

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**

**Independent Auditor's Report and  
Financial Statements prepared in accordance with  
International Financial Reporting Standards  
For the year ended 31 December 2022**

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## Independent Auditor's Report

To the Council of  
the National Bank of the Republic of North Macedonia

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Grant Thornton DOO  
Sv. Kiril i Metodij 52b-1/20  
1000 Skopje  
North Macedonia  
T +389 (0)2 3214 700  
F +389 (0)2 3214 710  
E [Contact@mk.gt.com](mailto:Contact@mk.gt.com)  
VAT No. 4030003475973

### *Opinion*

We have audited the financial statements of the National Bank of the Republic of North Macedonia (the "National Bank"), which comprise the statement of financial position as at 31 December 2022, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Bank of the Republic of North Macedonia as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the National Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of North Macedonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### *Other Matter*

The financial statements of the National Bank as at and for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion on those statements on 25 February 2022.

### *Responsibilities of the Strategic Management and the Council of the National Bank for the Financial Statements*

The strategic management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, and for such internal control as the strategic management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the strategic management is responsible for assessing the National Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. The Council of the National Bank is responsible for overseeing the National Bank's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 National Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the strategic management.
- Conclude on the appropriateness of strategic management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the National Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council of the National Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  
Suzana Stavrikj  
Director  
Grant Thornton DOO, Skopje  
  
Suzana Stavrikj  
Certified Auditor

Skopje, 27 February 2023

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## **GENERAL INFORMATION**

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### **Members of the National Bank of the Republic of North Macedonia Council for the period 2022/2021**

Anita Angelovska Bezhoska, Governor  
Fadil Bajrami, Vice Governor  
Emilija Nacevska, Vice Governor  
Ana Mitreska, Vice Governor  
Sinisha Naumoski, non-executive member  
Gadaf Redjepi, non-executive member  
Borche Trenovski, non-executive member (from 1 June 2021)  
Nikola Popovski, non-executive member (from 1 June 2021)  
Marjan Petreski, non-executive member (from 1 June 2021)

### **Registered office**

Blvd. Kuzman Josifovski Pitu 1  
1000, Skopje

## INCOME STATEMENT

|  | Note         | 2022               | 2021             |
|--|--------------|--------------------|------------------|
| Interest income  |              | 497,572            | 97,272           |
| Interest expense   |              | (538,498)          | (200,507)        |
| Effects of negative interest rates   |              | 19,071             | 11,368           |
| <b>Net interest expense</b>  | <b>5</b>     | <b>(21,855)</b>    | <b>(91,867)</b>  |
| Fee income   |              | 344,706            | 305,089          |
| Fee expense  |              | (21,820)           | (16,612)         |
| <b>Net fee income</b>  | <b>6</b>     | <b>322,886</b>     | <b>288,477</b>   |
| <b>Net unrealized price and exchange rate differences</b>                                | <b>7</b>     | <b>1,011,378</b>   | <b>979,821</b>   |
| <b>Net expense from securities at fair value through profit and loss and derivatives</b> | <b>8</b>     | <b>(3,247,087)</b> | <b>(875,490)</b> |
| <b>Net realized price and exchange rate differences</b>                                  | <b>9</b>     | <b>439,437</b>     | <b>292,657</b>   |
| <b>Dividend income</b>   | <b>10</b>    | <b>9,230</b>       | <b>16,566</b>    |
| <b>Other income</b>  | <b>11</b>    | <b>334,760</b>     | <b>37,323</b>    |
| <b>Personnel expenses</b>  | <b>12</b>    | <b>(491,190)</b>   | <b>(456,498)</b> |
| <b>Depreciation and amortization charge</b>  | <b>26,27</b> | <b>(68,239)</b>    | <b>(66,544)</b>  |
| <b>Other expenses</b>  | <b>13</b>    | <b>(199,800)</b>   | <b>(162,156)</b> |
| <b>Provisions and Impairment, net</b>  | <b>14</b>    | <b>(156,394)</b>   | <b>5,247</b>     |
| <b>Loss for the year, net</b>  |              | <b>(2,066,874)</b> | <b>(32,464)</b>  |

## STATEMENT OF COMPREHENSIVE INCOME

|  | 2022               | 2021            |
|--|--------------------|-----------------|
| <b>Loss for the year from the Income statement, net</b>  | <b>(2,066,874)</b> | <b>(32,464)</b> |
| Other comprehensive income   |                    |                 |
| - Net unrealized changes in fair value of equity securities through other comprehensive income | 502                | -               |
| - Gains on received books donations - library fund   | 11                 | 39              |
| <b>Other comprehensive income for the year</b>   | <b>513</b>         | <b>39</b>       |
| <b>Total comprehensive loss for the year</b>   | <b>(2,066,361)</b> | <b>(32,425)</b> |

**STATEMENT OF FINANCIAL POSITION**

| <b>ASSETS</b>                                     | <b>Note</b> | <b>As at 31 December</b> |                    |
|---|-------------|--------------------------|--------------------|
|   |             | <b>2022</b>              | <b>2021</b>        |
| Foreign currencies                                | 15          | 2,964,247                | 3,372,659          |
| Foreign currency deposits                         | 16          | 53,654,174               | 41,819,630         |
| Foreign securities                                | 17          | 157,847,953              | 157,372,715        |
| Derivatives                                       | 18          | -                        | -                  |
| Gold  | 19          | 23,155,343               | 21,923,813         |
| Special Drawing Rights                            | 20          | 24,679                   | 80,443             |
| Receivables based on foreign repo transactions    | 21          | 8,902,551                | 2,127,117          |
| <b>Receivables from Government related to IMF</b> | <b>22</b>   | <b>32,643,436</b>        | <b>25,948,414</b>  |
| <b>IMF Membership</b>                             | <b>23</b>   | <b>11,070,941</b>        | <b>10,234,301</b>  |
| Loans to banks                                    | 24          | -                        | -                  |
| Other receivables                                 | 25          | -                        | -                  |
| <b>Receivables from banks</b>                     |             | <b>-</b>                 | <b>-</b>           |
| <b>Property and equipment</b>                     | <b>26</b>   | <b>1,501,281</b>         | <b>1,452,612</b>   |
| <b>Intangible assets</b>                          | <b>27</b>   | <b>28,274</b>            | <b>31,961</b>      |
| <b>Coins from precious metals</b>                 | <b>28</b>   | <b>5,815</b>             | <b>5,703</b>       |
| <b>Operating receivables</b>                      | <b>29</b>   | <b>111,103</b>           | <b>32,894</b>      |
| <b>Other assets</b>                               | <b>30</b>   | <b>221,203</b>           | <b>137,716</b>     |
| <b>Total assets</b>                               |             | <b>292,131,000</b>       | <b>264,539,978</b> |

**STATEMENT OF FINANCIAL POSITION (Continued)**

| LIABILITIES AND EQUITY  | Note      | As at 31 December  |                    |
|---|-----------|--------------------|--------------------|
|   |           | 2022               | 2021               |
| <b>Currency in circulation</b>  | <b>31</b> | <b>53,852,538</b>  | <b>51,392,438</b>  |
| <b>Bank and saving house deposits</b>   | <b>32</b> | <b>74,295,265</b>  | <b>74,060,754</b>  |
| <b>Reserve requirement of banks in foreign currency and reserve requirements of savings houses in MKD</b> | <b>33</b> | <b>27,148,967</b>  | <b>19,960,662</b>  |
| <b>National Bank bills issued</b>   | <b>34</b> | <b>9,450,579</b>   | <b>9,993,065</b>   |
| <b>Liabilities based on foreign repo transactions</b>   | <b>35</b> | <b>27,355,608</b>  | <b>8,363,671</b>   |
| Government MKD deposits   | 36        | 23,983,580         | 24,919,606         |
| Government foreign currency deposits  | 37        | 16,360,703         | 22,067,344         |
| <b>Government deposits</b>  |           | <b>40,344,283</b>  | <b>46,986,950</b>  |
| <b>Restricted deposits</b>  | <b>38</b> | <b>142,111</b>     | <b>137,929</b>     |
| Payables based on Special Drawing Rights Allocation - on behalf and for the account of the Government     | 39a       | 15,339,855         | 15,242,012         |
| Borrowings from IMF - on behalf and for the account of the Government                                     | 39b       | 17,303,581         | 10,706,402         |
| Payables based on membership and deposits   | 39c       | 11,070,941         | 10,234,301         |
| <b>Payables to IMF</b>  | <b>39</b> | <b>43,714,377</b>  | <b>36,182,715</b>  |
| <b>Other deposits</b>   | <b>40</b> | <b>2,762,513</b>   | <b>2,333,764</b>   |
| Provisions  | 41        | 344                | 322                |
| Other liabilities   | 42        | 563,999            | 560,931            |
| <b>Other liabilities</b>  |           | <b>564,343</b>     | <b>561,253</b>     |
| <b>Total liabilities</b>  |           | <b>279,630,584</b> | <b>249,973,201</b> |
| <b>Capital</b>  |           | <b>1,289,789</b>   | <b>1,289,789</b>   |
| <b>General reserves</b>   |           | <b>432,826</b>     | <b>1,334,893</b>   |
| <b>Special reserves</b>   |           | <b>843,987</b>     | <b>843,987</b>     |
| <b>Other reserves</b>   |           | <b>9,933,814</b>   | <b>11,098,108</b>  |
| <b>Total capital and reserves</b>   | <b>43</b> | <b>12,500,416</b>  | <b>14,566,777</b>  |
| <b>Total liabilities and equity</b>   |           | <b>292,131,000</b> | <b>264,539,978</b> |



# NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

## Financial Statements for the year ended 31 December 2022

(Amounts expressed in thousands of MKD unless otherwise stated)

| STATEMENT OF CHANGES IN EQUITY   | Note | Other reserves   |                  |                   |                   |                            |                       | Total capital and reserves |
|--|------|------------------|------------------|-------------------|-------------------|----------------------------|-----------------------|----------------------------|
|  |      | Capital          | General reserves | Special reserves* | Other Reserves**  | Art works and library fund | Accumulated gain/loss |                            |
| <b>As at 1 January 2021</b>  |      | <b>1,289,789</b> | <b>1,326,756</b> | <b>717,417</b>    | <b>11,307,313</b> | <b>4,035</b>               | <b>-</b>              | <b>14,645,310</b>          |
| Loss for the year  |      | -                | -                | -                 | -                 | -                          | (32,464)              | (32,464)                   |
| Gains on received books donations - library fund   | 43   | -                | -                | -                 | -                 | 39                         | -                     | 39                         |
| <b>Total comprehensive loss for 2021</b>   |      | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>39</b>                  | <b>(32,464)</b>       | <b>(32,425)</b>            |
| Net unrealized positive price and exchange rate differences of gold allocated in other reserves                                      | 43   | -                | -                | -                 | 850,039           | -                          | (850,039)             | -                          |
| Net unrealized positive foreign exchange rate differences allocated in other reserves  | 43   | -                | -                | -                 | 129,782           | -                          | (129,782)             | -                          |
| Net unrealized positive price differences of securities allocated in other reserves  | 43   | -                | -                | -                 | 7                 | -                          | (7)                   | -                          |
| Net unrealized negative price differences of securities covered by other reserves  | 43   | -                | -                | -                 | (74,897)          | -                          | 74,897                | -                          |
| Realized price and exchange rate differences of gold   | 43   | -                | -                | -                 | (1,070,362)       | -                          | 1,070,362             | -                          |
| Realized price differences of securities   | 43   | -                | -                | -                 | (47,848)          | -                          | 47,848                | -                          |
| Transfer to general reserves   | 43   | -                | 8,137            | -                 | -                 | -                          | (8,137)               | -                          |
| Transfer to the special reserves   | 43   | -                | -                | 126,570           | -                 | -                          | (126,570)             | -                          |
| Allocation to the Budget of the Republic of North Macedonia  | 42   | -                | -                | -                 | -                 | -                          | (46,108)              | (46,108)                   |
| <b>As at 31 December 2021</b>  |      | <b>1,289,789</b> | <b>1,334,893</b> | <b>843,987</b>    | <b>11,094,034</b> | <b>4,074</b>               | <b>-</b>              | <b>14,566,777</b>          |
| <b>As at 1 January 2022</b>  |      | <b>1,289,789</b> | <b>1,334,893</b> | <b>843,987</b>    | <b>11,094,034</b> | <b>4,074</b>               | <b>-</b>              | <b>14,566,777</b>          |
| Loss for the year  |      | -                | -                | -                 | -                 | -                          | (2,066,874)           | (2,066,874)                |
| Net unrealized positive price differences of securities at fair value through other comprehensive income allocated in other reserves | 43   | -                | -                | -                 | 502               | -                          | -                     | 502                        |
| Gains on received books donations - library fund   | 43   | -                | -                | -                 | -                 | 11                         | -                     | 11                         |
| <b>Total comprehensive loss for 2022</b>   |      | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>502</b>        | <b>11</b>                  | <b>(2,066,874)</b>    | <b>(2,066,361)</b>         |
| Net unrealized positive price and exchange rate differences of gold allocated in other reserves                                      | 43   | -                | -                | -                 | 1,061,491         | -                          | (1,061,491)           | -                          |
| Net unrealized negative foreign exchange rate differences covered by other reserves  | 43   | -                | -                | -                 | (50,113)          | -                          | 50,113                | -                          |
| Net unrealized positive price differences of securities allocated in other reserves  | 43   | -                | -                | -                 | 32,296            | -                          | (32,296)              | -                          |
| Net unrealized negative price differences of securities covered by other reserves  | 43   | -                | -                | -                 | (11,442)          | -                          | 11,442                | -                          |
| Realized price and exchange rate differences of gold   | 43   | -                | -                | -                 | (2,191,440)       | -                          | 2,191,440             | -                          |
| Realized price differences of securities   | 43   | -                | -                | -                 | (5,599)           | -                          | 5,599                 | -                          |
| Covering of net negative distributable earnings  | 43   | -                | (902,067)        | -                 | -                 | -                          | 902,067               | -                          |
| <b>As at 31 December 2022</b>  |      | <b>1,289,789</b> | <b>432,826</b>   | <b>843,987</b>    | <b>9,929,729</b>  | <b>4,085</b>               | <b>-</b>              | <b>12,500,416</b>          |

\*Defined as special reserves accounts according to the Law on the National Bank of the Republic of North Macedonia.

