



Financial statements and Independent auditor's report

Central Cooperative Bank AD, Skopje

31 December 2009

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Independent Auditor' Report

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To the Management and Shareholders of

Central Cooperative Bank AD, Skopje

We have audited the accompanying financial statements of Central Cooperative Bank A.D., Skopje (the "Bank") which comprise of the Balance sheet as at 31 December 2009, and the Income Statement, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 93.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Decision on the Methodology for recording and valuating of accounting items and for the preparation of financial statements and the Manual on the types and content of financial statements of banks, issued by the National Bank of the Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2009, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with the Decision on the Methodology for recording and valuating of accounting items and for the preparation of financial statements and the Manual on the types and content of financial statements of banks, issued by the National Bank of the Republic of Macedonia.


Grant Thornton

Skopje,

08 March 2010

Financial statements
31 December 2009

Income Statement

	Notes	(000 mkd)	
		For the year ended 31 December	
		2009	2008
Interest income		86,776	84,999
Interest expense		(18,914)	(20,036)
Net interest income	6	67,862	64,963
Fee and commission income		12,117	22,125
Fee and commission expense		(3,575)	(7,209)
Net fee and commission income	7	8,542	14,916
Net income from trading	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Foreign exchange gains/(losses), net	10	3,979	1,789
Other operating income	11	48,192	20,958
Participation in income of associates	25	-	-
Operating income		128,575	102,626
Allowance for impairment of financial assets, net	12	15,209	(5,494)
Impairment losses of non-financial assets, net	13	-	-
Personnel expenses	14	(67,239)	(40,906)
Depreciation and amortization	15	(19,960)	(17,095)
Other operating expenses	16	(50,830)	(33,485)
Participation in loss of associates	25	-	-
Operating (expenses)		(122,820)	(96,980)
Profit / (loss) before taxation		5,755	5,646
Income tax	17	(400)	-
Profit / (loss) for the year from continuing operations		5,355	5,646
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit / (loss) for the year		5,355	5,646
Profit / (loss) for the year attributable to:			
shareholders of the Bank		5,355	5,646
minority interest		-	-
		5,355	5,646
Earnings per share			
basic earnings per share (in Denar)	43	17	22
diluted earnings per share (in Denar)		-	-

See accompanying Notes to the financial statements

Financial statements
31 December 2009

Balance sheet

	Notes	2009	(000 mkd) 31 December 2008
Assets			
Cash and cash equivalents	18	716,015	1,155,986
Assets held for trading	19	-	-
Financial assets carried at fair value through profit and loss at its initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Loans and advances to banks	22	20,724	-
Loans and advances to customers	23	281,940	203,251
Investment in securities	24	46,912	6,764
Investments in associates (recorded according to equity method)	25	-	-
Current income tax receivables	31	722	703
Other receivables	26	43,759	20,344
Assets pledged as collateral	27	-	-
Foreclosed assets	28	138,149	132,417
Intangible assets	29	41,410	10,197
Property, plant and equipment	30	268,897	311,479
Deferred tax assets	31	16	-
Non-current assets held for sale and group for disposal	32	57,608	-
Total assets		1,616,152	1,841,141
Liabilities			
Trading liabilities	33	-	-
Financial liabilities carried at fair value through profit and loss at its initial recognition	34	-	-
Derivative assets held for risk management	21	-	-
Due to banks	35	4,171	3,813
Due to other customers	36	773,282	999,370
Debt instruments issued	37	-	-
Borrowings	38	8,871	9,796
Subordinated liabilities	39	-	-
Special reserve and provisions	40	274	991
Current income tax liabilities	31	-	-
Deferred tax liabilities	31	16	-
Other liabilities	41	5,496	8,479
Liabilities related to group for disposal	32	-	-
Total liabilities		792,110	1,022,449

See accompanying Notes to the financial statements

Financial statements
31 December 2009

Balance sheet (continued)

	Notes	2009	(000 mkd) 31 December 2008
Equity			
Subscribed capital	42	804,172	845,196
Share premium		524	-
Treasury shares		-	-
Equity component of hybrid financial instruments		-	-
Other treasury instruments		-	-
Revaluation reserves		13,991	13,996
Other reserves		-	7,840
Retained earnings /(Accumulated losses)		5,355	(48,340)
Total equity and reserves attributable to the shareholders of the Bank		824,042	818,692
Minority interest		-	-
Total equity and reserves		824,042	818,692
Total liabilities and equity and reserves		1,616,152	1,841,141
Commitment and contingencies	44	51,095	42,976
Contingent assets		-	-

These financial statements have been approved and signed by the Bank's Board of Directors on 28 January 2010 and approved by the Bank Supervisory Board on 28 January 2010.

Signed on behalf of the Bank's Board of Directors by:



Nedelin Velcev
President of the Board of
Directors



Zaklina Marik
Member of the Board of
Directors



Orce Trajkovski
Member of the Board of
Directors

Financial statements
31 December 2009

Statement of changes in equity

	Equity			Other reserves		Revaluation reserve			Retained earnings			Total equity and reserves attributab. to the Bank		Minority interest	Total equity		
	Subs-cribed capital	Share prem-ium	(Treas. shares)	Capital com. of hyb. fin. Instrum	Other finan. Instr.	Statutory reserve	Other reserves	Reval. reserve	Risk reserve	Forex reserve	Other reser.	Attribut. to sharehol.	Limited for distrib. to sharehol			Accum. loss	
As of 1 January 2008	600,522	-	-	-	-	683	7,157	-	-	-	13,996	-	1,556	(55,542)	568,372	-	568,372
Opening balance adjustments																	
As of 1 January 2008 adjusted	600,522	-	-	-	-	683	7,157	-	-	-	13,996	-	1,556	(55,542)	568,372	-	568,372
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of risk protection of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of risk protection of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets)/liabilities recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized profit /(loss) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See accompanying Notes to the financial statements

Financial statements
31 December 2009

Statement of changes in equity (continued)

	Equity			Other reserves		Revaluation reserve			Retained earnings			Total equity and reserves attributable to the Bank	Minority interest	Total equity			
	Subscribed capital	Share premium	(Treas. shares)	Capital com. of hyb. Instrum	Other final. instr.	Statutory reserve	Other reserves	Reval. reserve	Risk Reserve	Forex reserve	Other reser.				Attribut. to sharehol.	Limited for distrib. to sharehol	Accum. loss
Shares issued during the period	244,674	-	-	-	-	-	-	-	-	-	-	-	-	-	244,674	-	244,674
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	5,646	5,646	-	5,646
Distribution to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- profit transfer to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- loss coverage with reserves for 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- reserve fund increase with undistributed profit and guarantee fund decrease to cover the loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of 31 December 2008 / 1 January 2009	845,196	-	-	-	-	683	7,157	-	-	-	13,996	-	1,556	(49,896)	818,692	-	818,692
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Changes in fair value of protection against risk of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of protection against risk of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See accompanying Notes to the financial statements

Financial statements
31 December 2009

Statement of changes in equity (continued)

	Equity			Other reserves			Revaluation reserve			Retained earnings			Total equity and reserves attributable to the Bank	Minority interest	Total equity		
	Subscribed capital	Share premium	(Treas. Shares)	Capital com. Of hyb. Instrum.	Other final. Instr.	Statutory reserve	Other reserves	Reval. Reserve	Risk Reserve	Forex reserve	Other reser.	Attribut. To sharehol.				Limited for distrib. To sharehol	Accum. Loss
Foreign exchange differences recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax (assets)/liabilities recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total unrealized gains /(losses) recognized in equity	-	-	-	-	-	-	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	5,355	-	5,355	-	5,355
Distribution to statutory reserve	-	-	-	-	-	5,646	-	-	-	-	-	-	-	(5,646)	-	-	-
Distribution to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- recognition of preference shares	-	-	(524)	-	-	-	-	-	-	-	-	-	-	-	(524)	-	(524)
- loss coverage	(40,500)	-	-	-	-	(6,329)	(7,157)	-	-	-	-	-	(1,556)	55,542	-	-	-
- preference share withdraws	(524)	524	524	-	-	-	-	-	-	-	-	-	-	-	524	-	524
As of 31 December 2009	804,172	524	-	-	-	-	-	(5)	-	-	13,996	-	5,355	-	824,042	-	824,042

See accompanying Notes to the financial statements

Financial Statements
31 December 2009

Statement of cash flows

Notes	2009	(000 mkd) For the year ended 31 December 2008
Operating activities		
Profit/(Loss) before taxation	5,755	5,646
Adjustment for:		
Minority interest, included in consolidated income statement *		
<i>Amortization and Depreciation of:</i>		
intangible assets	3,745	2,565
property, plant and equipment	16,215	14,530
<i>Capital gain from:</i>		
sale of intangible assets	-	-
sale of property and equipment	-	-
sale of foreclosed assets	(56)	-
<i>Capital loss from:</i>		
sale of intangible assets	-	-
sale of property and equipment	-	1,600
sale of foreclosed assets	-	214
Interest income	(86,776)	(84,999)
Interest expense	18,912	20,036
Net trading income	-	-
<i>Impairment losses of financial assets, net</i>		
additional impairment losses	26,053	6,652
release of impairment losses	(41,262)	(1,158)
Impairment losses of non-financial assets, net		
additional impairment losses	-	-
release of impairment losses	-	-
Special reserve		
additional provisions	1,016	-
release of provisions	(1,733)	(706)
Dividend income	(3,969)	(9,533)
Participation of profit/(loss) of associates	-	-
Other adjustments	-	-
Interest received	83,965	86,469
Interest paid	(18,179)	(19,478)
Profit/(Loss) from operations before changes in operating assets	3,686	21,838
<i>(Increase)/decrease of operating assets:</i>		
Trading assets	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	(19,455)	63,126
Loans and advances from other customers	(78,234)	47,537
Assets pledged as collateral	-	-
Foreclosed assets	(2,548)	(6,732)
Obligatory deposit in foreign currency	(1,951)	16,904

See accompanying Notes to the financial statements

Financial Statements
31 December 2009

Statement of cash flows (continued)

	(000 mkd)	
	For the year ended	
	2009	31 December 2008
Obligatory deposit held with NBRM according to special regulations	-	-
Other receivables	(41,208)	(14,202)
Deferred tax assets	-	-
Non-current assets held for sale and group for disposal	-	-
<i>Increase/(decrease) in operating liabilities:</i>		
Trading liabilities	-	-
Derivative liabilities held for risk management	-	-
Due from banks	358	(28,281)
Due from other customers	(226,805)	171,299
Other liabilities	(884)	2,619
Liabilities directly related to group or assets for disposal	-	-
Net cash flow from operating activities before taxation	(361,945)	274,108
(Paid)/received income tax	(419)	(385)
Net cash flow from operating activities	(362,364)	273,723
Cash flow from investments		
(Investments in securities)	(38,610)	-
Inflows from sale of investment in securities	-	-
(Outflows from investment in subsidiaries and associates)	-	-
Inflows from disposal of investment in subsidiaries and associates	-	-
(Purchase of intangible assets)	(18,869)	(400)
Inflows from sale of intangible assets	-	-
(Purchase of property, plant and equipment)	(31,242)	(6,383)
Inflows from sale of property, plant and equipment	-	-
(Outflows from non-current assets held for sale)	-	-
Inflows from non-current assets held for sale	-	-
(Other outflows from investing activity)	-	-
Other inflows from investing activity	3,969	9,533
Net cash flow from investing activity	(84,752)	2,750
Cash flow from financing		
(Repayment of debt securities issued)	-	-
Inflows from debt securities	-	-
(Repayment of borrowings)	(941)	(831)
Increase of borrowings	-	-
(Repayment of issued subordinated debts)	-	-
Inflows from subordinated debts	-	-
Inflows from issued shares/equity instruments during the period	-	244,674
(Purchase of treasury shares)	-	-
Selling of treasury shares	-	-
(Dividends paid)	-	-
(Other outflows from financing)	-	-
Other inflows from financing	-	-
Net cash flow from financing activity	(941)	243,843
Effect from allowance for impairment of cash and cash equivalents	5,538	(4,347)
Effect from foreign exchange differences of cash and cash equivalents	-	-
Net increase/(decrease) of cash and cash equivalents	(442,519)	515,969
Cash and cash equivalents as of 1 January	1,139,790	623,821
Cash and cash equivalents as of 31 December	697,271	1,139,790

See accompanying Notes to the financial statements

Notes to the Financial Statements

1 General

Central Cooperative Bank AD, Skopje (hereinafter referred to as “the Bank”) is a Shareholding Company incorporated in the Republic of Macedonia. The Bank’s registered head office is located at Nacionalna arena Filip Vtori Makedonski bb, Skopje, Republic of Macedonia.

The Bank is licensed by the National Bank of the Republic of Macedonia for conducting of payment transfers, credit and deposit services on the territory of the Republic of Macedonia and abroad. At 31 December 2009 and 2008, the total number of employees was 118 and 93, respectively.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The determination of the Bank’s accounting policies is based on acknowledged, familiar and practical experiences and the provisions of the Decision on the Methodology for recording and valuating of accounting items and for the preparation of financial statements, Rulebook for accounting and the Manual on the types and content of financial statements of banks, issued by the National Bank of the Republic of Macedonia and other legal regulation. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

The bank maintains its accounting records and prepares its financial statements in accordance with the Company Law, Law on Banks and other regulations as prescribed by the National Bank of the Republic of Macedonia (“NBRM”).

The financial statements represent individual/non-consolidated financial statements.

The financial statements have been prepared as of and for the years ended 31 December 2009 and 2008.

Current and comparative data stated in these financial statements are expressed in Denar thousand. The reporting and functional currency of the Bank is MKD.

