.729	-	3.540	1.645	94.887
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	-	29.657	-	4.526	42	34.225
Transfers between entities	-	-	-	-	-	-
Total	89.045	31.386	-	8.066	1.687	130.184

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 euros 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	-	-
Total	268.467	241.585

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
Balance as of December 31.2023 (Current year)				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance as of December 31.2022 (Previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

(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>				
Balance as of December 31, 2023 (Current year)				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance as of December 31, 2022 (Previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

In thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
Value of property given under operating leasehold							
Balance as of December 31.2023 (Current year)	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

HALK BANKA AD Skopje
Notes to the Separate 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>				
Balance as of December 31.2023 (Current year)	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

	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>							
Cost value							
Balance as of January 1.2022 (Previous year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write-offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	-	-	-	-	-	-
Balance as of January 1.2023 (Current year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write-offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
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	-	-	-	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Balance as of December 31.2023 (Current year)	-	-	-	-	-	-	-
Current carrying amount as of							
January 1.2022 (Previous year)	-	-	-	-	-	-	-
December 31.2022 (Previous year)	-	-	-	-	-	-	-
December 31.2023 (Current year)	-	-	-	-	-	-	-

HALK BANKA AD Skopje
Notes to the Separate 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
Balance as of December 31.2023 (Current year)	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance as of December 31.2022 (Previous year)	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

Operating lease

The Bank 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
Balance as of January 1,	-	-	-	-
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	-	-	-	-
Balance as of December 31,	-	-	-	-

47. Tax risk

The separate financial statements and accounting records of the Bank 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 Bank'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 02.02.2024 (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 RSM 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 RSM 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 RSM was carried out on March 14, 2024.