\*\*Defined as revaluation reserve accounts according to the Law on the National Bank of the Republic of North Macedonia.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**
**Financial Statements for the year ended 31 December 2022**
*(Amounts expressed in thousands of MKD unless otherwise stated)*

| <b>STATEMENT OF CASH FLOWS</b>  |             |                    |                   |
|---|-------------|--------------------|-------------------|
|   | <b>Note</b> | <b>2022</b>        | <b>2021</b>       |
| <b>Cash flow from operating activities</b>  |             |                    |                   |
| <b>Loss for the year</b>  |             | <b>(2,066,874)</b> | <b>(32,464)</b>   |
| Adjusted for:   |             |                    |                   |
| Interest income   | 5           | (497,572)          | (97,272)          |
| Interest expense  | 5           | 538,498            | 200,507           |
| Effects of negative interest rates  | 5           | (19,071)           | (11,368)          |
| Net unrealized price and exchange rate differences of gold  |             | (1,263,020)        | (883,240)         |
| Net losses from securities at fair value through profit and loss                                  |             | 3,474,633          | 1,615,420         |
| Dividend income   |             | (9,230)            | (16,566)          |
| Impairment / (Release of) impairment  |             | 156,322            | (5,268)           |
| Charged provisions  |             | 22                 | 75                |
| Depreciation and amortization charge  | 26, 27      | 68,239             | 66,544            |
| <b>Cash flows from operating activities, before changes in operating assets and liabilities</b>   |             | <b>381,947</b>     | <b>836,368</b>    |
| Gold  |             | 38,848             | 4,915             |
| Foreign securities  |             | (3,904,086)        | (3,028,543)       |
| Receivables based on foreign repo transactions  |             | (6,770,028)        | (2,127,896)       |
| Receivables from Government related to IMF  |             | (6,453,701)        | (9,204,230)       |
| Other assets  |             | (248,403)          | 78,862            |
| Currency in circulation   |             | 2,460,100          | 1,352,494         |
| Bank and saving house deposits  |             | 232,579            | 5,410,512         |
| Reserve requirement of banks in foreign currency and reserve requirement of savings houses in MKD |             | 7,188,305          | 2,561,961         |
| National Bank bills, inflows  |             | 99,140,328         | 119,867,110       |
| National Bank bills, outflows   |             | (99,879,000)       | (120,000,000)     |
| Liabilities based on foreign repo transactions  |             | 18,985,279         | 8,366,448         |
| Government deposits, including restricted and other deposits                                      |             | (6,210,149)        | 835,613           |
| Borrowing from IMF - on behalf and for the account of the Government                              |             | 6,453,701          | -                 |
| Other liabilities   |             | (21,243)           | (20,560)          |
| Payables based on Special Drawing Rights Allocation – on behalf and for the account of Government |             | -                  | 10,243,548        |
| Interest received   |             | 440,217            | 214,511           |
| Interest paid   |             | (314,238)          | (56,983)          |
| Dividends received  |             | 9,230              | 16,566            |
| <b>Net cash flows from operating activities</b>   |             | <b>11,529,686</b>  | <b>15,350,696</b> |
| Acquisition of property, equipment and intangible assets  |             | (113,210)          | (249,595)         |
| <b>Net cash flows used in investing activities</b>  |             | <b>(113,210)</b>   | <b>(249,595)</b>  |
| Distributable earnings paid to the Budget of the Republic of North Macedonia                      |             | (46,108)           | (32,618)          |
| <b>Net cash flows used for financing activities</b>   |             | <b>(46,108)</b>    | <b>(32,618)</b>   |
| Net increase in cash and cash equivalents   |             | 11,370,368         | 15,068,483        |
| <b>Cash and cash equivalents at the beginning of the year</b>                                     |             | <b>45,272,732</b>  | <b>30,204,249</b> |
| <b>Cash and cash equivalents at the end of the year</b>   | <b>44</b>   | <b>56,643,100</b>  | <b>45,272,732</b> |

## **1. General information**

The National Bank of the Republic of North Macedonia (hereinafter referred to as: the National Bank) is the central bank of the Republic of North Macedonia and the sole issuing institution in the country. The National Bank, as a central bank of issue, was constituted in 1992. The organization and the operations of the National Bank are regulated by the Law on the National Bank of the Republic of North Macedonia, published in the Official Gazette of the Republic of Macedonia No. 158/10, dated 9 December 2010, No. 123/12 dated 2 October 2012, No. 43/14 dated 4 March 2014, No. 153/15 dated 4 September 2015, No. 6/16 dated 15 January 2016, No. 83/18 dated 8 May 2018 and in the Official Gazette of the Republic of North Macedonia No. 110/21 dated 19 May 2021. The National Bank is a legal entity with administrative, financial, and governing independence, authorized for attaining the goals and performing the tasks stipulated in a law.

Pursuant to the Law on the National Bank, the main objective of the National Bank is to attain and maintain price stability. Another objective, subordinated to the main objective, is to contribute towards maintaining stable and competitive market-oriented financial system. Third objective of the National Bank is to support the general economic policy, without jeopardizing the accomplishment of its main objective, though adhering to the principle of open market economy with free competitiveness.

Within four months after the end of a financial year, the National Bank announces and submits to the Assembly of the Republic of North Macedonia and to the Minister of Finance, one or several reports approved by the National Bank Council on the economic situation and movements in the fiscal year ended, as well as on the perspectives in the economy for the following year, particularly focusing on the implementation of the National Bank objectives and policies, as well as the condition of the banking system and the financial stability of the Republic of North Macedonia. Within this timeframe, the National Bank submits the annual financial statements approved by the National Bank Council, signed by the Governor and audited by an independent external auditor to the President of the Republic of North Macedonia, the Assembly of the Republic of North Macedonia, the President of the Government of the Republic of North Macedonia and the Minister of Finance.

The capital of the National Bank is owned by the Republic of North Macedonia and can be neither transferred nor be subject to any encumbrance. The net profits or losses of the National Bank are determined in accordance with the International Financial Reporting Standards. The distributable earnings are determined by deducting from the net profits/losses the total amount of unrealized revaluation gains (this amount is transferred to the revaluation reserve accounts) and by adding the amount of realized revaluation gains during the current period for which revaluation reserves were recognized in prior periods (this amount is deducted from the revaluation reserve accounts). Unrealized revaluation losses are covered by the respective revaluation reserve accounts until these revaluation reserve accounts are not reduced to a zero balance, after which these losses shall be covered by the current year's profit, then by the general reserve account and by the capital.

## NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

### Notes to the Financial Statements for the year ended 31 December 2022

(Amounts expressed in thousands of MKD unless otherwise stated)

#### 1. General information (Continued)

The distributable earnings are allocated to the general reserve account and to the Budget of the Republic of North Macedonia as follows: 70% to the general reserve account until reaching the level of the capital determined by the Law on the National Bank, i.e. 15% to general reserves after reaching the level of capital prescribed in the Law on the National Bank. The residue is regarded as revenue of the Budget of the Republic of North Macedonia.

In the case of a special reserve account, distributable earnings shall be distributed such that up to 70% shall be transferred to the special reserves account until reaching the amount set by the National Bank Council to cover costs for previously planned purposes, and 70% of the remaining portion shall be allocated to general reserves until reaching the level of capital i.e. 15% after reaching the level of capital and the residual to the Budget of the Republic of North Macedonia. If the distributable earnings are negative, these earnings will be first covered by the general reserves, and then by the capital. If the value of the National Bank's assets falls below the sum of its liabilities and capital, the shortage will be covered by the Government of the Republic of North Macedonia with cash or negotiable debt instruments with a specified maturity issued at market interest rates prevailing in the Republic of North Macedonia.

The National Bank Council is the governing body of the National Bank.

The financial statements for the financial year 2022 were adopted by the National Bank Council on 27 February 2023 and signed by the Governor of the National Bank:

  
Anita Angelovska Bezhoska, Ph.D.  
  
Governor of the National Bank of the Republic of North Macedonia

  
Vesna Filipovska,  
Manager

Finance, Accounting and Controlling

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

### **A Basis of preparation of Financial Statements**

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The Financial Statements are prepared under the historical cost convention, as a measurement base, except for certain assets which are measured at fair value. Assets measured at fair value are financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, financial derivatives, and art works. Property, equipment, and intangible assets are measured at cost less accumulated depreciation / amortization and impairment losses, if any.

#### ***a) Changes in the environment***

The inflationary pressures that began in late 2021 with the disruption of global supply chains and increased demand in the post pandemic period intensified significantly in 2022 under the influence of additional and exceptionally high growth in food, commodity and energy prices, as a result of the war in Ukraine. In these new circumstances<sup>1</sup>, in 2022 the central banks of the largest economies began normalizing the monetary policy, in a series of key interest rate hikes. In 2022, FED<sup>2</sup> increased the policy rate several times by a total of 425 basis points<sup>3</sup>, while the European Central Bank (ECB) increased the policy rate four times, from 0% at the end of 2021 up to 2.5% at the end of 2022. The intensified interest rate growth and the monetary authorities' struggle to further substantially tighten monetary policy, raised the return on fixed-income instruments in the foreign markets, which for the safest bonds in the euro area exceeded 300 basis points annually, surpassing the 2021 growth manifold<sup>4</sup>.

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<sup>1</sup> In 2022, global inflation hit a record high in the last forty years.

<sup>2</sup> Federal Reserve System (Federal Reserve Bank of New York) – FED, is a system of central banks of the United States of America.

<sup>3</sup> The FED's target interest rate spread at the end of 2021 was 0% - 0.25% and 4.25 - 4.5% at the end of 2022.

<sup>4</sup> At the end of 2021, the international financial market participants heated up the expectations for normalization of the monetary policies of the leading central banks, so that the US government bond yields recorded a significant growth (60 - 80 basis points). The growth of yields on the euro area safest government bonds was more moderate (about 20 basis points, while the growth of credit premium bond yields was twice as high), due to the expectations for slower monetary policy adjustment by the European Central Bank.

**2. Summary of significant accounting policies (Continued)****A Basis of preparation of Financial Statements (Continued)*****a) Changes in the environment (Continued)***

The international environment had a strong impact on the domestic economy, so the response of the National Bank monetary policy did not differ significantly from the policy course of the leading central banks. In response to the upward movements in inflation expectations, the National Bank started a cycle of monetary policy tightening at the end of 2021, aimed to maintain exchange rate stability and to curb inflation in the medium term. The intensified demand for foreign currency primarily from corporations, particularly energy sector, propelled frequent National Bank interventions for sale of foreign currency, which in turn reduced excess liquidity in the banking system. Amid increased demand on the foreign exchange market, the National Bank has been maintaining foreign reserves in highly liquid instruments. Since April 2022, the National Bank has also increased the interest rate on the main policy instrument, the Central Bank bills, several times, to 4.75% at the end of 2022. The offered Central Bank bills amount remained unchanged at MKD 10,000,000 thousand. Moreover, the interest rates on both overnight and seven-day deposit facilities increased by 2.50 pp and 2.40 pp, respectively, to 2.65% and 2.70%, respectively.

Such changes in the monetary policy setup significantly increased monetary expenses compared to 2021, when the National Bank, within its mandate and as a support to the domestic economy for mitigating COVID-19 pandemic effects, cut the key interest rate to 1.25% as of 31.12.2021. Throughout 2021, the Central Bank bills equaled MKD 10,000,000 thousand, corresponding to the estimates for the banks' adequate liquidity position. Changes to the reserve requirement were also made for the purpose of releasing additional liquidity aimed at providing greater support for financing the most affected sectors of the economy.

In 2021 and 2022, the National Bank proceeded with the non-standard measure of reserve requirement, by excluding claims based on new or restructured loans approved to the most affected non-financial corporations by the COVID-19 pandemic from the reserve requirement base throughout the year, as of the January 2023 reserve requirement period, after which the validity of this measure expired.

Devoting itself to the denarization process, in 2022 the National Bank made changes to the reserve requirement instrument, by decreasing the reserve requirement rate of denar liabilities from 8% to 5%, while simultaneously increasing the reserve requirement rate on foreign currency liabilities from 15% to 19%. In addition, the part of reserve requirement on foreign currency liabilities fulfilled in euro also increased (from 70% to 77%). These changes allowed the National Bank to open up room for changes in the banks' interest rate policies in favor of denar deposit products and larger attractiveness of denar savings, through increased returns on these banking products. Besides these measures, in 2022 the National Bank embarked on a new non-standard measure to the reserve requirement to encourage financing projects related to domestic production of electricity from renewable sources.