Where necessary comparative figures have been reconciled to conform to changes in presentation for the year.

Notes to the financial statements (continued)
Accounting policies (continued)

2.2 Foreign currency translation

Transactions denominated in foreign currencies have been translated into Denar at the official rates set by the National Bank of the Republic of Macedonia prevailing at the dates of the transactions.

The transaction in foreign currency is a transaction expressed in foreign currency or can be translated in foreign currency.

Assets and liabilities denominated in foreign currencies are translated at the Balance sheet date using official rates of exchange prevailing on that date, and any foreign exchange gains or losses, resulting from foreign currency translation, are included in the statement of income in the period in which they arose. The middle exchange rates used for conversion of the balance sheet items denominated in foreign currencies are as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
1 EUR	61.1732 Denar	61.4123 Denar
1 USD	42.6651 Denar	43.5610 Denar
1 CHF	41.1165 Denar	41.0427 Denar

2.3 Offsetting

Financial assets and liabilities are offset and reported in the Balance sheet on net basis when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

2.4 Interest income and expense

Interest income and expense are recognized in the Income statement for all interest bearing financial assets and liabilities using the effective interest method.

2.5 Fee and commission income

Fee and commission income is recognized on an accrual basis when the service has been provided.

2.6 Dividend income

Dividends are recognized in the Income statement when the entity's right to receive payment is established.

2.7 Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and financial assets held to maturity. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a debtor with no intention of trading the receivable. Loans are recognized when cash is advanced to the borrowers. Loans and receivables are carried at amortized cost using effective interest method.

Notes to the financial statements (continued)
Accounting policies (continued)

Financial assets (continued)

Available for sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value. Investments available-for-sale are shown according to their fair value, with the exception of the financial assets that don't have a listed market price and whose fair value cannot be measured, which are measured at the carrying value less impairment losses. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in current profit or loss. However, interest calculated using the effective interest method and positive and negative foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the Income statement. Dividends on available-for-sale equity instruments are recognized in the Income statement when the Bank's right to receive payment is established.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity financial assets before their maturity date, the entire category would be tainted and reclassified as financial assets available-for-sale.

Purchases and sales of financial assets held-to-maturity are recognized on the trade-date – the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques.

Notes to the financial statements (continued)
Accounting policies (continued)

2.8 Impairment of financial assets

Assets carried at amortized cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Days in arrears for payment of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Initiation of bankruptcy proceedings;
- Activating the collateral.

The Bank determines that no objective evidence of impairment exists on individually basis for all financial assets.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses based on the loan) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account for impairment and the amount of the impairment loss is recognized in the current Income statement.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment and are recognized in current profits. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account (impairment of assets). The amount of the reversal is recognized in current profit as release of allowance for impairment (impairment loss).

Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Significant or prolonged decline in the fair value of the security below its cost is considered as objective evidence in determining whether the assets are impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value is recognized in the Income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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 through the Income statement.

Notes to the financial statements (continued)
Accounting policies (continued)

2.9 Foreclosed assets

The foreclosed assets consist of buildings and equipment acquired in settlement of liabilities and intended to be sold. They are not used by the Bank for its core operations. Initially, these assets are measured at the lower of carrying amount and fair value less costs to sell. The Bank plans to dispose the collected collateral within three years of forced acquisition.

2.10 Intangible assets

Computer software

Costs associated with development or maintaining computer software programs are recognized as an expense as incurred. Costs directly associated with identifiable and unique software products controlled by the Bank that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized using the straight-line method over a period of ten years.

Other intangible assets

Expenditure to acquire rights and licenses is capitalized and amortized using the straight-line method under agreed terms.

2.11 Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes all expenses directly attributable to acquisition of the items.

Depreciation is charged on a straight-line basis at prescribed rates in order to allocate the acquisition cost of property, plant and equipment over their useful lives.

The following are the 2009 Bank's approximations of estimated useful life applied to significant items of property, plant and equipment. The table below presents the estimate useful life of certain tangible and intangible assets.

Item	2009	2008
Buildings	50 years	40 years
Furniture	10 years	10 years
Vehicles	4 years	4 years
Machines and equipment	5 years	4 years
Software and rights to use it	10 years	5 years

Subsequent purchases are included in the asset's carrying value or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

2.12 Non-current assets held for sale and disposal group

Non-current assets that are expected primarily to be recovered through sale rather than through continuous use are classified as held for sale. Before this classification as held-for-sale, they are evaluated by the lower of their carrying amount and fair value, less sales expenses. Loss for impairment at their initial recognition as held-for-sale and losses and profit from subsequent assessment are recognized in the Income statement. Gains are not recognized in excess of any cumulative impairment loss.

The Bank's non-current assets held for sale consist of property and in that respect the Bank is in the process of active negotiations with potential clients to achieve higher sale value than the purchase value.

Notes to the financial statements (continued)
Accounting policies (continued)

2.13 Impairment of non financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount represents the higher of an asset's net selling price and value in use.

2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with National Bank of the Republic of Macedonia.

2.15 Provisions

A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision represents the present value of the expenditures expected to be required to settle the obligation.

2.16 Employee benefits

The Bank contributes to its employees as prescribed by the local social security legislation. Contributions, based on salaries, are made to the national Pension Fund and the obligatory private pension funds. There is no additional liability regarding these contributions. In addition, all employers in the Republic of Macedonia are obligated to pay to the employees a separate minimum amount regulated by law. The Bank has not made provisions for the employees' minimum amount on retirement, as this amount would not have a material effect on the financial statements.

The Bank does not operate any pension scheme or retirement benefit plans and consequentially, has no liability for pensions. The Bank is not obliged to provide additional benefits for its current or previous employees.

2.17 Current and deferred income tax

As of 31 December 2008 the tax currently payable is calculated and paid in accordance with the Macedonian Tax Law, where the base for income tax calculation of 10 % is the profit which is determined in the tax balance, adjusted for certain items, which are non-assessable or disallowed.

In accordance with the amendments of the legal regulations referring to the income tax which are effective as of 01 January 2009 rate of 10 % is paid for tax purposes corrected for tax credit and on the amount distributed as dividends. Undistributed earning is not subject of taxation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The tax rates that are currently valid are used in determination of deferred income tax. Deferred income tax is charged or credited in the Income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.18 Borrowings

Borrowings are initially recognized at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently carried at amortized cost.

Notes to the financial statements (continued)
Accounting policies (continued)

2.19 Equity, reserves and dividend payments

(a) Shareholders' capital

Share capital represents the nominal value of shares that have been issued.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(c) Treasury shares

Where the Bank purchases its own share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

(d) Reserves

Reserves, which comprise of statutory reserves, are generated throughout the period, based on distributing accumulated gains based on legal regulation and decisions by the Bank's Assembly.

(e) Accumulated gains/ (losses)

Accumulated gains/ (losses) comprise the retained earnings and losses from current and previous periods.

(f) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders.

2.20 Fiduciary activities

The Bank usually acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

2.21 Segment reporting

The Business segment represents a group of assets or activities that are engaged in providing the goods and services that are subject to risks and fees that are different from those in the other business segments. The geographical segment is engaged in providing goods and services in a certain economic environment, which is the subject of risks and fees that are different from those segments that execute the activities in other economic environments.

2.22 Off balance commitments and contingencies

The Bank undertakes liabilities in its operating activities arising from loan placements accounted for in the off balance accounts, which primarily include guarantees and letter of credits. These financial liabilities are accounted for in the balance sheet when become recoverable. Provision for impairment related to off balance commitments and contingencies is recognized as a liability within the Balance sheet.

2.23 Events after Balance sheet date

After Balance sheet date events that provide additional information about the Bank's position at the Balance sheet date (adjusting events) are reflected in the financial statements. After the Balance sheet date events that are not adjusting events are disclosed in the notes when material.

Notes to the financial statements (continued)

3 Financial risk management disclosures

The Bank has implemented an integrated system for management of all material and non-material risks to which it is exposed and which is adequate to the nature, size and exposure of financial activities which it carries out.

In its operations, the Bank is exposed to the following types of risks:

- Credit risk, including country risk;
- Liquidity risk;
- Currency risk;
- Risk from interest rate changes in the portfolio of banking activities;
- Risk of concentration of bank's exposure;
- Operational risk;
- Strategic risk;
- Legal risk;
- Reputation risk.

Based on the Strategy for undertaking and risk management, the Bank has implemented special policies and procedures for undertaking and risk management of all risks to which the Bank is exposed.

The policies for undertaking and risk management include:

- Assessment of the Bank's capacity to undertake separate risks, as well as assessment of its risk profile;
- Organizational structure of the risk management function;
- Basic elements of risk management;
- Acceptable instrument for protection from or decrease of risks;
- Internal control and the basic elements of the process of internal determination and assessment of the necessary capital adequacy of the Bank.

Moreover, the Bank, in accordance with the policies for undertaking and risk management, has implemented procedures for undertaking, measuring or assessing, monitoring, control and mitigating the risks that should be able to:

- Enable timely and comprehensive identification of the risks (risk mapping) to which the Bank is exposed to;
- Be based on quantitative and/or qualitative assessment for measurable and immeasurable risks;
- Include rules, manners and procedures for decreasing, diversification, transfer and avoidance of risks that are identified, measured and assessed by the Bank;
- Define the frequency and methods for risk monitoring.

The Bank implements organizational structure, with clearly defined competencies and responsibilities in terms of undertaking and risk management that corresponds to the size, type and complexity of the Bank and the financial activities that it executes.

Notes to the financial statements (continued)
Financial risk management (continued)

Financial risk management (continued)

The organization of the risk management system is implemented in the following hierarchical levels:

- Strategic level - the risk management function is executed by the members of the Supervisory Board and the Board of Directors.
- Macro level - the risk management function on the business unit or business line level, and it is executed by other persons that have special rights and responsibilities, which have a managerial function and/or are from the special organizational segment which is responsible for monitoring the management of all separate risks and is on the level of the Risk Management Board.
- Micro level - the activities related to risk management are executed by persons, that undertake risks in their normal activities, in accordance with the procedures and internal control systems, and it is carried out on the level of the centre for risk management and business units – sectors.

3.1 Credit risk

Credit risk is a risk of financial loss for the Bank if the client or the contractual party of the financial instrument fails to meet its obligation and it is generally derived from loans and advances to clients and other banks, issued guarantees and securities investment. In order to manage the risk, the Bank collectively takes into consideration all the elements of credit risk exposure (as individual risk of the failure to meet the liabilities of the debtor, country risk and industrial sector risk).

The Bank defines the acceptable credit exposure, in order to achieve:

- Credit risk dispersion;
- Increasing the volume of the credit portfolio;
- Improvement of the portfolio quality;
- Increasing the bank's profitability.

The Bank manages limits and controls the concentration of credit risk at the time when they are identified - particularly in terms of individual contractual parties or groups, as well as in term of industrial sectors and countries.

The Bank structures the levels of undertaken credit risk by means of setting limits of acceptable risk related to one lender or a group of lenders, to geographical and industrial segments.

Moreover, the exposure to credit risk is managed by regular analysis of the lenders' capability to meet their obligations of interest and principal, as well as through the change of these credit limits, if at all possible.

Collateral represents one of the most traditional and frequent ways to mitigate the credit risk. The Bank applies instructions related to the acceptability of certain classes of collaterals. The basic types of collateral for credit and advances are the following:

- Housing and business property mortgages;
- Pledge on business assets, such as equipment, inventory and receivables;
- Pledge on financial instruments, such as shares;
- Cash deposit;
- Bills of exchange.

In order to mitigate the credit risk and if the Bank assesses, it can request for additional collateral from its customers.

Notes to the financial statements (continued)
Financial risk management (continued)

Credit risk (continued)

Policies and procedures

After the individual classification of exposure to credit risk has been made, the Bank makes an allowance for impairment of the active balance and off-balance sheet receivables, by determining the net present value of future cash flows that would arise based on those receivables.

The amount of the allowance for impairment for active balance sheet receivables, individually, is determined as the difference between the carrying value of balance sheet receivables and the net present value of the assessed recoverable amounts (excluding future losses based on the credit). The net present value of the active balances receivables is calculated by discounting expected future cash flows for those receivables with the use of the effective interest rate based on the contract.

The effective interest rate is the interest rate which equals, the net present value of all future cash flows to the net present value of all future cash outflows. When calculating the effective interest rate, the Bank:

- Takes into consideration all future cash flows (inflows and outflows) which are expected to arise in accordance with the agreed conditions;
- Takes into consideration all paid and/or collected commissions and fees which represent an integral part of the effective interest rate of the receivable;
- Does not take into consideration the fees and commissions for investment of deposit, as a collateral for the receivable;
- Does not take into consideration future losses due to credit risk of the receivable.

For the purposes of discounting the expected future cash flows, the effective interest rate on annual basis is used.

When due to the financial difficulties of the client, the Bank approves a change of crediting conditions in terms of the interest rate and the period of repayment of the client's receivables, the effective interest rate used for discounting the expected future cash flows, is the one that was valid before the changes of the crediting conditions.

For discounting the expected future cash flows of the receivables with a variable interest rate, the Bank applies the effective interest rate, in accordance with the contract, valid on the day on which the net present value of expected cash flows is determined.

In those situations, the effective interest rate is calculated for the entire period of the contract's validity (not just the remaining maturity period), by applying the interest rate, valid on the day on which the net present value of expected cash flows is determined. If the interest rate on the date on which the net present value is determined, is changed by less than 10% in terms of the last interest rate used to execute the discounting of future cash flows, the Bank can apply the previous interest rate that was used to determine the net present value of expected future cash flows.