**2. Summary of significant accounting policies (Continued)**

**A Basis of preparation of Financial Statements (Continued)**

***a) Changes in the environment (Continued)***

The measure reduces the basis for allocating reserve requirement in denars by banks, by the amount of claims based on newly approved loans for financing projects for domestic production of electricity from renewable sources. This measure supports green and sustainable finance as a strategic goal in the latest strategic plan of the National Bank. The National Bank is striving to contribute towards alleviating pressures and structural adjustments in the economy, given the energy crisis and the trend of global electricity price growth that started at the end of 2021.

Such circumstances affected the National Bank's financial position, as well.

Monetary expenses in 2022 registered a significantly higher realization compared to 2021, as a result of the interest rate growth and the implementation of monetary instruments.

On the other hand, monetary revenues in 2022 were affected by the volatility of returns on foreign markets and exchange rates, which limited the opportunities for longer-term investments and foreign reserves currency diversification. The yield growth in both 2021 and 2022 temporarily decreased the market value of fixed income securities measured at fair value through profit and loss, which, together with the negative return at acquisition, largely determined the financial result from investments of the foreign assets of the National Bank. The extremely high yield growth in 2022, made this effect significantly higher compared to 2021. On the other hand, the active approach in foreign reserves management has cut negative realizations and contributed towards moderate surpassing of trade portfolio results relative to the corresponding reference portfolios, which was due to the choice of instruments, i.e. the foreign reserves were invested in high-yield instruments. The better performances from the active gold management contributed to offsetting part of the negative effect of the yields growth on the financial result in 2021 and 2022.

The positive interest rates on euro deposits and the yield growth in 2022, however, had a positive impact on new investments in financial instruments and, consequently, on the expected financial results in the coming years. For the first time since 2014, interest rates and current yields to maturity of euro financial assets have been positive, which will put the National Bank in a better position, considering that the majority of foreign assets are kept in euros due to the monetary strategy of maintaining a stable nominal exchange rate of the denar against the euro.

**2. Summary of significant accounting policies (Continued)**

**A Basis for preparation of the financial statements (Continued)**

***b) Initial application of new amendments to the existing standards effective for the current reporting period***

The new standards, the amendments to the existing standards and the new interpretation issued by IASB, effective for the current reporting are given below:

- **Amendments to IFRS 3 "Business Combinations"** - Amendments to the Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual reporting periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022), and
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 apply only to illustrative examples, without stating the effective date of the amendments).

The amendments to the existing standards and interpretations did not entail any material changes to the National Bank's Financial Statements.

***c) New accounting standards, amendments to existing standards not yet effective***

On the date of release of these Financial Statements, the following standards, amendments to existing standards and new interpretation were issued, but are not yet effective:

- **IFRS 17 "Insurance Contracts"** – Amendments to IFRS 17 including the Extension of the Temporary Exemption from Applying IFRS 9 (amendments to IFRS 4) (effective for annual reporting periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - The amendments include a definition of "accounting estimates" as well as other amendments to IAS 8 that distinguish changes in accounting policies from changes in accounting estimates (effective for annual reporting periods beginning on or after 1 January 2023),



**2. Summary of significant accounting policies (Continued)**

**A Basis for preparation of the financial statements (Continued)**

***c) New accounting standards, amendments to existing standards not yet effective (Continued)***

- **Amendments to IAS 1 "Presentation of Financial Statements"** – The amendments provide guidance on disclosing the material accounting policy information rather than the significant accounting policies (effective for annual reporting periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Amendments for classification of liabilities as current or non-current that clarifies the guidance on whether a liability should be classified as either current or non-current (effective for annual reporting periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases"** - Amendments adding requirements for accounting for a sale and leaseback after the date of transaction (effective for annual reporting periods beginning on or after 1 January 2024), and
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Amendments set out in non-current liabilities with covenants that aim to improve the disclosures about long-term debt with covenants (effective for annual reporting periods beginning on or after 1 January 2024).

The National Bank did not adopt these new standards, amendments to existing standards and new interpretation prior to their effective dates. The National Bank anticipates that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the Financial Statements of the National Bank in the period of their initial application.

**B Foreign currency transactions**

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the National Bank operates ("the functional currency"). The financial statements are presented in Macedonian denars (MKD), which is the National Bank functional and presentation currency, rounded to thousands of denars.

*Transactions and balances*

Assets and liabilities denominated in foreign currency are translated into MKD at the middle exchange rates ruling at the date of the Statement of Financial Position, except for the records of the quota of the Republic of North Macedonia for IMF membership, as well as the account no. 1 and the account no. 2 (notes 23 and 39c). Transactions denominated in foreign currency are translated into MKD at the exchange rates valid on the date of the transaction.

**2. Summary of significant accounting policies (Continued)**

**B Foreign currency transactions (Continued)**

*Transactions and balances (Continued)*

All exchange rate differences are recognized in the Income Statement.

| <b>Middle exchange rate:</b> | <b>31 December 2022</b> | <b>31 December 2021</b> |
|------------------------------|-------------------------|-------------------------|
|                              | <b>MKD</b>              | <b>MKD</b>              |
| USD                          | 57.6535                 | 54.3736                 |
| EUR                          | 61.4932                 | 61.6270                 |
| SDR                          | 76.6655                 | 76.1765                 |

**C Offsetting**

Financial assets and liabilities are offset and their net amount is presented in the statement of financial position on a net basis, only when there is a legally enforceable right to set off the recognized amounts and when there is an intention to present or settle the transactions on a net basis.

**D Repo transactions**

Securities sold subject to repurchase agreements ("repos") are reclassified in the Financial Statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The liabilities based on repo transaction are included in the amounts of liabilities based on foreign currency repo transactions. Securities purchased under agreements to resell ("reverse repos") are recorded as receivables based on foreign currency repo transactions and loans to banks.

The difference between selling and repurchasing price is treated as interest and it is accrued over the life of the agreements using the effective interest method. If there are any securities subject to lending, on the reporting date, they are presented in the Financial Statements.

Securities borrowed and securities received as collateral for reverse transactions are not recognized in the Financial Statements, unless these are sold to third parties, in which case the purchase and sale are presented as gain or loss and included in the income statement for the relevant period. The obligation to return them is recorded at fair value as a trading liability. The repo transactions are stated at amortized cost, less impairment for expected credit losses (see Note 2J).

Collateralized gold transactions are considered as repurchase agreements. Liabilities based on collateralized gold transactions are included in liabilities based on foreign currency repo transactions. The gold which is subject of this agreement remain to be presented in the Statement of financial position of the National Bank and its price and exchange rate adjustment also remain to be done. The difference between selling and repurchasing price is treated as interest and it is accrued over the life of the agreements using the effective interest method.

**2. Summary of significant accounting policies (Continued)**

**E Foreign currency deposits**

Foreign currency deposits are stated at amortized cost, less impairment for expected credit losses (see Note 2J).

**F Monetary gold**

Monetary gold consists of gold deposits held with correspondent banks and the stocks of gold bars made in accordance with international standards held in the vault of the National Bank. Depending on the contracts, interest is paid in USD or EUR at the maturity date. Monetary gold is part of the foreign reserves and is managed in the same way as the other financial assets included in the foreign currency reserves. Monetary gold is recorded in physical weight in troy ounces.

Monetary gold is classified as financial asset at fair value through profit and loss statement designated as such at the initial recognition and is measured at fair value. The fair value of the monetary gold is linked with the price of the gold and is calculated on the basis of the morning market price of one troy ounce of gold on the London Bullion Market in US Dollars, converted to MKD at the spot MKD/USD exchange rate at the date of the financial statements. Realized and unrealized gains and losses from the revaluation of gold at the end of the accounting period arising from the changes in the gold market price and exchange rate differences of the MKD against the USD are recognized in the Income Statement. Interest from monetary gold is included in the interest income.

**G Cash and cash equivalents**

For the Statement of cash flows purpose, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: foreign currency deposits excluding any restricted deposits, foreign currencies in the National Bank vault and Special Drawing Rights (hereinafter: SDR) holdings on the special account with the IMF.

**H Financial assets**

*Classification and measurement of financial assets*

The National Bank classifies its financial assets in three categories as follows: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The National Bank determines the classification of the financial assets depending on the business model and the contractual cash flows expected from them.

The business model represents the way of managing financial assets in order to generate cash inflows or achieve a particular business goal. The strategic management of the National Bank determines the business model at the level of groups of financial assets that are managed to achieve a specific business goal.

## **2. Summary of significant accounting policies (Continued)**

### **H Financial assets (Continued)**

#### *Classification and measurement of financial assets (Continued)*

Analyses of the contractual cash flows characteristics of the financial assets are applied on the level of an individual financial instrument (contractual conditions) in order to verify whether the contractual cash flows from the assets are used solely for "principal and interest" payment. Within the contractual cash flows, the "principal" element covers the amount at the initial recognition, less all repayments; and the "interest" element represents compensation for the time value of money, credit risk, liquidity risk, administrative or service costs, and profit margin.

The National Bank manages the financial assets through the following business models:

- Business model whose objective is to hold assets in order to collect the contractual cash flows;
- Other business models (trading and gaining profit from the change in the fair value of assets) and
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

#### **Financial assets measured at amortized cost**

Financial assets measured at amortized cost are investments that are aimed at collection of contractual cash flows and from which the bank expects to receive solely "principal and interest". This category includes debt securities measured at amortized cost, loans and receivables with fixed or predictable payments that are not quoted in the active markets.

Debt securities measured at amortized cost, after initial recognition, are subsequently carried at amortized cost less impairment for expected credit losses. The amortized cost is equal to the amount at initial recognition, less the repayment of principal, increased or reduced by cumulative amortization using the effective interest method of all differences between the initial amount and the maturity amount.

Loans and receivables arise from activities where the National Bank provides money to a debtor with no intention of trading. Loans are recognized when cash is approved to the debtor and are carried at amortized cost using the principle of effective interest rate. Effective foreign currencies, foreign currency deposits, special drawing rights, receivables based on foreign repo transactions, receivables from the Government for relations with the IMF, receivables from banks, and other receivables are classified in this category of financial assets.

For the financial assets measured at amortized cost an expected credit losses are calculated (Note 2J).

**2. Summary of significant accounting policies (Continued)**

**H Financial assets (Continued)**

*Classification and measurement of financial assets (Continued)*

**Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are investments in order to collect contractual cash flows and/or are held for sale and which, according to the contractual terms, foresee cash flows exclusively to "principal and interest". Securities in this category are recognized at fair value and changes in fair value are recognized as a separate component of other comprehensive income and are recognized in equity and reserves within revaluation reserve accounts. In the case of disposal or impairment on the basis of recognition of impairment for expected credit losses, the cumulative gains and losses stated in other comprehensive income and allocated to equity and reserves are included in the Income Statement for the period they refer to. As at 31 December 2022 and 2021, the National Bank did not hold any investments in debt securities of this category.

For investments in equities of specific financial institutions for which there is no active market and whose ownership is specified by regulation and/or is related to the possibility of using the services provided by these institutions, it may be considered that their cost value reflects their fair value. For investments in foreign equity securities for which there is no active market, but the fair value can be determined, valuation techniques are used to reliably determine fair value. These investments are classified as financial assets measured at fair value through other comprehensive income.

**Financial assets at fair value through profit and loss**

Financial assets measured at fair value through profit and loss are investments for the purpose of their trading and gaining profit from changes in the fair value of these instruments and those securities that do not meet the criteria of the other two categories. These debt securities and financial derivatives are valued at fair value and the fair value changes are included in the income statement.

*Initial recognition*

All financial assets are initially recognized at cost, i.e. the fair value of the assets at the time of their acquisition, including all costs that are an integral part of the effective interest rate (except for financial derivatives and securities at fair value through profit and loss for which all costs are recognized in the income statement).

**2. Summary of significant accounting policies (Continued)**

**H Financial assets (Continued)**

*Classification and measurement of financial assets (Continued)*

**Financial assets at fair value through profit and loss (Continued)**

*Initial recognition (Continued)*

Reclassification of debt financial assets from one category to another is only possible if a business model of asset management changes. The reclassifications are expected to be rare and to be made when the change in the business model has a significant impact on the bank's business, when the changes in external or internal factors have a significant influence on the bank's activities, etc.

**I Fair value**

The fair value of investments in financial instruments traded on financial markets is determined according to listed market prices. The fair value of unquoted investments is determined by reference to the market prices of similar investments or is based on the discounted expected cash flows.

**J Impairment and uncollectibility of financial assets**

Credit risk exposure for financial assets measured at amortized cost (deposits with foreign banks, debt securities, receivables based on repo transactions, receivables, loans and advances) is assessed on a regular basis and the amount of expected credit losses is determined. Expected credit losses are also determined for financial assets measured at fair value through other comprehensive income.

For investments in equity instruments measured at fair value through other comprehensive income, no measurement of expected credit losses is made.

Expected credit losses are an amount equal to the difference between the contractual cash flows of the financial asset and the present value of the expected cash flows of the financial asset discounted using the effective interest rate established at the initial recognition of the asset.

At the reporting date for the financial assets, the credit risk is assessed, as well as whether a significant change in the credit risk from their initial recognition has occurred. Based on these criteria, assets are classified at one of the three stages of credit risk. For each financial asset measured at amortized cost or at fair value through other comprehensive income, an amount of impairment for expected credit losses is determined, appropriate to the credit risk stage in which the asset is classified.