The Bank allows calculates impairment, and makes a special reserve within the following limits:

- From 0% to 10% of the credit risk exposure classified in risk category "A".
- Over 10% to 25% of the credit risk exposure classified in risk category "B".
- Over 25% to 50% of the exposure of credit risk classified in risk category "C".
- Over 50% to 75% of the exposure of credit risk classified in risk category "D".
- Over 75% to 100% of the exposure of credit risk classified in risk category "E".

Maximum credit risk exposure before received collateral

The maximum exposure of credit risk is presented through carrying values of the financial assets in the Balance Sheet, shown in the table below (in Denar thousand):

Notes to the Financial Statements (continued)
Financial risk management (continued)

Analysis of maximum exposure of credit risk (continued)

	Loans and advances to banks		Loans and advances to customers		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalent		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
individually insignificant exposures (portfolio of small loans)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
individually significant exposures that are not impaired on individual basis (Allowance for impairment and special reserve, group basis)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying value of exposures that are assessed on group basis, less the allowance for impairment and the special reserve, group basis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying value of exposure for which there is no allowance for impairment/special reserve matured receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aging structure of matured receivables for which there is no allowance for impairment up to 30 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying value of matured receivables for which there is no allowance for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-matured receivables																		
restructured receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
other receivables	20,004	-	-	9,774	-	-	40,018	-	715,496	884,479	-	-	39,940	17,130	-	-	815,458	911,383

Notes to the Financial Statements (continued)
Financial risk management (continued)

Analysis of maximum exposure of credit risk (continued)

	Loans and advances to banks		Loans and advances to customers		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalent		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<i>Carrying value of non-matured receivables for which there is no allowance for impairment /special reserve</i>	20,004	-	-	9,774	-	-	40,018	-	715,496	884,479	-	-	39,940	17,130	-	-	815,458	911,383
Total carrying value of the credit risk receivables before the allowance for impairment and special reserve	21,447	2,588	318,752	262,168	13,487	13,493	40,018	-	716,018	1,161,527	1,073	471	43,433	21,010	51,369	43,967	1,205,597	1,505,224
(Total allowance for impairment and special reserve)	(723)	(2,588)	(36,812)	(58,917)	(6,593)	(6,729)	-	-	(3)	(5,541)	(112)	(73)	(635)	(1,064)	(274)	(991)	(45,152)	(75,903)
Total carrying value of the credit risk receivables less the allowance for impairment and special reserve	20,724	-	281,940	203,251	6,894	6,764	40,018	-	716,015	1,155,986	961	398	42,798	19,946	51,095	42,976	1,160,445	1,429,321

Notes to the Financial Statements (continued)
Financial risk management (continued)

Value of collateral (fair value) for mitigating of credit risk

	Loans and advances to banks		Loans and advances to customers		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalent		Other receivables		Off-balance sheet exposure		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<i>Value of collateral of the credit exposure which is assessed for impairment on individual basis</i>																
First class collateral instruments:																
- Cash deposits (in depot and/or limited on bank accounts)	-	-	32,537	41,072	-	-	-	-	-	-	-	-	-	-	32,537	41,072
- Government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bank guarantees	-	-	3,500	-	-	-	-	-	-	-	-	-	-	-	3,500	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporative guarantees (except for banks and insurance companies)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from individuals	-	-	60,658	-	-	-	-	-	-	-	-	-	-	-	60,658	-
Mortgage and pledge over:																
- Property for own use (flats, houses)	-	-	245,330	128,781	-	-	-	-	-	-	-	-	-	-	245,330	128,781
- Business property	-	-	246,662	129,427	-	-	-	-	-	-	-	-	-	-	246,662	129,427
- Moveable property pledge	-	-	14,551	14,644	-	-	-	-	-	-	-	-	-	-	14,551	14,644
- Other types of guarantee	-	-	49,027	-	-	-	-	-	-	-	-	-	-	-	49,027	-
Total value of collateral of credit exposure which is assessed for allowance for impairment, individual basis	-	-	652,265	313,924	-	-	-	-	-	-	-	-	-	-	652,265	313,924

Notes to the financial statements (continued)
Financial risk management (continued)

Credit risk (continued)

Concentration of credit risk by geographical location and industrial sectors

The following table depicts a review of the Bank's exposure to credit risk according to the carrying amounts, categorized according to their geographical regions as of 31 December 2009 and 2008 (in Denar thousand):

	Loans and advances to banks		Loans and advances to customers		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalent		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Geographical location																		
Republic of Macedonia	20,004	-	281,940	203,251	6,894	6,764	40,018	-	538,679	851,029	960	398	5,482	3,853	51,095	42,976	945,072	1,108,271
EU member countries	720	-	-	-	-	-	-	-	177,330	304,944	1	-	37,316	16,093	-	-	215,367	321,037
Europe (other)	-	-	-	-	-	-	-	-	6	13	-	-	-	-	-	-	6	13
OECD member countries (without the European member-countries of OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	20,724	-	281,940	203,251	6,894	6,764	40,018	-	716,015	1,155,986	961	398	42,798	19,946	51,095	42,976	1,160,445	1,429,321

Notes to the financial statements (continued)
Financial risk management (continued)

Credit risk (continued)

Industrial sectors

The following table depicts a review of the Bank's exposure to credit risk according to the carrying amounts, categorized according to the industrial sectors as of 31 December 2009 and 2008 (in Denar thousand):

	Loans and advances to banks		Loans and advances to customers		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalent		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total		
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	
Industrial sectors																			
Non-resident	-	-	-	3,928	-	-	-	-	-	-	-	-	-	16,093	-	-	-	-	20,021
Agriculture, hunting and forestry	-	-	604	-	-	-	-	-	-	-	59	1	13	3	-	-	676	4	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-	-	-	1	-	-	179	1,260	-	1,261	179	-
Processing industry	-	-	34,582	18,684	-	-	-	-	-	-	109	25	-	-	4,961	-	39,652	18,709	-
Electricity, gas and water supply	-	-	-	-	-	-	-	-	-	-	3	1	2	-	-	-	5	1	-
Construction	-	-	33,597	34,614	-	-	-	-	-	-	54	1	-	-	4,183	154	37,834	34,769	-
Wholesale and retail; repair of automobiles, motorcycles and subject to personal use and for households	-	-	47,569	34,230	-	-	-	-	-	-	341	16	647	701	570	514	49,127	35,461	-
Hotel and restaurants	-	-	4,729	2,435	-	-	-	-	-	-	53	-	453	302	-	-	5,235	2,737	-
Traffic, storage and communication	-	-	3,770	3,651	-	-	-	-	-	-	95	4	142	409	15,000	13,230	19,007	17,294	-
Financial mediation	20,724	-	-	-	6,894	6,764	-	-	716,015	1,155,986	48	-	40,286	-	-	-	783,967	1,162,750	-
Activities related to property, renting and business activities	-	-	7,683	8,619	-	-	-	-	-	-	46	321	7	491	-	-	7,736	9,431	-
Public management and defense; mandatory social protection	-	-	-	-	-	-	40,018	-	-	-	-	-	-	1,031	-	-	41,049	-	-

Notes to the financial statements (continued)
Financial risk management (continued)

Industrial sectors (continued)

	Loans and advances to banks		Loans and advances to customers		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalent		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Education	-	-	11,563	2,484	-	-	-	-	-	-	1	-	-	9	-	5,994	11,564	8,487
Health and social sphere	-	-	389	534	-	-	-	-	-	-	13	-	217	214	-	-	619	748
Other utilities, cultural, general and personal service activities	-	-	24,943	-	-	-	-	-	-	-	56	-	-	948	-	-	24,999	948
Private households that employ people	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	112,511	94,072	-	-	-	-	-	-	82	28	-	598	25,121	23,084	137,714	117,782
Sole traders and individuals that are not considered as traders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	20,724	-	281,940	203,251	6,894	6,764	40,018	-	716,015	1,155,986	961	397	42,798	19,947	51,095	42,976	1,160,445	1,429,321

Notes to the financial statement (continued)
Financial risk management (continued)

3.2 Market risks

The Bank is exposed to market risks. Market risks arise from the open position of the Bank to the effect of fluctuation in the prevailing level of market interest rates, as well as from the effect of fluctuation in the foreign exchange rates. The Bank's management sets limits of the value of risk that may be accepted, which is mainly based on a day – by – day monitoring.

Interest rate risk

The Bank is exposed to effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The tables below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date as of 31 December 2009 and 31 December 2008 (in Denar thousand).

	Effect. interest rate (in %)	Instru-ments with variable interest rate	Instruments with fixed interest rate, including those with a variable interest rate, subject to decisions						Non-interest bearing	Total
			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		
2009										
Financial assets										
Cash and cash equivalents	1-9%	-	613,415	-	-	-	-	-	102,600	716,015
Financial assets carried at fair value through profit and loss at initial recognition		-	-	-	-	-	-	-	-	-
Loans and advances to banks	2-6.5%	-	20,000	-	-	-	-	-	724	20,724
Loans and advances to customers	3%-16%	-	10,014	18,708	86,875	38,572	88,417	36,509	2,845	281,940
Investment in securities	7%	-	-	-	40,018	-	-	-	6,894	46,912
Investment in associates	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	43,759	43,759
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
			643,429	18,708	126,893	38,572	88,417	36,509	156,822	1,109,350
Financial liabilities										
Financial liabilities carried at fair value through profit and loss at initial recognition		-	-	-	-	-	-	-	-	-
Due to banks	0.10%	-	-	-	-	-	-	-	4,171	4,171
Due to other customers	0.1-13%	-	493,624	42,162	116,692	29,277	7,246	-	84,281	773,282
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings Subordinated liabilities	1.5-5%	-	-	-	-	3,714	-	5,103	54	8,871
Other liabilities	-	-	-	-	-	-	-	-	5,496	5,496
			493,624	42,162	116,692	32,991	7,246	5,103	94,002	791,820
Net interest gap			149,805	(23,454)	10,201	5,581	81,171	31,406	62,820	317,530

Notes to the financial statement (continued)
Financial risk management (continued)

Market risks (continued)
Interest risk (continued)

2008	Effective interest rate (in %)	Instruments with variable interest rate	Instruments with fixed interest rate, including those with a variable interest rate, subject to decisions					Over 5 years	Non-interest bearing	Total
			Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years			
Financial assets										
Cash and cash equivalents	1,5% - 7%	-	1,016,746	-	-	-	-	-	139,240	1,155,986
Financial assets carried at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	3%-13%	-	50,965	11,642	40,579	80,313	-	18,204	1,548	203,251
Investment in securities	-	-	-	-	-	-	-	-	6,764	6,764
Investment in associates	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	20,344	20,344
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
			1,067,711	11,642	40,579	80,313	-	18,204	167,896	1,386,345
Financial liabilities										
Financial liabilities carried at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-	-	-	-
Due to banks	0,1%	-	3,813	-	-	-	-	-	-	3,813
Due to other customers	0,1%-9%	-	670,100	131,636	128,002	9,090	-	-	60,542	999,370
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings Subordinated liabilities	1,5%-5%	-	127	383	1,721	2,424	-	5,103	38	9,796
Other liabilities	-	-	-	-	-	-	-	-	8,479	8,479
			674,040	132,019	129,723	11,514	-	5,103	69,059	1,021,458
Net interest gap			393,671	(120,377)	(89,144)	68,799	-	13,101	98,837	364,887

Notes to the Financial Statements (continued)
Financial risk management (continued)

Market risks (continued)

Foreign currency risk

The Bank is exposed to effects on fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The following tables summarize the net foreign currency risk position of the Bank at 31 December 2009 and 2008 (in Denar thousand).

2009	MKD	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	498,604	213,187	2,235	1,989	716,015
Trading assets	-	-	-	-	-
Financial assets carried at fair value through profit and loss at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Loans and advances to banks	20,004	168	552	-	20,724
Loans and advances from other customers	120,409	161,531	-	-	281,940
Investment in securities	6,894	40,018	-	-	46,912
Investment in associates	-	-	-	-	-
Current income tax receivables	722	-	-	-	722
Other receivables	4,844	38,915	-	-	43,759
Assets pledged as collateral	-	-	-	-	-
Deferred tax assets	16	-	-	-	16
Total monetary assets	651,493	453,819	2,787	1,989	1,110,088
Monetary liabilities					
Trading liabilities	-	-	-	-	-
Financial liabilities carried at fair value through profit and loss at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Due from banks	833	2,639	426	273	4,171
Due from other customers	513,249	238,224	7,351	14,458	773,282
Debt instruments issued	-	-	-	-	-
Borrowings	8,871	-	-	-	8,871
Subordinated liabilities	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-
Deferred tax liabilities	16	-	-	-	16
Other liabilities	3,522	1,974	-	-	5,496
Total monetary liabilities	526,491	242,837	7,777	14,731	791,836
Net foreign currency position	125,002	210,982	(4,990)	(12,742)	318,252

Notes to the Financial Statements (continued)
Financial risk management (continued)

Market risks (continued)
Foreign currency risk (continued)

2008	MKD	EUR	USD	Other	Total
Monetary assets					
Cash and cash equivalents	810,859	335,971	7,130	2,026	1,155,986
Trading assets	-	-	-	-	-
Financial assets carried at fair value through profit and loss at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-
Loans and advances from other customers	144,603	58,648	-	-	203,251
Investment in securities	6,764	-	-	-	6,764
Investment in associates	-	-	-	-	-
Current income tax receivables	703	-	-	-	703
Other receivables	4,251	16,093	-	-	20,344
Assets pledged as collateral	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	967,180	410,712	7,130	2,026	1,387,048
Monetary liabilities					
Trading liabilities	-	-	-	-	-
Financial liabilities carried at fair value through profit and loss at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Due from banks	311	2,649	648	205	3,813
Due from other customers	860,621	111,490	9,270	17,989	999,370
Debt instruments issued	-	-	-	-	-
Borrowings	9,796	-	-	-	9,796
Subordinated liabilities	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	5,510	2,969	-	-	8,479
Total monetary liabilities	876,238	117,108	9,918	18,194	1,021,458
Net foreign currency position	90,942	293,604	(2,788)	(16,168)	365,590

Notes to the Financial Statements (continued)
Financial risk management (continued)

3.3 Liquidity risk

The Bank is exposed to daily calls on its available cash resources from current accounts, maturing of deposits, loans disbursements and other cash calls.

The table below analyze assets and liabilities of the Bank into relevant maturity based on the remaining period at balance sheet date to the contractual maturity date on 31 December 2009 and 2008 (in Denar thousand).

	Less than one 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
2009							
Financial Assets							
Cash and cash equivalents	716,015	-	-	-	-	-	716,015
Trading assets	-	-	-	-	-	-	-
Financial assets carried at fair value through profit and loss at its initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	20,000	-	720	-	-	4	20,724
Loans and advances from other customers	12,712	18,708	87,021	38,572	88,418	36,509	281,940
Investment in securities	-	-	40,018	-	-	6,894	46,912
Investment in associates	-	-	-	-	-	-	-
Current income tax receivables	124	66	297	235	-	-	722
Other receivables	5,095	188	38,476	-	-	-	43,759
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	16	16
Total financial assets	753,946	18,962	166,532	38,807	88,418	43,423	1,110,088
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities carried at fair value through profit and loss at its initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due from banks	4,171	-	-	-	-	-	4,171
Due from other customers	577,904	42,162	116,693	29,278	7,245	-	773,282
Issued debt securities	-	-	-	-	-	-	-
Borrowings	54	-	-	3,714	-	5,103	8,871
Subordinated liabilities	-	-	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	16	16
Other liabilities	5,496	-	-	-	-	-	5,496
Total financial liabilities	587,625	42,162	116,693	32,992	7,245	5,119	791,836
Net liquidity gap	166,321	(23,200)	49,839	5,815	81,173	38,304	318,252

Notes to the Financial Statements (continued)
Financial risk management (continued)

Market risks (continued)
Liquidity risk (continued)

	Less than one 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
2008							
Financial Assets							
Cash and cash equivalents	1,155,986	-	-	-	-	-	1,155,986
Trading assets	-	-	-	-	-	-	-
Financial assets carried at fair value through profit and loss at its initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances from other customers	52,513	11,642	40,579	36,038	44,275	18,204	203,251
Investment in securities	-	-	-	-	-	6,764	6,764
Investment in associates	-	-	-	-	-	-	-
Current income tax receivables	-	48	216	288	151	-	703
Other receivables	19,732	136	238	238	-	-	20,344
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	1,228,231	11,826	41,033	36,564	44,426	24,968	1,387,048
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities carried at fair value through profit and loss at its initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due from banks	3,813	-	-	-	-	-	3,813
Due from other customers	730,642	131,636	128,002	7,193	1,897	-	999,370
Issued debt securities	-	-	-	-	-	-	-
Borrowings	165	383	1,721	2,424	-	5,103	9,796
Subordinated liabilities	-	-	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	8,479	-	-	-	-	-	8,479
Total financial liabilities	743,099	132,019	129,723	9,617	1,897	5,103	1,021,458
Net liquidity gap	485,132	(120,193)	(88,690)	26,947	42,529	19,865	365,590

Notes to the Financial Statements (continued)
Financial risk management (continued)

3.4 Fair value estimation

Fair value represents the amount at which an asset could be replaced or a liability settled on an arms length basis. Fair values have been based on management assumptions according to the type of the asset and liability.

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities not presented on balance sheet at their fair value on the 31 December 2009 and 2008:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	716,015	716,015	1,155,986	1,155,986
Trading assets	-	-	-	-
Financial assets carried at fair value through profit and loss at its initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	20,724	20,724	-	-
Loans and advances from other customers	281,940	281,940	203,251	203,251
Investment in securities	46,912	46,912	6,764	6,764
Investment in associates	-	-	-	-
Current income tax receivables	722	722	703	703
Other receivables	43,759	43,759	20,344	20,344
Assets pledged as collateral	-	-	-	-
Deferred tax assets	16	16	-	-
Liabilities				
Trading liabilities	-	-	-	-
Financial liabilities carried at fair value through profit and loss at its initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Due from banks	4,171	4,171	3,813	3,813
Due from other customers	773,282	773,282	999,370	999,370
Issued debt securities	-	-	-	-
Borrowings	8,871	8,871	9,796	9,796
Subordinated liabilities	-	-	-	-
Current income tax liabilities	-	-	-	-
Deferred tax liabilities	16	16	-	-
Other liabilities	5,496	5,496	8,479	8,479

Loans and advances to banks

Loans and advances to other banks comprise inter-bank placements. The fair value of placements and overnight deposits is their carrying amount due to their short-term nature.

Loans and advances to customers

Loans and advances are carried at amortized cost and are net of provisions for impairment. The loans and advances to customers have predominantly floating rate. The fair value approximates their carrying value.

Other financial assets

The fair value of monetary assets that includes cash and cash equivalents is considered to approximate their respective carrying values by definition and due to their short-term nature.

Deposits and loans

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The fair value of the term deposits at variable interest rates approximates their carrying values as of the balance sheet date.

The carrying amount of borrowings does not significantly differ from their fair value, mainly because of variable interest rates and their changes.

Notes to the Financial Statements (continued)
Financial risk management (continued)

3.5 Segment reporting

Primary business segments

	Retail custo- mers	Corpora- tive banking	Invest- ment banking	Non- residents		Other	Unallo- cated	Total
2009								
Net interest income /(expense)	3,452	63,700	-	1,799	-	-	(1,089)	67,862
Net income /(expenses) from fees and commissions	3,829	3,783	-	930	-	-	-	8,542
Net income from trading	-	-	-	-	-	-	-	-
Net income from other financial instruments carried at their fair value	-	-	-	-	-	-	-	-
Other operating income	928	46,494	-	-	-	-	4,749	52,171
Income realized between segments	-	-	-	-	-	-	-	-
Total income per segment	8,209	113,977	-	2,729	-	-	3,660	128,575
Financial performance per segment	-	-	-	-	-	-	5,755	5,755
Income tax	-	-	-	-	-	-	(400)	(400)
Profit/(loss) for the financial year	-	-	-	-	-	-	(400)	5,355
Total assets per segment	114,220	737,501	-	215,373	-	-	-	1,067,094
Unallocated assets per segment	-	-	-	-	-	-	549,058	549,058
Total assets	114,220	737,501	-	215,373	-	-	549,058	1,616,152
Total liabilities per segment	281,726	409,176	-	101,208	-	-	-	792,110
Unallocated liabilities per segment	-	-	-	-	-	-	-	-
Total liabilities	281,726	409,176	-	101,208	-	-	-	792,110
Allowance for impairment of financial assets, net	1,300	(8,724)	(7,510)	-	-	-	(275)	(15,209)
Loss due to impairment of non- financial assets, net	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	19,960	19,960
Restructuring costs	-	-	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	118,069	118,069

Notes to the Financial Statements (continued)
Financial risk management (continued)

Segment reporting (continued)
Primary business segments (continued)

	Retail custo- mers	Corpora- tive banking	Invest- ment banking	Non- residents		Other	Unallo- cated	Total
2008								
Net interest income /(expenses)	(564)	61,025	-	5,460	-	-	(958)	64,963
Net income /(expenses) from fees and commissions	3,858	2,824	-	8,234	-	-	-	14,916
Net income from trading	-	-	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-	-
Other operating income	904	18,602	-	-	-	-	3,241	22,747
Income realized between segments	-	-	-	-	-	-	-	-
Total income per segment	4,198	82,451	-	13,694	-	-	2,283	102,626
Financial performance per segment	-	-	-	-	-	-	5,646	5,646
Income tax	-	-	-	-	-	-	-	-
Profit/(loss) for the financial year	-	-	-	-	-	-	5,646	5,646
Total assets per segment	97,211	930,262	-	321,050	-	-	-	1,348,523
Unallocated assets per segment	-	-	-	-	-	-	492,618	492,618
Total assets	97,211	930,262	-	321,050	-	-	492,618	1,841,141
Total liabilities per segment	283,785	621,254	-	117,411	-	-	-	1,022,450
Unallocated liabilities per segment	-	-	-	-	-	-	-	-
Total liabilities	283,785	621,254	-	117,411	-	-	-	1,022,450
Allowance for provision of financial assets, net	4,090	(2,866)	3,300	-	-	-	970	5,494
Loss due to impairment of non- financial assets, net	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	(17,095)	(17,095)
Restructuring costs	-	-	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-	-	-
Other expenses	-	(3,947)	-	-	-	-	(74,391)	(78,338)

Notes to the Financial Statements (continued)
Financial risk management (continued)

Segment reporting (continued)
Secondary geographical segments (continued)

	Republic of Macedonia	EU member states	Europe (other countr.)	OECD member states		Other Unalloca ted	Total
2008							
Net interest income /(expenses)	59,233	5,460	-	-	-	-	64,693
Net income /(expenses) from fees and commissions	7,105	7,811	-	-	-	-	14,916
Net income from trading	-	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-
Other operating income	24,937	-	-	-	-	-	24,937
Income realized between segments	-	-	-	-	-	-	-
Total income per segment	91,275	13,271	-	-	-	-	104,546
Financial performance per segment	5,646	-	-	-	-	-	5,646
Income tax	-	-	-	-	-	-	-
Profit(loss) for the financial year	5,646	-	-	-	-	-	5,646
Total assets per segment	1,520,092	321,037	12	-	-	-	1,841,141
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	1,520,092	321,037	12	-	-	-	1,841,141
Total liabilities per segment	903,791	65,178	-	1	49,516	-	1,018,486
Unallocated liabilities per segment	-	-	-	-	-	3,963	3,963
Total liabilities	903,791	65,178	-	1	49,516	-	1,022,449
Allowance for impairment of financial assets, net	3,628	1,866	-	-	-	-	5,494
Loss due to impairment of non- financial assets, net	-	-	-	-	-	-	-
Amortization	(17,095)	-	-	-	-	-	(17,095)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-	-
Other expenses	(118,069)	-	-	-	-	-	(118,069)

Notes to the Financial Statements (continued)
Financial risk management (continued)

3.6 Capital management

The Bank's objectives regarding capital management are:

- To comply with the capital requirements by the National Bank of the Republic of Macedonia;
- To safeguard the Bank's ability to provide dividends to shareholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are regularly monitored by the Bank's management, using techniques prescribed by national regulatory authority (National Bank of Republic of Macedonia) and it is submitted to regulatory authority on a quarterly basis.

The National Bank of the Republic of Macedonia requires that each bank has to maintain capital adequacy ratio at least 8%.

The Bank's regulatory capital is divided in two groups:

- Tier 1 capital that includes: ordinary and non-cumulative priority shares and share premium, statutory reserves and retained earnings or loss, items are result of consolidation, less intangible assets.
- Tier 2 capital that includes: cumulative preference shares and share premium, hybrid capital instruments and subordinated instruments.

Investment in other banks or financial institution over 10% and investments in insurance and re-insurance companies and pension fund management companies are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

According to national regulations, the risk weighted assets (on-balance and off-balance) are measured by means of a hierarchy of four risk weights classified according to nature of assets, taking into consideration the collateral or guarantees.

Calculation of capital adequacy ratio includes regulatory capital and total of credit risk-weighted assets and foreign exchange risk-weighted assets.

The table below summarizes the compositions of regulatory capital and the capital adequacy ratio of the Bank for the years ended 31 December 2009 and 2008 regarding the regulatory requirements of the National Bank of the Republic of Macedonia. During these two years, the Bank complied with all of the regulatory imposed capital requirements.