**2. Summary of significant accounting policies (Continued)**

**J Impairment and uncollectibility of financial assets (Continued)**

*Stage 1: expected credit losses - 12 months*

For the financial assets that record no significant increase in the credit risk from the initial recognition and have low credit risk at the reporting date, the expected credit losses are recognized as part of the loss for the entire economic life of assets that would arise from the probability of occurrence of a harmful event in the next 12 months.

*Stage 2: expected credit losses for the entire economic life of the asset - no objective evidence of impairment (credit losses)*

For the financial assets that record a significant increase in the credit risk from the initial recognition, but are not credit impaired, the expected credit losses for the entire remaining economic life of the assets are recognized.

*Stage 3: expected credit losses for the entire economic life of the asset – there is objective evidence of impairment (credit losses)*

Financial assets are considered credit impaired as a result of one or more events that have a detrimental effect on the estimated future cash flows of the assets.

Default risk is deemed to arise from a delay of more than 90 days and the bank classifies those financial assets into stage 3. These receivables are recorded in the accounts for bad and doubtful receivables. Impairment is recognized for all receivables recorded in the accounting records arising therefrom (receivables for principal debt, interest, penalty interest, other receivables, etc.).

Expected credit losses are calculated as a product of the exposure to issuer/counterparty in the event of default, a loss that would be incurred in the event of default and the probability of default, discounted by the effective interest rate established at the initial recognition. The probability of default depends on the average long-term credit rating of the instruments: the lower the credit rating, the higher the probability of default.

**K Trade and settlement date accounting**

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date the asset is obtained from, or delivered to, the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

**2. Summary of significant accounting policies (Continued)****L Non-current assets or disposal groups held for sale**

Non-current assets or disposal groups held for sale are qualified as such only if their accounting value is expected to be offset through sales rather than through constant use.

Non-current assets (or disposal group) held for sale are measured at lower of their carrying amount or the fair value less estimated costs for sale. Immediately before the initial classification of assets (or disposal group) as assets held for sale, the carrying amount of the asset is measured in accordance with the requirements for the position for non-current assets where they were previously classified. The National Bank does not depreciate the non-current assets held for sale or while being part of a disposal group.

An impairment loss is recognized in the profit and loss account for any initial or subsequent write-down of the asset (or disposal group) to the fair value less costs to sell. In the event of a subsequent increase in the fair value less costs to sell (release of impairment losses), income is recognized in the profit and loss account up to the amount of the cumulative, previously recognized impairment losses.

**M Property and equipment**

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

Land, numismatic coins, and library fund are stated at cost and are not depreciated.

The art works are recognized at their fair value and are not depreciated. The changes in the fair value are recognized in other comprehensive income in the revaluation reserves for art works.

Assets under construction are stated at their cost of construction including costs charged by third parties. No depreciation is charged on assets under construction. Upon completion, all accumulated costs of the asset are transferred to the relevant property and equipment category and subsequently subject to applicable depreciation rate. Gains and losses on disposal of property and equipment are recognized in the income statement.

Depreciation is calculated using the straight-line method based on the estimated useful life on the property and equipment, as follows:

|                    | <b>2022</b>   | <b>2021</b>   |
|--------------------|---------------|---------------|
| Buildings          | 5 to 50 years | 5 to 50 years |
| Equipment          | 2 to 10 years | 2 to 10 years |
| Transport vehicles | 5 to 6 years  | 5 to 6 years  |
| Office furniture   | 5 to 10 years | 5 to 10 years |

The useful life of the property and equipment is reviewed and adjusted on an annual basis at minimum, or if necessary, and it will be applied prospectively.



**2. Summary of significant accounting policies (Continued)**

**N Intangible assets**

Intangible assets consist of computer software and licenses. These assets are stated at their cost, less accumulated amortization and impairment losses, if any. They are amortized on a straight-line basis over the estimated useful life, not exceeding a period of 2 to 5 years.

**O Leases (right-of-use assets (leased assets) and lease liabilities)**

Right-of-use assets (leased assets) are initially measured at their cost at the date of the lease contract, which is equal to the opening balance of the lease liabilities increased for the lease payments made before or at the date of the lease contract and any directly related costs of the contract. Subsequently, the right-of-use assets are measured at initial carrying amount less any accumulated depreciation/amortization and impairment losses, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially recognized at the present value of the future lease payments, discounted using the rate implicit in the lease. If the rate is not specified in the contract, an incremental borrowing rate shall be used based on the annual interest rate prevailing on the long-term securities market issued by the Republic of North Macedonia, with maturity equal to or nearest to the agreed lease term. Subsequently, the lease liability is increased for lease interest expense, decreased for the lease payments made and it is adjusted for remeasurement of the amount expected to be paid or due to a change in future lease payments.

For the right-of-use assets (leased assets), depreciation / amortization is calculated using the straight-line method based on the contractual life of the leased asset, and the effects are recognized in the profit and loss statement. The effects of interest expense on the lease liability are recognized in the income statement where the expense is distributed over the entire lease period.

Lease payments for short-term leases with a lease term of 12 months or less and leases of low value assets, are recognized as operating expense in the profit and loss statement during the lease term.

**P Impairment losses of non-financial assets**

Assets that have an indefinite useful life are not subject to depreciation and amortization and are tested annually for impairment. Assets that are subject to depreciation and amortization are reviewed at each reporting date for impairment whether events or changes in circumstances indicate that the carrying amount may not be appropriate (physically damaged, obsolete, stolen, lost or any other event that reduces the value in use of the asset). If such evidences exist, the recoverable amount of the assets should be assessed. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

**2. Summary of significant accounting policies (Continued)**

**P Impairment losses of non-financial assets (Continued)**

For the purposes of assessing impairment, assets are aggregated from the smallest group of assets, by the ability to generate independently cash flows (cash-generating units). Non-financial assets other than goodwill with recognized impairment losses are reviewed for possible reversal of the impairment losses at each reporting date.

**Q Coins from precious metals**

Coins from precious metals include jubilee coins and collector coins.

Jubilee coins are not a legal tender and they typically have an artistic or collector's premium such that they are sold at prices which are higher than the intrinsic value of the metal from which they are made of. The National Bank has mints jubilee coins for commemorative anniversaries, based on Decisions of the Government. Jubilee coins are valued at their sale price as set by the National Bank Council.

Collector coins are legal tender in the Republic of North Macedonia and usually have artistic and collector value. Collector coins are initially measured at their cost or net selling value, whichever is lower.

Revenue from the sale of coins from precious metals is recognized when it is probable that future economic benefits will flow to the National Bank and these benefits can be measured reliably.

**R Currency in circulation**

Banknotes and coins in circulation issued by the National Bank are presented in the statement of financial position as a liability in favor of the holder, at nominal value. When coins and notes are withdrawn from circulation, the relevant demand deposits liabilities are increased, while the liability in favor of the holders is decreased.

**S Short-term securities**

The short-term securities (National Bank bills) are issued only in domestic currency and are with maturity of 28/35 days. The short-term securities (National Bank bills), issued by the National Bank for monetary policy purposes, are recorded at discounted values, reflecting the consideration paid by the banks and saving houses to acquire them. Interest is accrued over the period to maturity. The National Bank bills are recognized initially at fair value and subsequently are stated at amortized cost.

**T Deposits**

Deposits are recognized initially at fair value. Subsequently deposits are stated at amortized cost. Deposits include bank and saving house deposits, bank and saving house deposit facilities, reserve requirement of banks in foreign currency and reserve requirements of saving houses in MKD, other deposits of banks and savings houses, government deposits, restricted deposits and other deposits.

**2. Summary of significant accounting policies (Continued)**

**U Provisions**

Provisions are recognized when the National Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**V Borrowings**

Borrowings are recognized initially at fair value net of transaction costs incurred. Subsequent to the initial recognition, interest-bearing borrowings are stated at amortized cost. If debt is settled before maturity, any difference between the paid off amount and the carrying amount is recognized in the income statement.

**W Recognition of income and expense**

*Interest income and expense*

Interest income and expense for all interest-bearing financial instruments, except interest on securities at fair value through profit and loss, are recognized in the income statement on an accrual basis using the effective interest method.

*Dividend income*

Dividends arising from equity investment classified as financial assets at fair value through other comprehensive income are recognized in the income statement when the right to receive payment is established.

*Fee and other income and expense*

Income from fees and commissions, and other income are recognized on an accrual basis.

Expenses based on fees and commissions, and other expenses are recognized on an accrual basis.

*Net income from financial assets at fair value through profit and loss and derivatives*

Net income from securities at fair value through profit and loss includes accrued interest from coupon securities, realized gains and losses as a result of sales and unrealized positive and negative differences in the fair value of securities at fair value through profit and loss (security-by-security principle). Gains and losses arising from the change of the fair value of the transactions in derivative financial instruments are recognized in the income statement.

**2. Summary of significant accounting policies (Continued)**

**X Unrealized price and exchange rate differences**

Unrealized price and exchange rate differences are arising as a result of translation to MKD of the value of the assets and liabilities denominated in foreign currency, and differences in the market value on the reporting date.

**Y Employment benefits**

*Pension insurance contribution - defined contributions plan*

Liabilities for defined pension insurance contributions in the pension system of the Republic of North Macedonia are recognized as a cost in the income statement for the period when the liability occurred.

*Other long-term employment benefits*

Other long-term employment benefits include severance payment for retirement and right of jubilee awards for employees who have worked more than 10, 20, 30 and 40 years with the employer. These benefits are specified in the Employment Law and the National Bank Labor Agreement.

The liability for long-term employment benefits, other than pension insurance contributions, is equal to the amount of the future benefits exercised by the employees on the basis of their labor over the current and past periods, discounted to its carrying amount by applying weighted interest rate on long-term bonds issued by our country in the current financial year.

**Z Taxation**

According to the applicable income tax regulations, the National Bank is exempted from income tax.

According to the applicable property tax regulations, the National Bank is exempted from property tax.

The National Bank is required to calculate withholding tax for services provided by foreign legal entities as specified by the amendments to the Corporate Income Tax Law from 2014, applicable from 1 January 2015.

**AA Segment reporting**

The National Bank's operations comprise a single operating segment, performed in one geographical area, Republic of North Macedonia. The National Bank has a significant proportion of financial assets and financial liabilities, as a part of foreign reserve management and domestic market operations activities. These activities do not constitute separate operating segments.

### **3. Financial risk management**

The statement of financial position of the National Bank is largely comprised of financial instruments. These instruments expose the National Bank to a number of financial risks, including the credit risk, market risk (exchange rate risk and interest rate risk) and liquidity risk.

#### **A Credit risk**

Credit risk is the risk of a contracting party default, reduction in the value of the financial assets due to downgrade of the credit rating of the financial institutions or commercial banks that hold the foreign reserves and other financial assets or of the issuers of the instruments in which the foreign reserves are placed, as well as the risk of increasing the spread of yields between the safest government securities and other financial assets.

Foreign assets are invested in instruments issued or guaranteed by governments or government agencies, regional and local governments, international financial institutions and multilateral development banks, commercial banks and financial institutions enjoying long-term credit rating of minimum BBB-/Baa3 or equivalent, assigned by internationally recognized rating agencies (Standard & Poor's, Moody's and/or Fitch). If credit ratings differ, a composite rating (weighted average rating) is used.

The National Bank manages the credit risk through diversification of investments. In that regard, quantitative limits for credit exposure to individual countries and financial institutions are determined. Additionally, maximum amount is set on the exposure to the various types of securities<sup>5</sup> and the outstanding amount of security issue.

The exposure of the foreign reserves to credit risk is monitored on a daily basis.

The counterparties of the National Bank are segmented into a credit rating scale, which is presented below. The purpose of the rating scale is to classify counterparties and issuers of debt securities (bonds, commercial papers, discounted papers and certificate of deposits) by credit standing. Creditworthiness of counterparties and bond issuers is based on the long-term rating set by the credit rating agencies. The long-term counterparty ratings are assessments and opinions on a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations. Issuer ratings are assessments and opinions on the ability of issuers to honor financial obligations and contracts.

The National Bank determines the amount of the expected credit losses on the basis of the estimated probability, as difference between the contractual cash flows of the financial instrument and the cash flows that the National Bank expects to receive. The National Bank determines the amount of expected credit losses for financial assets measured at amortized cost.

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<sup>5</sup> Minimum allowed level is set on for the safest instruments.

**3. Financial risk management (Continued)****A Credit risk (Continued)**

The expected credit losses are measured against the default risk, depending on the level of the credit risk and whether the credit risk of the issuer/counterparty is significantly increased from the initial recognition of the exposure. The impairment of the exposures with investment credit rating and for which the credit risk is not significantly increased (Stage 1) is based on the expected credit losses for 12 months. The impairment of those exposures that have undergone a significant increase of credit risk (Stage 2 and Stage 3) is based on expected credit losses for the entire economic life of the financial asset. Significant increase in credit risk is considered to have occurred if the instrument, issuer, or counterparty migrates from investment to non-investment credit rating. Financial instruments whose cash flows are delayed from 30 to 90 days also migrate to Stage 2 and Stage 3, respectively, depending on the delay, unless the delay is based on operational considerations.

The expected credit losses are calculated on the basis of the exposure to the issuer/counterparty, the estimated loss in the event of default of the contractual obligation and the probability of default within a specified period of time, adjusted for the expected macroeconomic scenarios. The percentage of the loss is conditional upon the priority of the receivables (preference/senior or subordinated), and the probability of default results from the historical data on the change in credit ratings announced by internationally recognized credit rating agencies. The adjustments apply to the probability of default on the basis of a linear regression of the financial system stability indicator, measured by the rate of non-performing bank loans, as ratios for economic adjustment of multiple macroeconomic indicators.

Within the credit risk management, the National Bank determines credit risk exposure of foreign reserves on a monthly basis, calculating both the expected and unexpected credit losses (according to the guidelines of Basel III for determining the required equity level for covering unexpected credit losses) of all instruments comprising the foreign reserves.

| Comparative rating scale | Long-term credit rating                       |
|--------------------------|---|
| Investment grade         | AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB- |
| Non-investment grade     | BB+, BB, BB-, B+, B, B- or lower              |

The size and the exposure of the National Bank to credit risk is presented in the statement of financial position and the notes to the statement of financial position that describe financial assets. The credit rating exposure is the average credit rating of the financial assets, obtained from the ratings awarded by the international credit rating agencies Standard and Poor's, Moody's and/or Fitch. This manner of presentation is appropriate to the approach in the determining and the daily monitoring of the credit risk exposure in the foreign reserves management, and is prescribed by the Foreign Reserves Management and Investment Regulation, adopted by the Governor.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***3. Financial risk management (Continued)****A Credit risk (Continued)**

The table below presents the structure of financial assets:

| <b>ASSETS</b>                                     | <b>2022</b>        | <b>2021</b>        |
|---|--------------------|--------------------|
| Foreign currency deposits                         | 53,654,174         | 41,819,630         |
| - Foreign currency sight deposits                 | 44,224,516         | 41,819,630         |
| - Foreign currency term deposits at foreign banks | 9,429,658          | -                  |
| Foreign securities                                | 157,847,953        | 157,372,715        |
| Gold deposits                                     | 23,113,182         | 21,883,881         |
| Special Drawing Rights                            | 24,679             | 80,443             |
| Receivables based on foreign repo transactions    | 8,902,551          | 2,127,117          |
| Receivables from Government related to IMF        | 32,643,436         | 25,948,414         |
| Operating receivables and other assets            | 140,663            | 77,004             |
| <b>As at 31 December</b>                          | <b>276,326,638</b> | <b>249,309,204</b> |

The structural analysis of the National Bank's financial instruments indicates moderate participation of term deposits at foreign banks, unlike last year. The positive interest rates have increased the attractiveness of these instruments since the second half of 2022. More repo transactions were made compared to last year, due to the opportunity for additional gains, given the increased interest of market participants in borrowing high quality securities through repo transactions. There was also increase in the foreign currency sight deposits on current accounts in the euro area central banks as a result of the uncertainty about foreign currency demand on the domestic foreign exchange market and the expected yield growth in the upcoming periods and consequently, placing funds at higher yields.

The tables below present an overview of the financial assets that are not past due, but impaired for expected credit losses (for financial instrument measured at amortized cost), by rating agency designation as at 31 December 2022 and 31 December 2021, based on the average credit rating of the financial assets obtained from the ratings awarded by the international rating agencies Standard and Poor's, Moody's and/or Fitch.

Financial assets which are individually impaired as at 31 December 2022 and 31 December 2021 are presented in "Foreign currency term deposits at foreign banks" (Note 16), "Foreign securities" (Note 17), "Receivables based on foreign repo transactions" (Note 21), "Other receivables" (Note 25) and "Operating receivables" (Note 29). The impairment for expected credit losses for investment in financial instruments ranges within Stage 1, without any movements from one stage of exposure to another. Operating receivables also include Stage 3 receivables for which the National Bank made full impairment, totaling MKD 156,068 thousand.

# NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

## Notes to the Financial Statements for the year ended 31 December 2022

(Amounts expressed in thousands of MKD unless otherwise stated)

### 3. Financial risk management (Continued)

#### A Credit risk (Continued)

| Credit rating as at 31 December 2022 | Foreign currency sight deposits | Foreign currency term deposits at foreign banks | Foreign securities | Gold deposits     | Special Drawing Rights | Receivables based on foreign repo transactions | Receivables from the Government related to IMF | Operating receivables and other assets | Total              |
|--------------------------------------|---------------------------------|---|--------------------|-------------------|------------------------|--|--|--|--------------------|
| AAA                                  | 18,700,891                      | -   | 37,481,054         | -                 | -                      | -  | -  | -                                      | 56,181,945         |
| AA+                                  | 7,389,572                       | -   | 35,651,860         | -                 | -                      | -  | -  | -                                      | 43,041,432         |
| AA                                   | 1,850,992                       | -   | 26,416,696         | 4,182,188         | -                      | -  | -  | -                                      | 32,449,876         |
| AA-                                  | 11,601                          | -   | 16,294,976         | 18,913,167        | -                      | -  | -  | -                                      | 35,219,744         |
| A+                                   | 4,426,934                       | -   | 6,454,913          | -                 | -                      | -  | -  | -                                      | 10,881,847         |
| A                                    | 44,816                          | 9,429,658                                       | 4,039,385          | -                 | -                      | 8,902,551                                      | -  | -                                      | 22,416,410         |
| A-                                   | 7,847                           | -   | 11,381,982         | -                 | -                      | -  | -  | -                                      | 11,389,829         |
| IFI <sup>6</sup>                     | 32,989                          | -   | 3,634,707          | 17,827            | 24,679                 | -  | -  | -                                      | 3,710,202          |
| BBB+                                 | -                               | -   | 2,190,484          | -                 | -                      | -  | -  | -                                      | 2,190,484          |
| BBB                                  | 11,758,874                      | -   | 13,683,951         | -                 | -                      | -  | -  | -                                      | 25,442,825         |
| BBB-                                 | -                               | -   | 617,945            | -                 | -                      | -  | -  | -                                      | 617,945            |
| BB <sup>7</sup>                      | -                               | -   | -                  | -                 | -                      | -  | 32,643,436                                     | -                                      | 32,643,436         |
| Unrated <sup>8</sup>                 | -                               | -   | -                  | -                 | -                      | -  | -  | 140,663                                | 140,663            |
| <b>Total</b>                         | <b>44,224,516</b>               | <b>9,429,658</b>                                | <b>157,847,953</b> | <b>23,113,182</b> | <b>24,679</b>          | <b>8,902,551</b>                               | <b>32,643,436</b>                              | <b>140,663</b>                         | <b>276,326,638</b> |

| Credit rating as at 31 December 2021 | Foreign currency sight deposits | Foreign securities | Gold deposits     | Special Drawing Rights | Receivables based on foreign repo transactions | Receivables from the Government related to IMF | Operating receivables and other assets | Total              |
|--------------------------------------|---------------------------------|--------------------|-------------------|------------------------|--|--|--|--------------------|
| AAA                                  | 19,770,856                      | 29,878,258         | -                 | -                      | -  | -  | -                                      | 49,649,114         |
| AA+                                  | 7,882,698                       | 36,473,059         | -                 | -                      | -  | -  | -                                      | 44,355,757         |
| AA                                   | 1,231,835                       | 21,655,783         | -                 | -                      | -  | -  | -                                      | 22,887,618         |
| AA-                                  | 623,354                         | 10,931,036         | 21,866,997        | -                      | -  | -  | -                                      | 33,421,387         |
| A+                                   | 4,868,945                       | 11,345,844         | -                 | -                      | -  | -  | -                                      | 16,214,789         |
| A                                    | 12,750                          | 2,966,850          | -                 | -                      | 2,127,117                                      | -  | -                                      | 5,106,717          |
| A-                                   | 8,692                           | 18,901,025         | -                 | -                      | -  | -  | -                                      | 18,909,717         |
| IFI <sup>9</sup>                     | 2,799                           | 4,561,135          | 16,884            | 80,443                 | -  | -  | -                                      | 4,661,261          |
| BBB                                  | 7,417,701                       | 20,330,054         | -                 | -                      | -  | -  | -                                      | 27,747,755         |
| BBB-                                 | -                               | 329,671            | -                 | -                      | -  | -  | -                                      | 329,671            |
| BB <sup>10</sup>                     | -                               | -                  | -                 | -                      | -  | 25,948,414                                     | -                                      | 25,948,414         |
| Unrated <sup>11</sup>                | -                               | -                  | -                 | -                      | -  | -  | 77,004                                 | 77,004             |
| <b>Total</b>                         | <b>41,819,630</b>               | <b>157,372,715</b> | <b>21,883,881</b> | <b>80,443</b>          | <b>2,127,117</b>                               | <b>25,948,414</b>                              | <b>77,004</b>                          | <b>249,309,204</b> |

<sup>6</sup> International Financial Institutions.

<sup>7</sup> Rating of the Republic of North Macedonia.

<sup>8</sup> Clients in the country that do not have a credit rating according to the internationally recognized credit rating agencies „Standard & Poor's“, „Moody's“ and/or „Fitch“.

<sup>9</sup> International Financial Institutions.

<sup>10</sup> Rating of the Republic of North Macedonia.

<sup>11</sup> Clients in the country that do not have a credit rating according to the internationally recognized credit rating agencies „Standard & Poor's“, „Moody's“ and/or „Fitch“.



**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***3. Financial risk management (Continued)****A Credit risk (Continued)****Concentration of risks of financial assets with credit risk exposure**

The following table breaks down the credit exposure of National Bank's assets carried at their carrying amounts, categorized by geographical region as of 31 December 2022. For this table, the National Bank has allocated exposures to regions based on the country of domicile of its counterparties:

|   | <b>EU Countries</b> | <b>Non-EU member countries</b> | <b>Republic of North Macedonia</b> | <b>Other OECD countries<sup>12</sup></b> | <b>Other countries</b> | <b>Total</b>       |
|---|---------------------|--------------------------------|------------------------------------|--|------------------------|--------------------|
| Foreign currency sight deposits                 | 37,774,125          | 34,678                         | -                                  | 6,415,639                                | 74                     | <b>44,224,516</b>  |
| Foreign currency term deposits at foreign banks | 9,429,658           | -                              | -                                  | -  | -                      | <b>9,429,658</b>   |
| Foreign securities                              | 125,804,299         | 2,709,823                      | -                                  | 24,546,876                               | 4,786,955              | <b>157,847,953</b> |
| Gold deposits                                   | 4,182,188           | 18,930,994                     | -                                  | -  | -                      | <b>23,113,182</b>  |
| Special Drawing Rights                          | -                   | -                              | -                                  | 24,679                                   | -                      | <b>24,679</b>      |
| Receivables based on foreign repo transactions  | 8,902,551           | -                              | -                                  | -  | -                      | <b>8,902,551</b>   |
| Receivables from Government related to IMF      | -                   | -                              | 32,643,436                         | -  | -                      | <b>32,643,436</b>  |
| Operating receivables and other assets          | -                   | -                              | 140,663                            | -  | -                      | <b>140,663</b>     |
| <b>31 December 2022</b>                         | <b>186,092,821</b>  | <b>21,675,495</b>              | <b>32,784,099</b>                  | <b>30,987,194</b>                        | <b>4,787,029</b>       | <b>276,326,638</b> |
| <b>31 December 2021</b>                         | <b>164,159,069</b>  | <b>23,366,843</b>              | <b>26,025,418</b>                  | <b>24,993,064</b>                        | <b>10,764,810</b>      | <b>249,309,204</b> |

**B Market risk**

The National Bank monitors and manages both currency and interest rate risks as the basic market risk factors. The main objective of the National Bank in managing the market risk is explained in Note 1. Currency risk is a risk arising from a decline of the value of the financial instruments denominated in foreign currency due to the change in the exchange rates. The interest rate risk denotes a risk from market value reduction of the financial instruments due to the unfavorable movements of interest rates. The market risk management is performed by setting an adjusted duration for the portfolios which is monitored on a daily basis. Additionally, the market risk is also controlled by allocating risk budget which defines an acceptable level of interest rate risk for the foreign reserves.

For the purpose of quantifying the market risks effect on the foreign reserves value, the National Bank applies the Value at Risk (VAR) concept. VAR represents a statistical methodology for assessing the maximum change in the foreign reserves value arising from differences in the financial instruments prices and the foreign exchange rates given a certain level of confidence for a particular time horizon.

<sup>12</sup> Other OECD countries which are not categorized in EU members or Non-EU member countries.

**3. Financial risk management (Continued)****B Market risk (Continued)**

The National Bank, when calculating VAR, applies a level of confidence of 95% for a one year horizon<sup>13</sup>, and 99% for a 10-day horizon<sup>14</sup>.

In December 2022, the exposure of the foreign reserves managed by the National Bank (Value at Risk at a level of confidence of 99% for a 10-day horizon), in terms of fluctuations of the prices of instruments and foreign exchange rates against the Euro equals MKD 1,848,498 thousand (Euro 30,060,199), or 0.78% of the foreign reserves. The VAR originating from the change in the foreign exchange rate for the same horizon (on a diversified basis, including the change of the gold price) amounts to MKD 1,564,485 thousand (Euro 25,441,585), while VAR from the change in the prices of instruments in which the foreign reserves are invested amounts to MKD 284,013 thousands (Euro 4,618,614).

|                    | <b>31 December 2022</b> | <b>31 December 2021</b> |
|--------------------|-------------------------|-------------------------|
| Currency risk      | 1,564,485               | 1,109,891               |
| Interest rate risk | 284,013                 | 27,159                  |
| Total VAR          | 1,848,498               | 1,137,050               |

**C Foreign exchange risk**

Exchange rate risk denotes a risk of financial assets and liabilities value reduction as a result of fluctuations of the foreign exchange rates of the currencies and the price of the monetary gold.