Notes to the Financial Statements (continued)
Financial risk management (continued)

Capital management (continued)

Statement for capital adequacy rate

No.	Description	31 December 2009	31 December 2008
I	CREDIT RISK WEIGHTED ASSETS		
1	Balance sheet credit risk weighted assets	868,837	741,786
2	Off-balance sheet credit risk weighted assets	34,489	48,887
3	Credit risk weighted assets (1+2)	903,326	790,673
4	Capital necessary to cover credit risk	72,266	63,254
II	FOREIGN EXCHANGE RISK WEIGHTED ASSETS		
5	Aggregate foreign currency position	181,102	195,233
6	Net-position of gold	-	-
7	Capital necessary to cover currency risk	14,488	15,619
8	Foreign exchange risk weighted assets	181,102	195,233
III	OTHER RISK WEIGHTED ASSETS		
9	Capital necessary to cover the risk from price changes of goods	-	-
	Capital necessary to cover market risks		
10	(10.1+10.2+10.3+10.4+10.5+10.6+10.7+10.8)	-	-
	Capital necessary to cover the specific risk from investment in debt		
10.1	instruments	-	-
	Capital necessary to cover the general risk from investment in debt		
10.2	instruments	-	-
	Capital necessary to cover the specific risk from investment in		
10.3	securities	-	-
	Capital necessary to cover the general risk from investment in		
10.4	securities	-	-
10.5	Capital necessary to cover the settlement risk	-	-
10.6	Capital necessary to cover counterparty risk	-	-
10.7	Capital necessary to cover overdraft of exposure limits	-	-
10.8	Capital necessary to cover market risks from options	-	-
11	Capital necessary to cover the other risks (9+10)	-	-
12	Other risk weighted assets	-	-
IV	RISK WEIGHTED ASSETS (3+8+12)	1,084,428	985,906
13	Capital necessary to cover the risks	86,754	78,872
V	REGULATORY CAPITAL	804,948	797,495
VI	ADEQUACY OF CAPITAL (V/IV)	0.74	0.81

Notes to the Financial Statements (continued)
Financial risk management (continued)

Capital management (continued)

Statement of own assets

No.	Description	31 December 2009	31 December 2008
	Paid and subscribed ordinary and non- cumulative preference		
1	shares	804,172	845,196
1.1	Nominal value	804,172	845,196
1.1.1	Nominal value of ordinary shares	725,659	821,618
1.1.2	Nominal value of noncumulative preference shares	78,513	23,578
1.2	Premium	-	-
1.2.1	Premium of ordinary shares	524	-
1.2.2	Premium of non- cumulative preference shares	-	-
2	Reserves and retained income and accumulated loss	142	(47,701)
2.1	Reserve fund	-	7,840
2.2	Retained earnings	-	-
2.3	Accumulated loss from previous years	-	55,541
2.4	Current profit	-	-
2.5	Unrealized loss of securities available for sale	142	-
3	Positions as a result of consolidation	-	-
3.1	Minority interest	-	-
3.2	Foreign exchange differences reserves	-	-
3.3	Other differences	-	-
4	Deductions	-	-
4.1	Loss at the end of the year or current year	-	-
4.2	Own assets	-	-
4.3	Intangible assets, including the revaluation surplus from these assets	-	-
4.4	Negative revaluation reserves, net	-	-
4.5	Differences between amounts of the necessary special reserves for contingent losses and distributed special reserves	-	-
4.6	Allowance for unrecognized impairment and special reserve due to accounting delays	-	-
	Ordinary shares, reserves, retained earnings and deductions		
5	from own assets	726,325	773,917
6	Total of other positions that could be included within own assets	78,513	23,578
I	OWN ASSETS	804,838	797,495
	Tier I		
	Paid and subscribed ordinary and cumulative preference		
7	shares and share premium	-	-
7.1	Nominal value	-	-
7.2	Premium	-	-
8	Revaluation reserves	110	-
9	Hybrid capital instruments	-	-
10	Subordinated instruments	-	-
11	Total of subordinated instruments as part of Tier I	-	-
II	TIER I	110	-
	Deduction from own assets and Tier I		
12	Investments in other banks and financial institutions over 10% of the equity of these institutions (exc. institutions under No.15)	-	-
13	Investments in subordinated and hybrid capital instruments and other instruments of the institutions under No.12	-	-
14	Aggregate amount in capital, subordinated and hybrid instruments and other instruments over 10% from (I+II)	-	-
15	Direct investments in the capital of insurance and re- insurance companies and pension fund management companies	-	-
16	Investments in financial instruments issued by insurance and re- insurance companies and pension fund management companies	-	-

Notes to the Financial Statements (continued)
Financial risk management (continued)

Capital management (continued)
Statement of own assets (continued)

No.	Description	31 December 2009	31 December 2008
17	Amounts exceeding the limits for investments in non financial institutions	-	-
18	Positions as results of consolidation (negative amounts)	-	-
III	DEDUCTION FROM OWN ASSETS	-	-
IV	Deduction from own assets	804,838	797,495
V	Deduction from Tier I	110	-
	Tier II		
19	Subordinated instruments of Tier II	-	-
20	Tier I and II	110	-
21	Allowed amount of Tier I and II	142	-
21.1	Tier I	110	-
21.2	Tier II	-	-
22	Own assets surplus	718,870	-
22.1	Own assets surplus (150%)	1,078,305	-
22.2	Own assets surplus (250%)	1,797,174	-
VI	Allowed amount of Tier II	-	-
	Own assets		
VII	Own assets	804,838	797,495
VIII	Tier I	110	-
IX	Tier II	-	-
X	TOTAL OWN ASSETS	804,948	797,495

Notes to the financial statements (continued)

4 Critical accounting estimates and judgments

The Bank makes estimates and assumptions which affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of loans and advances to customers

The Bank quarterly reviews its loan portfolio to assess impairment. 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 a group, or national or local economic conditions that correlate with defaults on assets in the group. 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.

Impairment of investments in available for sale securities

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investor, industry and sector performance, changes in technology, and operational and financing cash flows.

5 Statement of compliance with the regulation

In accordance with the provisions determined in the Banking Law (Article 78, item 2), the Bank property in land, buildings, equipment and other capital investments in the non-financial institutions should not exceed 60% from its own assets.

As of 31 December 2009 the Bank property in land, buildings, equipment and other capital in the non- financial institutions is 62.2% from its own assets.

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

6 Interest income and expense

Structure of interest income and expense according to the type of financial instruments

	2009	2008
Interest income		
Cash and cash equivalents	48,290	48,341
Financial assets carried at fair value through profit and loss at its initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	149	5,472
Loans and advances from other customers	38,152	21,626
Investment in securities	-	-
Other receivables	-	7,940
(Allowance for impairment of interest income, net)	(1,089)	(958)
Collected interest previously written off	1,274	2,578
	86,776	84,999
Interest expense		
Financial liabilities carried at fair value through profit and loss at its initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	12	-
Due to customers	18,265	18,966
Issued debt securities	-	-
Loan liabilities	637	509
Subordinated liabilities	-	-
Other liabilities	-	561
	18,914	20,036
Net interest income	67,862	64,963

Sector analysis of interest income and expenses according to sector

	2009	2008
Interest income		
Non-financial companies	25,298	18,907
Government	3,063	-
Non-profit institutions that serve to households	-	-
Banks	40,972	48,341
Other financial institutions (non-banks)	-	-
Households	12,855	10,659
Non-residents	4,403	5,472
(Allowance for impairment of interest income, net)	(1,089)	(958)
Collected interest previously written off	1,274	2,578
Total interest income	86,776	84,999
Interest expense		
Non-financial companies	3,089	5,079
Government	-	54
Non-profit institutions that serve to households	15	7
Banks	645	510
Other financial companies (non-banks)	1,899	580
Households	10,662	13,794
Non-residents	2,604	12
Total income expense	18,914	20,036
Net interest income/(expense)	67,862	64,963

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

7 Fee and commission income and expense

Structure of fee and commission income and expense according to the type of financial instruments

	2009	2008
Fee and commission income		
Loans	522	2,247
Payment's operations		
- in the country	3,985	9,987
- abroad	2,791	7,929
Letter of credits and guarantees	971	713
Brokerage operations	308	1,156
Asset management	104	-
Fiduciary activities	-	-
Issuing securities	-	-
Other		
- Fee and commission income	1,302	-
- Other	2,134	93
Total fee and commission income	12,117	22,125
Fee and commission expense		
Loans	30	-
Payment operations		
- in the country	-	6,595
- abroad	-	429
Letter of credits and guarantees	-	-
Brokerage operations	103	185
Asset management	-	-
Fiduciary activities	-	-
Issuing securities	-	-
Other		
- card operations	374	-
- foreign currency operations	375	-
- provisions for NBRM	1,528	-
- KIBS	666	-
- other	499	-
Total fee and commission expense	3,575	7,209
Net fee and commission income/(expense)	8,542	14,916

Sector analysis of fees and commission income and revenue per sector

	2009	2008
Fees and commissions income		
Non-financial companies	7,093	9,943
State	20	-
Non-profit institutions that serve to households	95	-
Banks	89	90
Other financial companies (non-banks)	156	-
Households	3,734	3,858
Non-residents	930	8,234
Total fee and commission income	12,117	22,125
Fee and commission expense		
Non-financial companies	-	-
State	69	-
Non-profit institutions that serve to households	-	-
Banks	2,546	2,822
Other financial institutions (non-banks)	960	4,387
Households	-	-
Non-residents	-	-
Total fee and commission expense	3,575	7,209
Net fee and commission income/(expense)	8,542	14,916

Notes to the Financial Statements (continued)
 As of and for the year ended 31 December 2009
 (All amounts expressed in Denar thousand, unless otherwise stated)

8 Net income from trading

	2009	2008
Assets for trading		
Profit/(loss) from fair value changes of debt securities, net		
realised	-	-
- unrealised	-	-
Profit/(loss) from fair value changes of owned instruments, net		
- realised	-	-
- unrealised	-	-
Income from dividends from trading assets	-	-
Income from interest of trading assets	-	-
Liabilities for trading		
Profit/(loss) from fair value changes of debt securities, net		
- realised	-	-
- unrealised	-	-
Profit/(loss) from fair value changes of trading deposits, net		
- realised	-	-
- unrealised	-	-
Profit/(loss) from fair value changes of remaining financial liabilities for trading, net		
- realised	-	-
- unrealised	-	-
Interest expense of financial liabilities held for trade	-	-
<i>Profit/(loss) from fair value change of derivatives held for trade, net</i>		
- realised	-	-
- unrealised	-	-
Net income from trading	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

9 Net income from other financial instruments carried at fair value

	2009	2008
Financial assets carried at fair value through profit and loss at their initial recognition		
Profit/(loss) from fair value changes of debt securities, net		
- realised	-	-
- unrealised	-	-
Profit/(loss) from fair value changes of owned instruments, net		
- realised	-	-
- unrealised	-	-
Income from dividends from financial assets at fair value through profit and loss	-	-
Profit/(loss) from the changes in fair value of loans and receivables at fair value through profit and loss, net		
- realised	-	-
- unrealised	-	-
Financial liabilities carried at fair value through profit and loss at their initial recognition		
Profit/(loss) from fair value changes of debt securities, net		
- realised	-	-
- unrealised	-	-
Profit/(loss) from the changes in fair value of deposits at fair value through profit and loss, net		
- realised	-	-
- unrealised	-	-
Profit/(loss) from the changes in fair value of borrowings at fair value through profit and loss, net		
- realised	-	-
- unrealised	-	-
Profit/(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss, net		
- realised	-	-
- unrealised	-	-
<i>Profit/(loss) from fair value changes of derivatives held for risk management at fair value through profit and loss, net</i>		
- realised	-	-
- unrealised	-	-
Net income from other financial instruments carried at fair value	-	-

10 Net foreign exchange gains/ (losses)

	2009	2008
Realized gains /(losses) from foreign exchange differences, net	4,132	4,418
Unrealized gains /(losses) from foreign exchange differences, net		
- foreign exchange differences of allowance for impairment of financial assets, net	26	99
- other foreign exchange differences, net	(179)	(2,728)
Net gains/(losses) from foreign exchange differences	3,979	1,789

Notes to the Financial Statements (continued)
 As of and for the year ended 31 December 2009
 (All amounts expressed in Denar thousand, unless otherwise stated)

11 Other operating income

	2009	2008
Profit from the sale of assets available for sale	-	-
Dividends from equity instruments available for sale	3,969	9,533
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
- property, plant and equipment	-	68
- intangible assets	-	-
- foreclosed assets	56	-
- non-current assets held for sale and group for disposal	-	-
Income from rent	4,316	4,669
Income from litigations realized in favor of the Bank	1,018	-
Collected receivables previously written off	88	4,598
Release from the special reserve and provisions for:		
- off-balance credit exposure	717	706
- contingent commitments based on litigations	-	-
- pensions and other employee benefits	-	-
- restructuring	-	-
- adverse contracts	-	-
- other provisions	-	-
Other:		
- income from cession agreement	37,313	-
- other	715	1,384
Total other operating income	48,192	20,958

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

12 Allowance for impairment of financial assets, net

	Loans and advances to banks	Loans and advances to other customers	Investment in finan. assets available for sale	Investment in finan. assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	Total
2009								
<i>Allowance for impairment, on individual basis</i>								
Additional allowance for impairment	920	21,919	-	-	3,018	81	115	26,053
(Release of allowance for impairment)	(2,013)	(29,233)	(136)	-	(9,300)	(75)	(505)	(41,262)
	(1,093)	(7,314)	(136)	-	(6,282)	6	(390)	(15,209)
<i>Allowance for impairment, on group basis</i>								
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total allowance for impairment of financial assets, net	(1,093)	(7,314)	(136)	-	(6,282)	6	(390)	(15,209)
2008								
<i>Allowance for impairment, on individual basis</i>								
Additional allowance for impairment	-	1,223	111	-	4,347	18	953	6,652
(Release of allowance for impairment)	(1,158)	-	-	-	-	-	-	(1,158)
	(1,158)	1,223	111	-	4,347	18	953	5,494
<i>Allowance for impairment, on group basis</i>								
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total allowance for impairment of financial assets, net	(1,158)	1,223	111	-	4,347	18	953	5,494

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

14 Personnel expenses

	2009	2008
Short-term employee benefits		
- salaries	47,599	22,418
- mandatory contribution for social and health insurance	19,104	13,352
- short-term paid leave of absence	-	-
- expenses for temporary employment	-	-
- interest in profit and rewards	-	-
- non-monetary benefits	-	-
	66,703	35,770
Benefits after termination of employment		
- contribution to pension plans for defined contributions	-	-
- benefits at retirement	-	-
- increasing the obligation for pension plans and defined benefits	-	-
- increasing the obligation for other long-term benefits	-	-
- other benefits after the termination of employment	-	-
Benefits due to termination of employment		
Employee payments based on shares, settled with owned instruments	-	-
Employee share-based payments, settled in cash	-	-
Other:	-	-
- food allowances	-	2,427
- transportation expenses	-	1,010
- recourse for annual vacations	-	1,100
- travel expenses	244	599
- other	292	-
	536	5,136
Total personnel expenses	67,239	40,906