The currency structure of the foreign reserves is determined by the currency structure of the interventions to support the foreign exchange rate of the Denar against the Euro, the currency structure of liabilities of the National Bank and external liabilities of the Government, foreign trade, and other needs for liquidity. Consequently, the Euro dominates the currency structure of the foreign reserves. The exposure to active currency risk (arising from the deviation from the basic currency structure) is limited by the level of revaluation reserves from foreign exchange differences. Taking into consideration the *de facto* fixed foreign exchange rate of the Denar against the Euro, the exposure to the currency risk of the National Bank to the Euro is minimal, compared to other currencies, where there is exposure as a result of their volatility against the Euro, and thus, to the Denar.

The tables below include the financial assets and liabilities of the National Bank according to their carrying amount as of 31 December 2022 and 31 December 2021, analyzed by currency.

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<sup>13</sup> For internal assessment of the set budget for risk.

<sup>14</sup> As recommended in the Basel Agreement from 1999.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***3. Financial risk management (Continued)****C Foreign exchange risk (Continued)**

As at 31 December 2022:

| <b>ASSETS</b>   | <b>EUR</b>         | <b>USD</b>        | <b>SDR</b>        | <b>Other Currencies</b> | <b>MKD</b>           | <b>Total</b>       |
|---|--------------------|-------------------|-------------------|-------------------------|----------------------|--------------------|
| Foreign currencies  | 2,397,435          | 543,022           | -                 | 23,790                  | -                    | <b>2,964,247</b>   |
| Foreign currency deposits   | 47,193,837         | 1,952,128         | -                 | 4,508,209               | -                    | <b>53,654,174</b>  |
| Foreign securities  | 157,691,806        | 114,939           | 41,208            | -                       | -                    | <b>157,847,953</b> |
| Gold  | -                  | 23,155,343        | -                 | -                       | -                    | <b>23,155,343</b>  |
| Special Drawing Rights  | -                  | -                 | 24,679            | -                       | -                    | <b>24,679</b>      |
| Receivables based on foreign repo transactions  | 8,902,551          | -                 | -                 | -                       | -                    | <b>8,902,551</b>   |
| Receivables from Government related to IMF  | -                  | -                 | 32,643,436        | -                       | -                    | <b>32,643,436</b>  |
| IMF Membership  | -                  | -                 | 11,070,941        | -                       | -                    | <b>11,070,941</b>  |
| Operating receivables and other assets  | 23,738             | 4                 | 70,419            | 12,490                  | 34,012               | <b>140,663</b>     |
| <b>Total assets</b>   | <b>216,209,367</b> | <b>25,765,436</b> | <b>43,850,683</b> | <b>4,544,489</b>        | <b>34,012</b>        | <b>290,403,987</b> |
| <b>LIABILITIES</b>  |                    |                   |                   |                         |                      |                    |
| Currency in circulation   | -                  | -                 | -                 | -                       | 53,852,538           | <b>53,852,538</b>  |
| Bank and saving house deposits  | 6,464,468          | -                 | -                 | -                       | 67,830,797           | <b>74,295,265</b>  |
| Reserve requirements of banks in foreign currency and reserve requirements of savings houses in MKD | 27,125,601         | -                 | -                 | -                       | 23,366               | <b>27,148,967</b>  |
| National Bank Bills issued  | -                  | -                 | -                 | -                       | 9,450,579            | <b>9,450,579</b>   |
| Liabilities based on foreign repo transactions  | 22,915,335         | -                 | -                 | 4,440,273               | -                    | <b>27,355,608</b>  |
| Government deposits   | 16,343,803         | 12,845            | -                 | 4,055                   | 23,983,580           | <b>40,344,283</b>  |
| Restricted deposits   | 77,239             | 64,872            | -                 | -                       | -                    | <b>142,111</b>     |
| Payables to IMF   | -                  | -                 | 43,714,377        | -                       | -                    | <b>43,714,377</b>  |
| Other deposits  | -                  | -                 | -                 | -                       | 2,762,513            | <b>2,762,513</b>   |
| Other liabilities   | 222,940            | 17,256            | 70,419            | 31,561                  | 211,626              | <b>553,802</b>     |
| <b>Total liabilities</b>  | <b>73,149,386</b>  | <b>94,973</b>     | <b>43,784,796</b> | <b>4,475,889</b>        | <b>158,114,999</b>   | <b>279,620,043</b> |
| <b>Net financial position</b>   | <b>143,059,981</b> | <b>25,670,463</b> | <b>65,887</b>     | <b>68,600</b>           | <b>(158,080,987)</b> | <b>10,783,944</b>  |

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***3. Financial risk management (Continued)****C Foreign exchange risk (Continued)**

As at 31 December 2021:

| <b>ASSETS</b>   | <b>EUR</b>         | <b>USD</b>        | <b>SDR</b>        | <b>Other Currencies</b> | <b>MKD</b>           | <b>Total</b>       |
|---|--------------------|-------------------|-------------------|-------------------------|----------------------|--------------------|
| Foreign currencies  | 2,630,183          | 716,268           | -                 | 26,208                  | -                    | <b>3,372,659</b>   |
| Foreign currency deposits   | 34,994,732         | 1,930,338         | 837               | 4,893,723               | -                    | <b>41,819,630</b>  |
| Foreign securities  | 157,223,025        | 108,745           | 40,945            | -                       | -                    | <b>157,372,715</b> |
| Gold  | -                  | 21,923,813        | -                 | -                       | -                    | <b>21,923,813</b>  |
| Special Drawing Rights  | -                  | -                 | 80,443            | -                       | -                    | <b>80,443</b>      |
| Receivables based on foreign repo transactions  | 2,127,117          | -                 | -                 | -                       | -                    | <b>2,127,117</b>   |
| Receivables from Government related to IMF  | -                  | -                 | 25,948,414        | -                       | -                    | <b>25,948,414</b>  |
| IMF Membership  | -                  | -                 | 10,234,301        | -                       | -                    | <b>10,234,301</b>  |
| Operating receivables and other assets  | 412                | 2                 | 764               | 11,894                  | 63,932               | <b>77,004</b>      |
| <b>Total assets</b>   | <b>196,975,469</b> | <b>24,679,166</b> | <b>36,305,704</b> | <b>4,931,825</b>        | <b>63,932</b>        | <b>262,956,096</b> |
| <b>LIABILITIES</b>  |                    |                   |                   |                         |                      |                    |
| Currency in circulation   | -                  | -                 | -                 | -                       | 51,392,438           | <b>51,392,438</b>  |
| Bank deposits   | 7,355,762          | -                 | -                 | -                       | 66,704,992           | <b>74,060,754</b>  |
| Reserve requirements of banks in foreign currency and reserve requirements of savings houses in MKD | 19,940,411         | -                 | -                 | -                       | 20,251               | <b>19,960,662</b>  |
| National Bank Bills issued  | -                  | -                 | -                 | -                       | 9,993,065            | <b>9,993,065</b>   |
| Liabilities based on foreign repo transactions  | 3,509,581          | -                 | -                 | 4,854,090               | -                    | <b>8,363,671</b>   |
| Government deposits   | 22,053,247         | 9,681             | -                 | 4,416                   | 24,919,606           | <b>46,986,950</b>  |
| Restricted deposits   | 68,441             | 69,488            | -                 | -                       | -                    | <b>137,929</b>     |
| Payables to IMF   | -                  | -                 | 36,182,715        | -                       | -                    | <b>36,182,715</b>  |
| Other deposits  | -                  | -                 | -                 | -                       | 2,333,764            | <b>2,333,764</b>   |
| Other liabilities   | 226,289            | 19,033            | 1,395             | 33,457                  | 268,682              | <b>548,856</b>     |
| <b>Total liabilities</b>  | <b>53,153,731</b>  | <b>98,202</b>     | <b>36,184,110</b> | <b>4,891,963</b>        | <b>155,632,798</b>   | <b>249,960,804</b> |
| <b>Net financial position</b>   | <b>143,821,738</b> | <b>24,580,964</b> | <b>121,594</b>    | <b>39,862</b>           | <b>(155,568,866)</b> | <b>12,995,292</b>  |

**3. Financial risk management (Continued)**

**D Interest rate risk**

The National Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of financial assets and liabilities.

The primary objective of the National Bank is achieving and maintaining price stability, which bestows it a discretionary right to determine the interest rates on the monetary policy instruments in the monetary policy conduct. On the other hand, the National Bank is exposed to interest rate risk related to the foreign reserves management, mainly due to the influence of the external changes on the financial markets.

The National Bank's interest sensitivity position based on contractual re-pricing arrangements as of 31 December 2022 and 31 December 2021 is presented in the tables below. Tables include the National Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**
**Notes to the Financial Statements for the year ended 31 December 2022**
*(Amounts expressed in thousands of MKD unless otherwise stated)*
**3. Financial risk management (Continued)**
**D Interest rate risk (Continued)**

As at 31 December 2022:

|   | Interest-bearing items             |               |                    |              |              | Total Interest-bearing items | Non-interest bearing items | Total       |
|---|------------------------------------|---------------|--------------------|--------------|--------------|------------------------------|----------------------------|-------------|
|   | Up to 1 month or at variable rates | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |                              |                            |             |
| ASSETS  |                                    |               |                    |              |              |                              |                            |             |
| Foreign currencies  | -                                  | -             | -                  | -            | -            | -                            | 2,964,247                  | 2,964,247   |
| Foreign currency deposits   | 53,599,667                         | -             | -                  | -            | -            | 53,599,667                   | 54,507                     | 53,654,174  |
| Foreign securities  | -                                  | 514,206       | 95,329,729         | 39,252,455   | -            | 135,096,390                  | 22,751,563                 | 157,847,953 |
| Gold  | -                                  | -             | 9,417,270          | -            | -            | 9,417,270                    | 13,738,073                 | 23,155,343  |
| Special drawing rights  | 24,679                             | -             | -                  | -            | -            | 24,679                       | -                          | 24,679      |
| Receivables based on foreign repo transactions  | 8,896,365                          | -             | -                  | -            | -            | 8,896,365                    | 6,186                      | 8,902,551   |
| Receivables from Government related to IMF  | -                                  | -             | -                  | -            | -            | -                            | 32,643,436                 | 32,643,436  |
| IMF Membership  | -                                  | -             | -                  | -            | -            | -                            | 11,070,941                 | 11,070,941  |
| Operating receivables and other assets  | -                                  | -             | -                  | -            | -            | -                            | 140,663                    | 140,663     |
| Total assets  | 62,520,711                         | 514,206       | 104,746,999        | 39,252,455   | -            | 207,034,371                  | 83,369,616                 | 290,403,987 |
| LIABILITIES   |                                    |               |                    |              |              |                              |                            |             |
| Currency in circulation   | -                                  | -             | -                  | -            | -            | -                            | 53,852,538                 | 53,852,538  |
| Bank and saving house deposits  | 49,529,919                         | 122,986       | -                  | -            | -            | 49,652,905                   | 24,642,360                 | 74,295,265  |
| Reserve requirements of banks in foreign currency and reserve requirements of savings houses in MKD | -                                  | -             | -                  | -            | -            | -                            | 27,148,967                 | 27,148,967  |
| National Bank Bills issued  | 9,429,453                          | -             | -                  | -            | -            | 9,429,453                    | 21,126                     | 9,450,579   |
| Liabilities based on foreign repo transactions  | 22,905,942                         | 4,443,008     | -                  | -            | -            | 27,348,950                   | 6,658                      | 27,355,608  |
| Government deposits   | 10,687,111                         | -             | -                  | -            | -            | 10,687,111                   | 29,657,172                 | 40,344,283  |
| Restricted deposits   | -                                  | -             | -                  | -            | -            | -                            | 142,111                    | 142,111     |
| Payables to IMF   | -                                  | -             | -                  | -            | -            | -                            | 43,714,377                 | 43,714,377  |
| Other deposits  | -                                  | -             | -                  | -            | -            | -                            | 2,762,513                  | 2,762,513   |
| Other liabilities   | -                                  | -             | -                  | -            | -            | -                            | 553,802                    | 553,802     |
| Total liabilities   | 92,552,425                         | 4,565,994     | -                  | -            | -            | 97,118,419                   | 182,501,624                | 279,620,043 |
| Total interest rate risk  | (30.031.714)                       | (4.051.788)   | 104.746.999        | 39.252.455   | -            | 109.915.952                  | (99.132.008)               | 10.783.944  |

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**
**Notes to the Financial Statements for the year ended 31 December 2022**
*(Amounts expressed in thousands of MKD unless otherwise stated)*
**3. Financial risk management (Continued)**
**D Interest rate risk (Continued)**

As at 31 December 2021:

|   | Interest-bearing items             |               |                    |              |              | Total Interest-bearing items | Non-interest bearing items | Total       |
|---|------------------------------------|---------------|--------------------|--------------|--------------|------------------------------|----------------------------|-------------|
|   | Up to 1 month or at variable rates | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years |                              |                            |             |
| ASSETS  |                                    |               |                    |              |              |                              |                            |             |
| Foreign currencies  | -                                  | -             | -                  | -            | -            | -                            | 3,372,659                  | 3,372,659   |
| Foreign currency deposits   | 41,818,805                         | -             | -                  | -            | -            | 41,818,805                   | 825                        | 41,819,630  |
| Foreign securities  | 185,231                            | -             | 112,400,638        | 27,520,722   | -            | 140,106,591                  | 17,266,124                 | 157,372,715 |
| Gold  | -                                  | 5,937,975     | 5,950,539          | -            | -            | 11,888,514                   | 10,035,299                 | 21,923,813  |
| Special drawing rights  | 80,443                             | -             | -                  | -            | -            | 80,443                       | -                          | 80,443      |
| Receivables based on foreign repo transactions  | 2,127,896                          | -             | -                  | -            | -            | 2,127,896                    | (779)                      | 2,127,117   |
| Receivables from Government   | -                                  | -             | -                  | -            | -            | -                            | 25,948,414                 | 25,948,414  |
| IMF Membership  | -                                  | -             | -                  | -            | -            | -                            | 10,234,301                 | 10,234,301  |
| Operating receivables and other assets  | -                                  | -             | -                  | -            | -            | -                            | 77,004                     | 77,004      |
| Total assets  | 44,212,375                         | 5,937,975     | 118,351,177        | 27,520,722   | -            | 196,022,249                  | 66,933,847                 | 262,956,096 |
| LIABILITIES   |                                    |               |                    |              |              |                              |                            |             |
| Currency in circulation   | -                                  | -             | -                  | -            | -            | -                            | 51,392,438                 | 51,392,438  |
| Bank deposits   | 43,422,960                         | -             | -                  | -            | -            | 43,422,960                   | 30,637,794                 | 74,060,754  |
| Reserve requirements of banks in foreign currency and reserve requirements of savings houses in MKD | 19,940,411                         | -             | -                  | -            | -            | 19,940,411                   | 20,251                     | 19,960,662  |
| National Bank Bills issued  | 9,987,520                          | -             | -                  | -            | -            | 9,987,520                    | 5,545                      | 9,993,065   |
| Liabilities based on foreign repo transactions  | 2,127,896                          | 6,238,551     | -                  | -            | -            | 8,366,447                    | (2,776)                    | 8,363,671   |
| Government deposits   | 6,000,000                          | -             | -                  | -            | -            | 6,000,000                    | 40,986,950                 | 46,986,950  |
| Restricted deposits   | -                                  | -             | -                  | -            | -            | -                            | 137,929                    | 137,929     |
| Payables to IMF   | -                                  | -             | -                  | -            | -            | -                            | 36,182,715                 | 36,182,715  |
| Other deposits  | -                                  | -             | -                  | -            | -            | -                            | 2,333,764                  | 2,333,764   |
| Other liabilities   | -                                  | -             | -                  | -            | -            | -                            | 548,856                    | 548,856     |
| Total liabilities   | 81,478,787                         | 6,238,551     | -                  | -            | -            | 87,717,338                   | 162,243,466                | 249,960,804 |
| Total interest rate risk  | (37,266,412)                       | (300,576)     | 118,351,177        | 27,520,722   | -            | 108,304,911                  | (95,309,619)               | 12,995,292  |

**3. Financial risk management (Continued)**

**E Liquidity risk**

Liquidity risk is the risk of insufficiency of liquid funds for normal performance of the functions of the National Bank. The main objective of the National Bank in managing the liquidity risk is explained in Note 1.

Liquidity is maintained by placing foreign currencies on current accounts, short-term deposits, and debt securities for which a developed and liquid secondary market exists. The National Bank manages the liquidity risk by determining and maintaining liquid assets at levels sufficient for conducting monetary and foreign exchange policies, timely and regular payments of the external debt and current and/or capital expenditures with foreign currency component for the account of the government, and meeting the transactional needs in the management of foreign reserves. According to the Foreign Reserves Management and Investment Policy and Regulation, liquidity risk management is consistent with the best global practices. Consequently, in order to optimize the foreign reserves management, while taking into account the different commitments and purposes of the foreign reserves in different time periods, the foreign reserves are allocated in portfolios: working capital (operational portfolio), liquidity and investment portfolios.

The operational portfolio provides liquidity to realize cash flows for a period of one month, and the level of the liquidity portfolio is determined dynamically, at the minimum level of the operational portfolio for the following 12 months. The Investment portfolio, may have an investment horizon of more than one year and is managed in order to enhance the return on foreign reserves. The operational and the liquidity portfolio are forecasted at least once a year, and reviewed periodically based on the forecast of the needs for liquidity, the expected foreign currency needs of the country in the medium term and the vulnerability assessment of the balance of payments. The maximum maturity of the deposits in the operational portfolio is two weeks, whereas the maximum remaining maturity date for the debt securities is up to one month. The modified duration of the liquidity portfolio is lower than the investment portfolio and is determined depending on the market conditions and the acceptable level of interest rate risk. Availability of foreign exchange liquidity is not confined to the operational and the liquidity portfolio, when the investment in debt securities (measured at fair value through profit and loss) provides sufficient liquidity through their prompt conversion into foreign assets within the investment portfolio.

Regarding the liabilities in domestic currency, the National Bank is not exposed to this risk due to its central bank character.

The table below presents the cash outflows of the National Bank for non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities on the date of the statement of financial position. The amounts disclosed in the tables below are the contractual undiscounted cash flows for financial liabilities, and expected maturity dates of financial assets.



**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**
**Notes to the Financial Statements for the year ended 31 December 2022**
*(Amounts expressed in thousands of MKD unless otherwise stated)*
**3. Financial risk management (Continued)**
**E Liquidity risk (Continued)**

| <b>31 December 2022</b>   | <b>Up to<br/>1 month</b> | <b>1 to 3<br/>months</b> | <b>3 months<br/>to 1 year</b> | <b>1 to 5<br/>Years</b> | <b>Over<br/>5 years</b> | <b>Total</b>       |
|---|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|--------------------|
| <b>LIABILITIES</b>  |                          |                          |                               |                         |                         |                    |
| Currency in circulation   | 53,852,538               | -                        | -                             | -                       | -                       | <b>53,852,538</b>  |
| Bank and saving house deposits  | 56,769,962               | 122,986                  | 17,402,317                    | -                       | -                       | <b>74,295,265</b>  |
| Reserve requirements of banks in foreign currency and reserve requirements of savings houses in MKD | -                        | -                        | 27,148,967                    | -                       | -                       | <b>27,148,967</b>  |
| National Bank Bills issued  | 9,450,579                | -                        | -                             | -                       | -                       | <b>9,450,579</b>   |
| Liabilities based on foreign repo transactions  | 27,355,608               | -                        | -                             | -                       | -                       | <b>27,355,608</b>  |
| Government deposits   | 40,344,283               | -                        | -                             | -                       | -                       | <b>40,344,283</b>  |
| Restricted deposits   | 132,529                  | 9,582                    | -                             | -                       | -                       | <b>142,111</b>     |
| Payables to IMF   | 26,504,506               | -                        | 2,689,042                     | 14,520,829              | -                       | <b>43,714,377</b>  |
| Other deposits  | 2,762,513                | -                        | -                             | -                       | -                       | <b>2,762,513</b>   |
| Other liabilities   | 515,018                  | -                        | 38,784                        | -                       | -                       | <b>553,802</b>     |
| <b>Total liabilities</b><br>(contractual maturity dates)  | <b>217,687,536</b>       | <b>132,568</b>           | <b>47,279,110</b>             | <b>14,520,829</b>       | -                       | <b>279,620,043</b> |
| <b>Assets held for managing liquidity risk</b><br>(expected maturity dates)                         | <b>221,646,741</b>       | <b>2,624,265</b>         | <b>12,097,724</b>             | <b>53,994,049</b>       | <b>41,208</b>           | <b>290,403,987</b> |

  

| <b>31 December 2021</b>   | <b>Up to<br/>1 month</b> | <b>1 to 3<br/>months</b> | <b>3 months<br/>to 1 year</b> | <b>1 to 5<br/>Years</b> | <b>Over<br/>5 years</b> | <b>Total</b>       |
|---|--------------------------|--------------------------|-------------------------------|-------------------------|-------------------------|--------------------|
| <b>LIABILITIES</b>  |                          |                          |                               |                         |                         |                    |
| Currency in circulation   | 51,392,438               | -                        | -                             | -                       | -                       | <b>51,392,438</b>  |
| Bank deposits   | 45,740,439               | -                        | 28,320,315                    | -                       | -                       | <b>74,060,754</b>  |
| Reserve requirements of banks in foreign currency and reserve requirements of savings houses in MKD | (4,956)                  | -                        | 19,965,618                    | -                       | -                       | <b>19,960,662</b>  |
| National Bank Bills issued  | 9,993,065                | -                        | -                             | -                       | -                       | <b>9,993,065</b>   |
| Liabilities based on foreign repo transactions  | 8,363,671                | -                        | -                             | -                       | -                       | <b>8,363,671</b>   |
| Government deposits   | 46,986,950               | -                        | -                             | -                       | -                       | <b>46,986,950</b>  |
| Restricted deposits   | 85,427                   | 6,163                    | 46,339                        | -                       | -                       | <b>137,929</b>     |
| Payables to IMF   | 25,495,152               | -                        | -                             | 10,687,563              | -                       | <b>36,182,715</b>  |
| Other deposits  | 2,333,764                | -                        | -                             | -                       | -                       | <b>2,333,764</b>   |
| Other liabilities   | 460,079                  | 46,108                   | 42,669                        | -                       | -                       | <b>548,856</b>     |
| <b>Total liabilities</b><br>(contractual maturity dates)  | <b>190,846,029</b>       | <b>52,271</b>            | <b>48,374,941</b>             | <b>10,687,563</b>       | -                       | <b>249,960,804</b> |
| <b>Assets held for managing liquidity risk</b><br>(expected maturity dates)                         | <b>211,450,534</b>       | <b>2,969,059</b>         | <b>10,107,296</b>             | <b>38,388,262</b>       | <b>40,945</b>           | <b>262,956,096</b> |

# NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

## Notes to the Financial Statements for the year ended 31 December 2022

(Amounts expressed in thousands of MKD unless otherwise stated)

### 3. Financial risk management (Continued)

#### F Fair value of financial assets and liabilities

Fair value represents the price of an asset traded (including its conversion into cash) or a liability settled at arm's length transaction between market participants at the measurement date.

The following table summarizes the differences between the carrying amounts and fair values of those financial assets and liabilities not carried at fair value according to classes of financial instruments:

| Financial assets  | Carrying value     |                    | Fair value         |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2022               | 2021               | 2022               | 2021               |
| <i>Carried at amortized cost</i>                                |                    |                    |                    |                    |
| Foreign currencies  | 2,964,247          | 3,372,659          | 2,964,247          | 3,372,659          |
| Foreign currency deposits                                       | 53,654,174         | 41,819,630         | 53,654,174         | 41,819,630         |
| Foreign debt securities   | 42,077,870         | 32,047,748         | 39,301,021         | 32,542,733         |
| Special Drawing Rights  | 24,679             | 80,443             | 24,679             | 80,443             |
| Receivables based on foreign repo transactions                  | 8,902,551          | 2,127,117          | 8,902,551          | 2,127,117          |
| Receivable from Government related to IMF                       | 32,643,436         | 25,948,414         | 32,643,436         | 25,948,414         |
| IMF Membership  | 11,070,941         | 10,234,301         | 11,070,941         | 10,234,301         |
| Operating receivables and other assets                          | 140,663            | 77,004             | 140,663            | 77,004             |
|   | <b>151,478,561</b> | <b>115,707,316</b> | <b>148,701,712</b> | <b>116,202,301</b> |
| <i>Carried at fair value through other comprehensive income</i> |                    |                    |                    |                    |
| Foreign equity securities                                       | 41,208             | 40,945             | 41,208             | 40,945             |
|   | <b>41,208</b>      | <b>40,945</b>      | <b>41,208</b>      | <b>40,945</b>      |

| Financial liabilities   | Carrying value     |                    | Fair value         |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2022               | 2021               | 2022               | 2021               |
| <i>Carried at amortized cost</i>  |                    |                    |                    |                    |
| Currency in circulation   | 53,852,538         | 51,392,438         | 53,852,538         | 51,392,438         |
| Bank and saving house deposits  | 74,295,265         | 74,060,754         | 74,295,265         | 74,060,754         |
| Reserve requirement of banks in foreign currency and reserve requirements of saving houses in MKD | 27,148,967         | 19,960,662         | 27,148,967         | 19,960,662         |
| National Bank bills issued  | 9,450,579          | 9,993,065          | 9,450,579          | 9,993,065          |
| Liabilities based on foreign repo transactions  | 27,355,608         | 8,363,671          | 27,355,608         | 8,363,671          |
| Government MKD deposits   | 23,983,580         | 24,919,606         | 23,983,580         | 24,919,606         |
| Government foreign currency deposits  | 16,360,703         | 22,067,344         | 16,360,703         | 22,067,344         |
| Payables to IMF   | 43,714,377         | 36,182,715         | 43,714,377         | 36,182,715         |
| Other and restricted deposits   | 2,904,624          | 2,471,693          | 2,904,624          | 2,471,693          |
| Other liabilities   | 553,802            | 548,856            | 553,802            | 548,856            |
|   | <b>279,620,043</b> | <b>249,960,804</b> | <b>279,620,043</b> | <b>249,960,804</b> |

**3. Financial risk management (Continued)**

**F Fair value of financial assets and liabilities (Continued)**

**Financial assets**

The fair value of foreign currencies, foreign currency deposits, Special Drawing Rights, receivables based on foreign repo transactions, IMF Membership and receivables carried at amortized cost, approximates their carrying values due to their short-term nature.