15 Depreciation and amortization

	2009	2008
Amortization of intangible assets		
Internally developed software	3,745	2,565
Software purchased from external suppliers	-	-
Other internally developed intangible assets	-	-
Other non-material assets	-	-
Investment in intangible assets under lease	-	-
	3,745	2,565
Amortization of property, plant and equipment		
Construction objects	6,027	7,408
Transport vehicles	322	321
Furniture and office equipment	9,059	6,801
Other equipment	-	-
Other items of property, plant and equipment	-	-
Investment in property, plant and equipment under lease	807	-
	16,215	14,530
Total amortization	19,960	17,095

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

16 Other operating expenses

	2009	2008
Loss due to the sale of assets available for sale	-	-
Expenses for software licensing	342	-
Insurance premiums on deposits	1,984	2,093
Insurance premiums on property and employees	532	673
Materials and services	35,055	19,926
Administrative and marketing expenses	2,252	3,107
Other taxes and contributions	488	596
Expenses for rent	6,404	1,744
Expenses for litigation	1,194	2,203
Special reserve for off-balance exposure, net	-	-
Provisions for pensions and other employee benefits, net	-	-
Provisions for contingent commitments based on litigations, net	-	-
Other provisions, net	-	-
Loss from the sale of:		
- property, plant and equipment	-	1,600
- non-material assets	-	-
- foreclosed assets	89	214
- non-current assets held for sale and group for disposal	-	-
Other:		
- thief shortage	-	1,235
- other	2,490	94
Total other operational expenses	50,830	33,485

17 Income tax

Expenses/ income for current and deferred income tax

	2009	2008
Current income tax		
Expenses/(income) for current income tax for the year	400	-
Adjustments for previous years	-	-
Benefits for previously unrecognized tax losses, tax balance or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	400	-
Deferred income tax		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previously unrecognized tax losses	-	-
Changes in the tax rate	-	-
Introducing new taxes	-	-
Benefits from previously unrecognized tax losses, balance or temporary differences from previous years	-	-
Other	-	-
	-	-
Total expenses/(return) of income tax	400	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Income tax (continued)

	2009	2008
Current income tax		
Recognized in the Income statement	400	-
Recognized in equity	-	-
	400	-
Deferred income tax		
Recognized in the Income statement	-	-
Recognized in equity	-	-
	-	-
Total income tax expense/(return)	400	-

Reconciliation of the effective average tax rate with the variable tax rate

	in%	Denar thousand 2009	in%	Denar thousand 2008
Profit/(loss) before taxation		5,755		5,646
Income tax in accordance with the applicable tax rate	-	-	10%	565
Effect from various tax rates in other countries	-	-	-	-
Adjustment for previous years and changes in the tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expenses unrecognized for tax purposes	-	400	-	288
Tax exempted income	-	-	-	(953)
Tax exemptions unrecognized in the Income statement	-	-	-	-
Recognition of previously unrecognized tax losses	-	-	-	-
Benefits from previously unrecognized tax losses, tax balance or temporary differences from previous years	-	-	-	-
Changes of deferred tax	-	-	-	-
Other	-	-	-	-
Total expenses/(return) of income tax	-	400	-	-
Average effective tax rate	6.95%	-	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
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18 Cash and cash equivalents

	2009	2008
Cash in hand	37,530	43,237
Account and balances with the NBRM, except for obligatory foreign currency reserves	123,690	93,447
Current accounts and deposits with foreign banks	177,336	46,219
Current accounts and deposits with domestic banks	17	161
Treasury bills traded on the secondary market	358,610	696,180
Government bills traded on the secondary market	-	-
Term deposits with a maturity period less than, or equal to three months	-	264,762
Other short-term highly liquid assets	1	-
Receivables based on interest	87	1,325
(Allowance for impairment)	-	(5,541)
Included in cash and cash equivalents for the purpose of the Statement of cash flows	697,271	1,139,790
Obligatory foreign currency reserves	18,147	16,196
Restricted deposits	600	-
(Allowance for impairment)	(3)	-
Total	716,015	1,155,986
	2009	2008
Movement of allowance for impairment		
At 1 January	5,541	1,194
Allowance for impairment for the year		
- additional allowance for impairment	3,018	4,347
- (release from allowance for impairment)	(9,300)	-
Effect of exchange rate difference	744	-
(Written-off receivables)	-	-
At 31 December	3	5,541

Based on the new Decision on obligatory reserve brought by the National Bank of the Republic of Macedonia and effective from 01 June 2009, Bank's reserve prescribed ratio, equals to 10.0% for liabilities in domestic currency, 20.0% for liabilities in domestic currency with foreign exchange clause and 13.0% for liabilities in foreign currency. The basis for the reserve requirement is determined as an average of the Bank's liabilities for each calendar day of the preceding month. The reserve requirement maintenance period is from 11th in the current month until 10th in the following month.

Bank's reserve requirement in Denar represent sum of the amount calculated from the liabilities in domestic currency, the amount calculated from liabilities in domestic currency with FX clause and 23% of the amount calculated from the liabilities in foreign currency. The Bank fulfills the reserve requirement in Denar on average basis. Bank's reserve requirement in Euro is 77% of the amount calculated from the liabilities in foreign currency. Banks' reserve requirement in foreign currency is allocated on special foreign clause accounts of the NBRM abroad, and it is fulfilled in Euro at a fixed level.

At 31 December 2008, the Bank is also required to keep its foreign currency obligatory reserves at special accounts with the National Bank of Republic of Macedonia, calculated at 10% of the average daily balances of Bank's foreign currency liabilities due to residents and non-residents, legal entities and individuals for each calendar day during the previous month. These reserves are restricted for daily business activities of the Bank.

The interest rate for the reserve requirement in Denar during 2008 and 2009 was 2% per annum. The interest rate for the reserve requirement in foreign currency during 2009 is 0.1% (2008: 0.0%).

Notes to the Financial Statements (continued)
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Cash and cash equivalents (continued)

According to the NBRM Obligatory Deposit Decision passed on the 12 June 2008 and the subsequent changes dated 25 December 2008 and 28 February 2009, the Bank has to separate an obligatory deposit at the NBRM account if, at the end of the month (for 2009, the basis for calculation is the 31 December 2008, and for 2008, the basis is the 31 May 2008), the citizen loan growth rate exceeds the prescribed rates determined with the abovementioned Decision: January 2009 - 0.5%; February 2009 - 1.2%; March 2009 - 2.1%; April 2009 - 3.0%; May 2009 - 4.2%; June 2009 - 5.4%; July 2009 - 6.6%; August 2009 - 7.5%; September 2009 - 8.3%; October 2009 - 9.3%; November 2009 - 10.2% and December 2009 - 11.3%.

For 2008, the following citizen loan growth rates were valid in terms of the 31 May 2008: July 2008 -5.6%, August 2008-8.0%, September 2008-10.3%, October 2008-12.5%, November 2008- 15.1% and December 2008-18.1%.

The interest rate on the loan amounts to 1% per annum.

Treasury bills issued by the National Bank mature within 28 days (2008: 28 days) and bear 7.50% to 9.00% annually (2008: 6.9604% to 6.9621% annually).

19 Trading assets

	2009	2008
<i>Trading Securities</i>		
Debt securities for trading		
- Treasury bills for trading	-	-
- Government bills for trading	-	-
- Other instruments on the money market	-	-
- Bonds issued by the Government	-	-
- Corporative bonds	-	-
- Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Owned instruments for trading</i>		
- Owned instruments issued by banks	-	-
- Other owned instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Derivatives for trading</i>		
- Contracts dependent on the change of interest rate	-	-
- Contracts dependent on the change of exchange rate	-	-
- Contracts dependent on the change of price of securities	-	-
- Other contracts that meet the criteria of IAS 39	-	-
	-	-
Total assets for trading	-	-

Notes to the Financial Statements (continued)
 As of and for the year ended 31 December 2009
 (All amounts expressed in Denar thousand, unless otherwise stated)

20 Financial assets at fair value through profit and loss at initial recognition

	2009	2008
Debt securities		
- Treasury bills	-	-
- Government bills	-	-
- Other instruments on the money market	-	-
- Bonds issued by the government	-	-
- Corporative bonds	-	-
- Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Owned instruments for trading</i>		
- Owned instruments issued by banks	-	-
- Other owned instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Loans and advances to banks	-	-
Loans and advances to other clients	-	-
Total financial assets at fair value through profit and loss, at initial recognition	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
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21 Derivative assets and liabilities held for risk management

	Derivative assets	2009 (Derivative liabilities)	Derivative assets	2008 (Derivative liabilities)
A. Derivatives for risk protection /Derivatives held for risk management				
<i>A.1 According to type of variability</i>				
Derivatives held for risk management				
Contracts dependent on the change of interest rate	-	-	-	-
Contracts dependent on the change of exchange rate	-	-	-	-
Contracts dependent on the change of price of securities	-	-	-	-
Other contracts that meet the criteria of IAS 39	-	-	-	-
Total derivatives held for risk management	-	-	-	-
<i>A.2 According to risk protection</i>				
Fair value risk protection	-	-	-	-
Cash flow risk protection	-	-	-	-
Risk protection of net investment in foreign operations	-	-	-	-
Total derivatives held for risk management	-	-	-	-
B. Embedded derivatives				
Contracts dependent on the change of interest rate	-	-	-	-
Contracts dependent on the change of exchange rate	-	-	-	-
Contracts dependent on the change of price of securities	-	-	-	-
Other contracts that meet the criteria of IAS 39	-	-	-	-
Total embedded derivatives	-	-	-	-
Total derivatives held for risk management	-	-	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
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22 Loans and advances to banks

	2009		2008	
	short-term	long-term	short-term	long-term
Loans to banks				
- domestic banks	-	-	-	-
- foreign banks	-	-	-	-
Term deposits, maturity over three months				
- domestic banks	-	-	-	-
- foreign banks	-	-	-	-
Repo				
- domestic banks	20,000	-	-	-
- foreign banks	-	-	-	-
Other receivables				
- domestic banks	-	-	-	-
- foreign banks	1,443	-	2,588	-
Interest based receivables	4	-	-	-
Current maturity	-	-	-	-
Total loans and advances to banks before allowance for impairment	21,447	-	2,588	-
(Allowance for impairment)	(723)	-	(2,588)	-
Total loans and receivable to banks less allowance for impairment	20,724	-	-	-

	2009	2008
Movements of allowance for impairment		
At 1 January	2,588	3,746
Allowance for impairment for the year		
- additional allowance for impairment	920	-
- (release of allowance for impairment)	(2,013)	(1,158)
Effect of exchange rate differences	(772)	-
(Written - off receivables)	-	-
At 31 December	723	2,588

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

23 Loans and advances to customers

Structure of loans and advances to customers by type of debtor

	2009		2008	
	short-term	long-term	short-term	long-term
Non-financial companies				
- principal	78,294	110,218	81,163	67,214
- interest	1,841	-	974	-
State				
- principal	-	-	-	-
- interest	-	-	-	-
Non-profit institutions that serve to households				
- principal	-	-	-	-
- interest	-	-	-	-
Financial companies, apart from banks				
- principal	-	-	-	-
- interest	-	-	-	-
Households				
- principal				
housing loans	-	-	-	-
consumer loans	34,030	63,305	26,715	63,236
car loans	-	-	-	-
mortgages	-	-	-	-
credit cards	958	9,316	9,498	-
other loans	19,616	-	12,726	-
- interest	1,174	-	642	-
Non-residents, apart from banks				
- principal	-	-	-	-
- interest	-	-	-	-
Current maturity	89,624	(89,624)	30,866	(30,866)
Total loans and advances to other customers before allowance for impairment	225,537	93,215	162,584	99,584
(Allowance for impairment)	(18,481)	(18,331)	(57,849)	(1,068)
Total loans and advances to other customers less allowance for impairment	207,056	74,884	104,735	98,516

At 31 December 2009 the non-performing loans included in the loans and advances to customers amounted to Denar 40,270 thousand (2008: Denar 60,563 thousand). Unrecognized interest relating to these loans amounted to Denar 24,883 thousand (2008: Denar 35,382 thousand).

Notes to the Financial Statements (continued)
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(All amounts expressed in Denar thousand, unless otherwise stated)

Loans and advances to customers (continued)

	2009	2008
Movements of allowance for impairment, individual basis		
At 1 January	58,917	57,694
Allowance for impairment for the year		
- additional allowance for impairment	21,919	1,223
- (release of allowance for impairment)	(29,233)	-
Effect of exchange rate differences	1	-
(Written-off receivables)	(14,792)	-
At 31 December	36,812	58,917
Movements of allowance for impairment, individual basis		
At 1 January	-	-
Allowance for impairment for the year		
- additional allowance for impairment	-	-
- (release of allowance for impairment)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	-	-
At 31 December	-	-
Total allowance for impairment of loans and advances to other clients	-	-

Structure of loans and advances to clients per type of provision

	2009	2008
First class instruments for guarantee		
- Cash deposits (in depot and/or limited bank accounts)	27,565	16,646
- Government securities	-	-
- Government unconditional guarantees	-	-
- Bank guarantees	3,359	-
Guarantees from insurance companies and insurance policies	-	-
Corporative guarantees (apart from banking and insurance companies)	-	-
Guarantees from individuals	-	44,880
Property pledge		
- property for own use	61,108	26,585
- property for operating activities	80,915	52,140
Property pledge	11,790	14,648
Other types of guarantees	93,566	22,237
Unsecured	3,637	26,115
Total loans and advances from other clients less allowance for impairment	281,940	203,251

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
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24 Investment in securities

Investment in financial assets available for sale

	2009	2008
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments on the money market	-	-
Government issued bonds	-	-
Corporative bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Owned instruments for trading</i>		
Owned instruments issued by banks	1,009	1,014
Other owned instruments	12,478	12,479
	13,487	13,493
Quoted	1,009	1,014
Unquoted	12,478	12,479
Total investment in financial instruments available for sale before allowance for impairment	13,487	13,493
(Allowance for impairment)	(6,593)	(6,729)
Total investment in financial instruments available for sale less allowance for impairment	6,894	6,764
	2009	2008
Movements of allowance for impairment		
At 1 January	6,729	6,618
Allowance for impairment for the year		
- additional allowance for impairment	-	111
- (release of allowance for impairment)	(136)	-
Foreign exchange differences	-	-
(Written-off receivables)	-	-
At 31 December	6,593	6,729

Investment in financial assets held to maturity

	2009	2008
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	40,018	-
Other instruments on the money market	-	-
Government issued bonds	-	-
Corporative bonds	-	-
Other debt instruments	-	-
	40,018	-
Quoted	40,018	-
Unquoted	-	-
Total investment in financial instruments held to maturity before allowance for impairment	40,018	-
(Allowance for impairment)	-	-
Total investment in financial instruments available held to maturity less allowance for impairment	40,018	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Investments in securities (continued)

	2009	2008
Movements of allowance for impairment		
At 1 January	-	-
Allowance for impairment for the year		-
- additional allowance for impairment	-	-
- (release of allowance for impairment)	-	-
Foreign exchange differences	-	-
(Written-off receivables)	-	-
At 31 December		

25 Investment in subsidiaries and associates

Percentage of the Bank's interest in subsidiaries and associates

Name of subsidiaries and associates	Country	expressed in %			
		Percentage of interest in ownership		Percentage of right to vote	
		2009	2008	2009	2008
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Financial information of associates-100%

Name of associates	Total assets	Total liabilities	Total equity and reserves	Income	Profit/
					(loss) for the financial year
2009					
<hr/>					
<hr/>					
2008					
<hr/>					
<hr/>					

Notes to the Financial Statements (continued)
 As of and for the year ended 31 December 2009
 (All amounts expressed in Denar thousand, unless otherwise stated)

26 Other receivables

	2009	2008
Trade receivables	1,438	3,546
Prepaid expenses	967	484
Calculated deferred income	-	-
Fees and commission receivables	1,074	472
Receivables from the employees	-	81
Advances for intangible assets	-	16,093
Advances for property, plant and equipment	-	75
Other		
- Cession agreement	37,316	-
- Other	3,711	730
Total other receivables before allowance for impairment	44,506	21,481
(allowance for impairment)	(747)	(1,137)
Total other receivables less allowance for impairment	43,759	20,344
	2009	2008
Movement of allowance for impairment		
At 1 January	1,137	166
Allowance for impairment for the year		
- additional allowance for impairment	196	971
- (release of allowance for impairment)	(580)	-
Effect of exchange rate differences	(6)	-
(Written-off receivables)	-	-
At 31 December	747	1,137

27 Pledged assets

	2009	2008
Debt securities	-	-
Owned instruments	-	-
Total pledged assets	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

28 Foreclosed assets

	Land	Buildings	Equipment	Residential facilities and apartments	Other	Total
Cost						
At 1 January 2008	-	127,052	-	1,243	3,000	131,295
foreclosed during the year	-	15,483	-	-	-	15,483
(sold during the year)	-	(8,648)	-	-	-	(8,648)
(transfer to own assets)	-	-	-	-	-	-
At 31 December 2008	-	133,887	-	1,243	3,000	138,130
At 1 January 2009	-	133,887	-	1,243	3,000	138,130
foreclosed during the year	-	7,494	-	-	730	8,224
(sold during the year)	-	(1,762)	-	-	(730)	(2,492)
(transfer to own assets)	-	-	-	-	-	-
At 31 December 2009	-	139,619	-	1,243	3,000	143,862
Impairment						
At 1 January 2008	-	5,396	-	-	-	5,396
Impairment loss (Note 13)	-	-	-	-	-	-
(transfer to own assets)	-	-	-	-	-	-
transfer of property, plant and equipment	-	317	-	-	-	317
At 31 December 2008	-	5,713	-	-	-	5,713
At 1 January 2009	-	5,713	-	-	-	5,713
Impairment loss (Note 13)	-	-	-	-	-	-
(transfer to own assets)	-	-	-	-	-	-
At 31 December 2009	-	5,713	-	-	-	5,713
Current carrying value						
at 1 January 2008	-	121,656	-	1,243	3,000	125,899
at 31 December 2008	-	128,174	-	1,243	3,000	132,417
at 31 December 2009	-	133,906	-	1,243	3,000	138,149

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

29 Intangible assets

Intangible assets as of 31 December 2009 consist entirely of acquired software from external suppliers and other internally developed intangible assets. Movements of carrying values are as follows:

	Internally developed software	Acquired software from external suppliers	Other internally developed intangible assets	Other intangible assets	Investments in intangible assets under lease	Goodwill	Total
Cost							
At 1 January 2008	-	12,623	-	-	-	-	12,623
increase through new acquisitions	-	400	-	-	-	-	400
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	-	-	-	-	-	-	-
At 31 December 2008	-	13,023	-	-	-	-	13,023
At 1 January 2009	-	13,023	-	-	-	-	13,023
increase through new acquisitions	-	34,958	-	-	-	-	34,958
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	-	-	-	-	-	-	-
At 31 December 2009	-	47,981	-	-	-	-	47,981

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Intangible assets (continued)

	Internally developed software	Acquired software from external suppliers	Other internally developed intangible assets	Other intangible assets	Investments in intangible assets under lease	Goodwill	Total
Depreciation and impairment							
At 1 January 2008	-	261	-	-	-	-	261
depreciation for the year	-	2,565	-	-	-	-	2,565
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write off)	-	-	-	-	-	-	-
At 31 December 2008	-	2,826	-	-	-	-	2,826
At 1 January 2009	-	2,826	-	-	-	-	2,826
depreciation for the year	-	3,745	-	-	-	-	3,745
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write off)	-	-	-	-	-	-	-
At 31 December 2009	-	6,571	-	-	-	-	6,571
Current carrying amount							
At 1 January 2008	-	12,362	-	-	-	-	12,362
At 31 December 2008	-	10,197	-	-	-	-	10,197
At 31 December 2009	-	41,410	-	-	-	-	41,410

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

30 Property, plant and equipment

Reconciliation of the current carrying amount

	Land	Buildings	Transport	Furniture and office equipment	Other equipment	Other items of plant, property and equipment	Property plant and equipment in preparation	Investments in intangible assets under lease	Total
Cost									
At 1 January 2008	-	312,026	1,287	31,788	-	-	-	-	345,101
increase	-	7,891	-	14,205	-	-	381	-	22,477
increase through business combinations	-	-	-	-	-	-	-	-	-
(disposal and write off)	-	(2,833)	-	-	-	-	-	-	(2,833)
(disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	(15,483)	-	381	-	-	(381)	-	(15,483)
At 31 December 2008	-	301,601	1,287	46,374	-	-	-	-	349,262
At 1 January 2009	-	301,601	1,287	46,374	-	-	-	-	349,262
increase	-	2,719	1,573	7,257	-	-	1,750	19,515	32,814
increase through business combinations	-	-	-	-	-	-	-	-	-
(disposal and write off)	-	-	-	(3,488)	-	-	-	-	(3,488)
(disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	(69,478)	-	-	-	-	-	-	(69,478)
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	1,610	-	-	(1,610)	-	-
At 31 December 2009	-	234,842	2,860	51,753	-	-	140	19,515	309,110

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Property, plant and equipment (continued)

	Land	Buildings	Transport	Furniture and office equipment	Other equipment	Other items of plant, property and equipment	Property plant and equipment in preparation	Investments in intangible assets under lease	Total
Depreciation and impairment									
At 1 January 2008	-	17,120	164	6,591	-	-	-	-	23,875
depreciation for the year	-	7,408	321	6,801	-	-	-	-	14,530
impairment loss during the year (release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(disposal and write off)	-	(305)	-	-	-	-	-	-	(305)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	(317)	-	-	-	-	-	-	(317)
At 31 December 2008	-	23,906	485	13,392	-	-	-	-	37,783
At 1 January	-	23,906	485	13,392	-	-	-	-	37,783
depreciation for the year	-	6,027	322	9,059	-	-	-	807	16,215
impairment loss during the year (release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(disposal and write off)	-	-	-	(3,488)	-	-	-	-	(3,488)
(transfer to non-current assets held for sale)	-	(11,869)	-	-	-	-	-	-	(11,869)
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	-	1,573	(1)	-	-	-	-	1,572
At 31 December 2009	-	18,064	2,380	18,962	-	-	-	807	40,213
Current carrying amount									
At 1 January 2008	-	294,906	1,123	25,197	-	-	-	-	321,226
At 31 December 2008	-	277,695	802	32,982	-	-	-	-	311,479
At 31 December 2009	-	216,778	480	32,791	-	-	140	18,708	268,897

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

31 Current and deferred tax assets and liabilities

Current tax assets and current tax liabilities

	2009	2008
Current income tax receivables	722	703
Current income tax liabilities	-	-
	722	703

Deferred tax assets and deferred tax liabilities

Recognized deferred tax assets and deferred tax liabilities

	2009			2008		
	Deferred tax assets	(Deferred tax liabilities)	Net basis	Deferred tax assets	(Deferred tax liabilities)	Net basis
Derivative liabilities held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property, plant 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	-	-	-	-	-	-
Investments in financial assets available for sale	16	(16)	-	-	-	-
Cash flow risk protection	-	-	-	-	-	-
Deferred tax assets/liabilities recognized in equity	16	(16)	-	-	-	-
Total recognized deferred tax assets/ liabilities	16	(16)	-	-	-	-

Unrecognized deferred tax assets

	2009	2008
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
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Deferred tax assets and deferred tax liabilities (continued)

Reconciliation of the movement of deferred tax assets and deferred tax liabilities during the year

	As of 1 January	Recognized during the year in:		As of 31 December
		Statement of Income	Equity	
2008				
Derivative liabilities held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property, plant 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	-	-	-	-
Cash flow risk protection	-	-	-	-
Total recognized deferred tax assets/ liabilities	-	-	-	-
2009				
Derivative liabilities held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property, plant 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	-	-	-	-
Cash flow risk protection	-	-	-	-
Total recognized deferred tax assets/ liabilities	-	-	-	-

32 Non-current assets held for sale and disposal

Non-current assets held for sale

	2009	2008
Intangible assets	-	-
Property, plant and equipment	57,608	-
Total non-current assets held for sale	57,608	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
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Non-current assets held for sale and disposal group (continued)

Disposal group	2009	2008
<i>Group of assets for disposal</i>		
Financial assets	-	-
Intangible assets	-	-
Property, plant and equipment	-	-
Investment in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for disposal	-	-
<i>Liabilities directly related to group of assets for disposal</i>		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
Total liabilities directly related to the group of assets for disposal	-	-
Profit / (loss) recognized from the sale of assets held for sale and disposal group	2009	2008
Profit/ (loss) recognised from the sale of assets held for sale and group for disposal	-	-
	-	-

33 Trade liabilities

	2009	2008
<i>Due to banks</i>		
- Current accounts, demand deposits and overnight deposits	-	-
- Term deposits	-	-
- Other deposits	-	-
	-	-
<i>Due to 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>Trade 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 IAS 39	-	-
	-	-
Total trade liabilities	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

34 Financial liabilities carried at fair value through profit and loss at its initial recognition

	Current carrying amount	2009 Contractual value, paid at maturity	Current carrying amount	2008 Contractual value, paid at maturity
<i>Due to banks</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Due to 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>Subordinary debts</i>				
	-	-	-	-
<i>Other financial liabilities</i>				
	-	-	-	-
Total financial liabilities carried through profit and loss at its initial recognition	-	-	-	-

35 Due to banks

	Short-term	2009 Long-term	Short-term	2008 Long-term
Current accounts				
- Domestic banks	-	-	-	-
- Foreign banks	4,171	-	3,813	-
Demand deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Term deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Limited deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Other deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Interest payables				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Current maturity	-	-	-	-
Total due to banks	4,171	-	3,813	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

36 Due to customers

	2009		2008	
	Short-term	Long-term	Short-term	Long-term
Non-financial companies				
- Current accounts	314,037	-	536,422	-
- Demand deposits	-	-	982	-
- Term deposits	17,219	12,576	31,077	-
- Limited deposits	1,213	250	-	-
- Other deposits	-	-	-	-
- Interest payables	669	-	254	-
	333,138	12,826	568,735	-
Government				
- Current accounts	-	-	-	-
- Demand deposits	-	-	-	-
- Term deposits	-	-	10,000	-
- Limited deposits	-	-	-	-
- Other deposits	-	-	-	-
- Interest payables	-	-	54	-
	-	-	10,054	-
Non-profit organizations that serve households				
- Current accounts	2,445	-	2,313	-
- Demand deposits	-	-	-	-
- Term deposits	361	-	350	-
- Limited deposits	14	-	-	-
- Other deposits	-	-	-	-
- Interest payables	2	-	1	-
	2,822	-	2,664	-
Financial companies, apart from banks				
- Current accounts	4,151	-	3,376	-
- Demand deposits	-	-	-	-
- Term deposits	40,516	-	18,550	-
- Limited deposits	-	-	-	-
- Other deposits	38	-	-	-
- Interest payables	1,053	-	354	-
	45,758	-	22,280	-
Households				
- Current accounts	30,714	-	30,207	-
- Demand deposits	29,604	-	38,953	-
- Term deposits	203,582	9,629	201,228	9,169
- Limited deposits	1,005	5,226	-	-
- Other deposits	-	-	-	-
- Interest payables	2,276	-	2,681	-
	267,181	14,855	273,069	9,169
Non-residents, apart from banks				
- Current accounts	24,887	-	50,104	-
- Demand deposits	104	-	15	-
- Term deposits	51,436	12,418	62,698	-
- Limited deposits	7,214	-	-	-
- Other deposits	-	-	-	-
- Interest payables	643	-	582	-
	84,284	12,418	113,399	-
Current maturity	3,575	(3,575)	79	(79)
Total due to other customers	736,758	36,524	990,280	9,090

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

37 Issued debt securities

	2009	2008
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payables for issued securities	-	-
Total issued debt securities	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

38 Borrowings

The structure of borrowings according to the type of liabilities and the donor's sector

	2009		2008	
	Short-term	Long-term	Short-term	Long-term
Banks				
- residential				
Borrowings	-	8,817	-	9,758
Repo-transactions	-	-	-	-
Liabilities based on interest	54	-	38	-
- non-residential				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-financial companies				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
State				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions that serve to households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Financial companies, apart from banks				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-residents, apart from banks				
- Non-financial companies				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
- State				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
- Non-profit institutions that serve to households				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
- Financial companies, other than banks				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
- Households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
	-	-	-	-
Current maturity	-	-	2,231	(2,231)
Total borrowings	54	8,817	2,269	7,527

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Borrowings (continued)

Borrowings according to donor

	2009		2008	
	Short-term	Long-term	Short-term	Long-term
<i>Domestic sources:</i>				
National Bank of Republic of Macedonia	39	5,103	38	5,103
Macedonian Bank for Development Promotion	15	3,714	-	4,655
	54	8,817	38	9,758
<i>Foreign sources:</i>				
	-	-	-	-
Current maturity	-	-	2,231	(2,231)
Total borrowings	54	8,817	2,269	7,527

39 Subordinated liabilities

	2009	2008
<i>Subordinated deposit liabilities</i>		
_____	-	-
_____	-	-
_____	-	-
Interest payables	-	-
	-	-
<i>Subordinated credit liabilities</i>		
_____	-	-
_____	-	-
_____	-	-
Interest payables	-	-
	-	-
<i>Subordinated liabilities on issued debt securities</i>		
_____	-	-
_____	-	-
_____	-	-
Interest payables	-	-
	-	-
Preference shares	-	-
Total subordinated liabilities	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

40 Special reserve and provisions

	Special reserve and off- balance credit exposure	Provisions for potential liabilities based on litigations	Pension provisions and other employee benefits	Restructuri ng provisions	Provisions for adverse contracts	Other provisions	Total
At 1 January 2008	1,697	-	-	-	-	-	1,697
additional provisions during the year	-	-	-	-	-	-	-
(used provisions during the year)	-	-	-	-	-	-	-
(release of provisions during the year)	(706)	-	-	-	-	-	(706)
At 31 December 2008	991	-	-	-	-	-	991
At 1 January 2009	991	-	-	-	-	-	991
additional provisions during the year	951	-	-	-	-	-	951
(used provisions during the year)	-	-	-	-	-	-	-
(release of provisions during the year)	(1,668)	-	-	-	-	-	(1,668)
At 31 December 2009	274	-	-	-	-	-	274

41 Other liabilities

	2009	2008
Trade payables	2,333	4,787
Received advances	-	-
Fee and commission liabilities	7	1
Accrued expenses	13	-
Deferred income from previous years	-	-
Short-term liabilities to employees	5	25
Short-term liabilities for employee benefits	-	-
Other:		
- foreign currency operations liabilities	1,586	1,518
- VAT liabilities	-	393
- prepayment for non- matured loans	836	440
- payment due housing loans	-	319
- advance for securities purchase	-	215
- other	716	781
Total other liabilities	5,496	8,479

Notes to the Financial Statements (continued)

As of and for the year ended 31 December 2009

(All amounts expressed in Denar thousand, unless otherwise stated)

42 Share capital

As of 31 December 2009 and 2008 the total share capital of the Bank amounts to Denar 804,172 thousand (2008: Denar 845,196 thousand) and consists of 288,072 (2008: 310,426) approved and fully paid ordinary shares and 31,071 (2008: 8,925) preference shares. The nominal value per share is EUR 41.2069 (2008: EUR 43.46).

Subscribed capital

	<i>in MKD</i>		ordinary shares		<i>Number of issued shares</i>		<i>In MKD thousand</i>	
	Nominal value per share	Preference shares non-redeemable	2009	2008	preference shares not for sale		Total subscribed capital	
	ordinary shares				2009	2008	2009	2008
At 1 January - fully paid	2,646	2,646	310,426	218,388	8,925	8,925	845,196	600,522
Recorded shares during the year	-	-	-	92,038	-	-	-	244,674
Realisation of share option	-	-	-	-	-	-	-	-
Division/increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the:	-	-	-	-	-	-	-	-
- conversion from ordinary to preference shares	-	-	(22,354)	-	22,354	-	-	-
- withdrawn preference shares	-	-	-	-	(208)	-	-	-
- accumulated loss coverage	(126)	(126)	-	-	-	-	(41,024)	-
At 31 December - fully paid	2,520	2,520	288,072	310,426	31,071	8,925	804,172	845,196

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Share capital (continued)

Dividends

Issued dividends and paid dividends by the Bank

	2009	2008
Issued dividends and paid dividends for the year	-	-

	2009	2008
Ordinary share dividend	-	-
Preference share dividend	-	-

Issued dividend after the balance sheet date (the dividends liabilities are not shown in the Balance sheet)

	2009	2008
Issued dividends after 31 December	-	-

	2009	2008
Ordinary share dividend	-	-
Preference share dividend	-	-

Shareholders with more than 5% voting shares

<i>Shareholder's name</i>	<i>EUR thousands</i>		<i>in %</i>	
	2009 Subscribed capital (Nominal value)	2008 Subscribed capital (Nominal value)	2009 Voting right	2008 Voting right
Central Cooperative Bank AD Sofia	9,945	11,460	83.78	84.95
Total	9,945	11,460	83.78	84.95

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

43 Earnings per share

Basic earning per share

	2009	2008
<i>Net - Profit attributable to holders of ordinary shares</i>		
Net - Profit for the year	5,355	5,646
Dividends for preference shares not for sale	(521)	(158)
Changes of Net - Profit attributable to holders of ordinary shares	-	-
Net - Profit attributable to holders of ordinary shares	4,834	5,488

	2009	2008
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares as of 1 January	310,426	218,388
Effects of the changes in the number of ordinary shares during the year		
- share emission	-	92,038
- conversion of ordinary shares to preference shares	(22,354)	-
<i>Weighted average number of ordinary shares as of 31December</i>	<i>289,297</i>	<i>248,993</i>
Basic earning per share (in MKD)	17	22

Diluted earnings per share

	2009	2008
<i>Net - profit attributable to holders of ordinary shares (diluted)</i>	-	-
Net - profit for the year attributable to holders of ordinary shares	-	-
Changes of Net - profit attributable to holders of ordinary shares for the effects of all issued potential ordinary shares	-	-
Net - profit attributable to holders of ordinary shares (diluted)	-	-

	2009	2008
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares as of 1 January	-	-
Effects of issuing potential ordinary shares (state them separately)	-	-
<i>Weighted average number of ordinary shares (diluted) as of 31December</i>	<i>-</i>	<i>-</i>
Weighted average number of ordinary shares (in MKD)	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

44 Commitments and contingencies

Commitments and contingencies

	2009	2008
Payment guarantees		
- in Denar	19,792	20,297
- in foreign currency	-	-
- in Denar with foreign currency clause	-	-
Performance guarantees		
- in Denar	-	-
- in foreign currency	-	-
- in Denar with foreign currency clause	-	-
Uncovered letter of credit		
- in Denar	-	-
- in foreign currency	4,600	-
- in Denar with foreign currency clause	-	-
Unused overdraft on current accounts	21,704	18,404
Unused credit card limits	-	-
Foreclosed liabilities for crediting and unused credit limits	5,273	5,266
Other commitments and contingencies (covered and uncovered)	-	-
Issued covered guarantees	-	-
Covered letter of credit	-	-
Other covered commitments and contingencies	-	-
Total commitments and contingencies before the special reserve	51,369	43,967
(Special reserve)	(274)	(991)
Total commitments and contingencies less potential reserve	51,095	42,976

Litigations

At 31 December 2009, legal proceedings against the Bank amount in total Denar 8,781 thousand. The provision on the balance sheet date has not been recorded because the professional legal advice indicates that there is no possibility of significant losses. In addition, various legal actions and claims may be asserted in the future against the Bank from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, the management of the Bank believes that no material liabilities are likely to result.

Notes to the Financial Statements (continued)
 As of and for the year ended 31 December 2009
 (All amounts expressed in Denar thousand, unless otherwise stated)

45 Activities on behalf of third parties

	2009			2008		
	Assets	Liabilities	Net-position	Assets	Liabilities	Net-position
<i>Asset administration on behalf and at the expense of third parties</i>						
Deposits in Denar	-	-	-	-	-	-
Deposits in foreign currencies	-	-	-	-	-	-
Loans in Denar	41,134	41,134	-	41,134	41,134	-
Loans in foreign currencies	-	-	-	-	-	-
Other receivables in Denar	-	-	-	-	-	-
Other receivables in foreign currencies	-	-	-	-	-	-
<i>Asset management on behalf and at the expense of third parties</i>						
Deposits in Denar	-	-	-	-	-	-
Deposits in foreign currencies	-	-	-	-	-	-
Loans in Denar	-	-	-	-	-	-
Loans in foreign currencies	-	-	-	-	-	-
Other receivables in Denar	-	-	-	-	-	-
Other receivables in foreign currencies	-	-	-	-	-	-
Bank accounts	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	41,134	41,134	-	41,134	41,134	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

46 Pension plans

The Bank does not operate any defined contribution plans or share-based remuneration options as of 31 December 2009 and 2008. The management believes that the present value of the future obligations to employees with respect to retirement and other jubilee awards are not material to these financial statements as of 31 December 2009 and 2008.

47 Related party transactions

According to the Banking Law, related parties are considered: persons with special rights and responsibilities in the Bank and persons related to them; shareholders with a qualified contribution to the Bank (direct or indirect ownership of at least 5% of the total number of shares or issued voting right shares from the Bank or provide significant influence on the management of the Bank), and persons related to them, as well as the responsible persons of these shareholders - legal entities, Bank's subsidiaries and other persons related to the Bank.

The Bank grants loans, performs payment transfers and deposits funds of related enterprises and financial institutions. It is the opinion of the Bank's management that these transactions are carried out on normal market terms and conditions and during the regular course of business activities.

As of 31 December 2009 and 2008 the balances and volume of transactions with companies related to companies that have common control over the Bank, and key management personnel of the Bank and its related parties, are as follows:

Notes to the Financial Statements (continued)
 As of and for the year ended 31 December 2009
 (All amounts expressed in Denar thousand, unless otherwise stated)

Leases (continued)

Leases

Financial lease liabilities

	Total financial lease liabilities	Maturity period for financial lease liabilities		
		up to 1 year	1 to 5 years	over 5 years
At 31 December 2009				
Current value of minimum lease payments	-	-	-	-
Total	-	-	-	-
At 31 December 2008				
Current value of minimum lease payments	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Leases (continued)

	Land	Buildings	Transport	Furniture and office equipment	Other equipment	Other items of plant, property and equipment	Total
<i>Value of property under financial lease:</i>							
Cost							
At 1 January 2008	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-
- (disposal and write off)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<i>At 31 December 2008</i>	-	-	-	-	-	-	-
At 1 January 2009	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<i>At 31 December 2009</i>	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
At 1 January 2008	-	-	-	-	-	-	-
- depreciation for the year	-	-	-	-	-	-	-
- impairment loss during the year	-	-	-	-	-	-	-
- (release of impairment loss during the year)	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<i>At 31 December 2008</i>	-	-	-	-	-	-	-
At 1 January 2009	-	-	-	-	-	-	-
- depreciation for the year	-	-	-	-	-	-	-
- impairment loss during the year	-	-	-	-	-	-	-
- (release of impairment loss during the year)	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<i>At 31 December 2009</i>	-	-	-	-	-	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Leases (continued)

	Land	Buildings	Transport	Furniture and office equipment	Other equipment	Other items of plant, property and equipment	Total
Current carrying value							
At 1 January 2008	-	-	-	-	-	-	-
At 31 December 2008	-	-	-	-	-	-	-
At 31 December 2009	-	-	-	-	-	-	-

Notes to the Financial Statements (continued)
As of and for the year ended 31 December 2009
(All amounts expressed in Denar thousand, unless otherwise stated)

Leases (continued)

Irrevocable operational leases liabilities

	Total operational lease liabilities	Maturity period for operational lease liabilities		
		up to 1 year		up to 1 year
At 31 December 2009				
Current value of minimum lease payments	46,968	6,014	20,798	20,156
Total	46,968	6,014	20,798	20,156
At 31 December 2008				
Current value of minimum lease payments	37,258	4,742	18,886	13,630
Total	37,258	4,742	18,886	13,630

49 Share based payments

	2009	2008
Date of giving option	-	-
Date of option expiry	-	-
Price of option realisation	-	-
Share price on the date the option is given	-	-
Variance	-	-
Expected dividend return	-	-
Interest rate	-	-
Fair value on the date the option is given	-	-

	2009		2008	
	Number of share options	Weighted average price of share options	Number of share options	Weighted average price of share options
At 1 January				
Changes during the year:				
- options given to Supervisory Board members	-	-	-	-
- options given to Board of Directors members	-	-	-	-
- other given options	-	-	-	-
- forfeited options	-	-	-	-
- realised options	-	-	-	-
- options with expired deadline	-	-	-	-
At 31 December	-	-	-	-