The fair value of foreign debt securities at amortized cost is based on their quoted market prices, at the date of the Statement of Financial Position.

The fair value of foreign equity securities carried at fair value through other comprehensive income and referred to the BIS<sup>15</sup> shares, cannot be reliably determined and therefore are carried at cost. Thus, it is considered that their cost reflects their fair value.

**Financial liabilities**

The fair value of currency in circulation corresponds to its face value.

The fair value of deposits carried at amortized cost corresponds to their carrying values due to the fact that there are no other instruments with similar characteristics.

The fair value of the National Bank bills issued corresponds to their carrying value due to their short-term nature.

The fair value of liabilities based on foreign repo transactions carried at amortized cost corresponds to their carrying values due to the fact that the fair value of given collateral is being monitored and it is appropriately adjusted by pledging additional securities or returning securities or by transfer of the funds.

Due to the specific role of the IMF as an international financial institution, the fair value of liabilities based on IMF Membership, SDR allocation and borrowing from IMF on behalf and for the account of the Government do not differ from their carrying amounts.

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<sup>15</sup> Bank for International Settlements – BIS.

**3. Financial risk management (Continued)****F Fair value of financial assets and liabilities (Continued)****Fair value hierarchy**

Fair values are determined according to the following hierarchy:

*a) Level 1- Quoted Market Price*

Financial instruments with quoted prices for identical instruments in active markets.

*b) Level 2 - Valuation Techniques Using Observable Inputs*

Financial instruments with quoted prices for similar instruments in active market or quoted prices for identical or similar instruments in inactive market and financial instruments valued using models where all significant inputs are observable.

*c) Level 3- Valuation Techniques with Significant Non-observable Inputs*

Financial instruments valued using models where one or more significant inputs are not observable.

**Financial assets measured at fair value**

| <b>31 December 2022</b>       | <b>Level 1</b>     | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>       |
|-------------------------------|--------------------|----------------|----------------|--------------------|
| Foreign debt securities       | 115,726,191        | -              | -              | 115,726,191        |
| Gold                          | 23,155,343         | -              | -              | 23,155,343         |
| Foreign equity securities     | -                  | -              | 2,684          | 2,684              |
| <b>Total financial assets</b> | <b>138,881,534</b> | <b>-</b>       | <b>2,684</b>   | <b>138,884,218</b> |

| <b>31 December 2021</b>       | <b>Level 1</b>     | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>       |
|-------------------------------|--------------------|----------------|----------------|--------------------|
| Foreign debt securities       | 125,281,835        | -              | -              | 125,281,835        |
| Gold                          | 21,923,813         | -              | -              | 21,923,813         |
| Foreign equity securities     | -                  | -              | 2,187          | 2,187              |
| <b>Total financial assets</b> | <b>147,205,648</b> | <b>-</b>       | <b>2,187</b>   | <b>147,207,835</b> |

**4. Critical accounting estimates and judgments in applying accounting policies**

The most significant areas, for which judgements, estimates and assumptions are required, are:

*Fair value of financial instruments*

The National Bank uses internal valuation techniques for determining the fair value of those financial instruments that are not quoted in active markets. These techniques include estimates and assumptions that market participants would use in determining the value of the instrument. The National Bank estimates the value on the basis of the variety of available factors, including actual or estimated market prices and rates, such as time value and volatility, market conditions and liquidity. Estimated values may differ from the value at which the transaction would take place at the measurement date.

The National Bank applies its models consistently from one period to another, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment.

In the Republic of North Macedonia there is no sufficient market experience, stability, and liquidity for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are not readily available. The National Bank assesses its overall risk exposure and in instances in which it estimates that the value in the books may not be realized, it recognizes an impairment loss. In the opinion of the National Bank, the reported carrying amounts for the assets that are not quoted in an active market, for reporting purposes, represent the most valid and useful values under the present market conditions (Note 3F).

*Useful lives of tangible and intangible assets*

The National Bank management determines estimated useful lives and related depreciation and amortization charges for its tangible and intangible assets. The appropriateness of the estimated useful lives is reviewed annually or whenever there is an indication of significant changes in the underlying assumptions, such as anticipated technological developments and changes in the broad economic and industry factors (Notes 2M and 2N).

*Actuarial assumptions in respect of employees' defined benefit plan*

Any costs for the Bank depend on the occurrence of future events and especially on the discount rate changes and increase of the payments as well. There are other factors that may also change the overall liability, such as the number of employees, leaving service before the retirement and the number of new employees (Notes 2Y and 42).

*Impairment for expected credit losses of financial assets*

The National Bank calculates the expected credit losses for financial assets measured at amortized cost. The determination of the input to the model for measuring the expected loan losses is described in Note 3A.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***5. Net interest expense****Interest income**

| <b>Interest Income</b>  | <b>Government</b> | <b>Domestic banks</b> | <b>Foreign entities</b> | <b>Other entities</b> | <b>Total 2022</b> | <b>Total 2021</b> |
|---|-------------------|-----------------------|-------------------------|-----------------------|-------------------|-------------------|
| Securities at amortized cost  | -                 | -                     | 181,045                 | -                     | <b>181,045</b>    | <b>84,953</b>     |
| Deposits and current accounts in foreign currency                         | -                 | -                     | 201,522                 | -                     | <b>201,522</b>    | <b>3,489</b>      |
| Reverse repos in foreign currency with received collateral in securities  | -                 | -                     | 76,448                  | -                     | <b>76,448</b>     | -                 |
| Gold deposits   | -                 | -                     | 22,188                  | -                     | <b>22,188</b>     | <b>8,748</b>      |
| Domestic banks short-term loans based on auction repo transactions in MKD | -                 | 8,812                 | -                       | -                     | <b>8,812</b>      | -                 |
| Penalty interest from private non-financial entities                      | -                 | -                     | -                       | 7,533                 | <b>7,533</b>      | -                 |
| Other interest  | 23                | 1                     | -                       | -                     | <b>24</b>         | <b>82</b>         |
| <b>Total 2022</b>   | <b>23</b>         | <b>8,813</b>          | <b>481,203</b>          | <b>7,533</b>          | <b>497,572</b>    | <b>97,272</b>     |
| <b>Total 2021</b>   | <b>70</b>         | <b>11</b>             | <b>97,190</b>           | <b>1</b>              | <b>97,272</b>     |                   |

The increase in interest rates in 2022, especially in the second half of the year, contributed to the increase of the deposits placed with central and commercial banks, the investments in debt securities measured at amortized cost, and also the reverse repo transactions, which led to greater interest incomes in 2022 compared to 2021 in this segment.

**Interest expense**

| <b>Interest Expenses</b>  | <b>Government</b> | <b>Domestic banks and saving houses</b> | <b>Foreign entities</b> | <b>Other Entities</b> | <b>Total 2022</b> | <b>Total 2021</b> |
|---|-------------------|---|-------------------------|-----------------------|-------------------|-------------------|
| National Bank bills   | -                 | 196,186                                 | -                       | -                     | <b>196,186</b>    | <b>131,365</b>    |
| MKD deposits  | 10,805            | 220,115                                 | -                       | -                     | <b>230,920</b>    | <b>69,105</b>     |
| Repos in foreign currency with pledged collateral in securities | -                 | -                                       | 109,588                 | -                     | <b>109,588</b>    | -                 |
| Foreign currency deposits                                       | 327               | 1,456                                   | -                       | -                     | <b>1,783</b>      | -                 |
| Interest for long term right-of-use assets                      | -                 | -                                       | -                       | 21                    | <b>21</b>         | <b>37</b>         |
| <b>Total 2022</b>   | <b>11,132</b>     | <b>417,757</b>                          | <b>109,588</b>          | <b>21</b>             | <b>538,498</b>    | <b>200,507</b>    |
| <b>Total 2021</b>   | <b>9,125</b>      | <b>191,345</b>                          | <b>-</b>                | <b>37</b>             | <b>200,507</b>    |                   |

The increase of the interest expenses in 2022 is significantly due to the increased interest rates and the implementation of various monetary instruments.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***5. Net interest expense (Continued)****Effects of negative interest rates**

| <b>Effects of negative interest rates</b>                                | <b>Domestic banks</b> | <b>Foreign entities</b> | <b>Total 2022</b> | <b>Total 2021</b> |
|--|-----------------------|-------------------------|-------------------|-------------------|
| Deposits and current accounts in foreign currency                        | -                     | (74,083)                | <b>(74,083)</b>   | <b>(112,366)</b>  |
| Reserve requirement of banks in foreign currency                         | 73,001                | -                       | <b>73,001</b>     | <b>106,685</b>    |
| Repos in foreign currency with pledged collateral in securities          | -                     | 64,247                  | <b>64,247</b>     | <b>113,542</b>    |
| Reverse repos in foreign currency with received collateral in securities | -                     | (57,508)                | <b>(57,508)</b>   | <b>(103,807)</b>  |
| Repos in foreign currency with pledged collateral in gold                | -                     | 11,608                  | <b>11,608</b>     | <b>5,507</b>      |
| Foreign currency deposits  | 1,806                 | -                       | <b>1,806</b>      | <b>1,807</b>      |
| <b>Total 2022</b>  | <b>74,807</b>         | <b>(55,736)</b>         | <b>19,071</b>     | <b>11,368</b>     |
| <b>Total 2021</b>  | <b>108,492</b>        | <b>(97,124)</b>         | <b>11,368</b>     |                   |

**6. Net fee income****Fee income**

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| Fees from domestic banks for maintaining account based on debt turnover on an account | 182,080        | 154,648        |
| Fees for providing cash to banks and cash returned to the National Bank vault         | 73,428         | 69,417         |
| Fees based on settlement of payments (RTGS)   | 33,814         | 32,154         |
| Fees from foreign exchange operations with public sector                              | 26,963         | 22,860         |
| Other fees  | 28,421         | 26,010         |
| <b>Total</b>  | <b>344,706</b> | <b>305,089</b> |

**6. Net fee income (Continued)****Fee income (Continued)**

The fees that National Bank charges are regulated with the Decision on the single tariff that the National Bank charges for fees for the services rendered, adopted by the National Bank Council, as well as by an individual agreements concluded with certain government bodies.

Revenues from fees for debt turnover on an account, providing cash to banks and cash returned by banks to the National Bank vault, as well as settlement of payments through RTGS<sup>16</sup> relate to services that the National Bank provides to domestic banks and other account holders in RTGS.

Fees from foreign exchange operations with public sector are related to the income from sale of foreign currency to public entities, as well as from payment operations on behalf of the Government with foreign countries.

**Fee expense**

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
| Fees for Securities Depositories              | 14,485        | 9,593         |
| Fees for services received from foreign banks | 6,793         | 5,108         |
| Fees for futures transactions                 | 416           | 96            |
| Other fees                                    | 126           | 1,815         |
| <b>Total</b>                                  | <b>21,820</b> | <b>16,612</b> |

Fees paid to foreign banks refer to maintenance of services for the National Bank's accounts, transactions performed with the National Bank's deposits and other foreign exchange transactions, and they depend on the tariffs charged by foreign banks and the types of services used.

The main part of the fee expenses in 2022, is related to the expenses paid to the custodians and foreign banks for securities maintenance.

**7. Net unrealized price and exchange rate differences**

|   | <b>2022</b>      | <b>2021</b>    |
|---|------------------|----------------|
| Unrealized positive exchange rate differences                     | 8,426,799        | 5,203,260      |
| Unrealized negative exchange rate differences                     | (8,476,912)      | (5,073,478)    |
| Unrealized positive price and exchange rate differences from gold | 24,030,793       | 18,676,672     |
| Unrealized negative price and exchange rate differences from gold | (22,969,302)     | (17,826,633)   |
| <b>Total</b>  | <b>1,011,378</b> | <b>979,821</b> |

<sup>16</sup> RTGS is Macedonian Interbank Payment System (MIPS), owned by the National Bank.



**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***8. Net expense from securities at fair value through profit and loss and derivatives**

|   | <b>2022</b>        | <b>2021</b>      |
|---|--------------------|------------------|
| Realized gains from securities at fair value through profit and loss                          | 12,636             | 2,063            |
| Realized losses from securities at fair value through profit and loss                         | (293,520)          | (488,751)        |
| Unrealized positive price differences from securities at fair value through profit and loss   | 32,296             | 7                |
| Unrealized negative price differences from securities at fair value through profit and loss   | (3,768,609)        | (1,615,427)      |
| Interest income from securities at fair value through profit and loss                         | 759,080            | 1,223,219        |
| <b>Total net losses from securities at fair value through profit and loss</b>                 | <b>(3,258,117)</b> | <b>(878,889)</b> |
| Realized gains from futures-transactions  | 11,030             | 9,654            |
| Realized losses from futures-transactions   | -                  | (6,255)          |
| <b>Total net gain from derivatives</b>  | <b>11,030</b>      | <b>3,399</b>     |
| <b>Total net losses from securities at fair value through profit and loss and derivatives</b> | <b>(3,247,087)</b> | <b>(875,490)</b> |

**9. Net realized price and exchange rate differences**

|  | <b>2022</b>    | <b>2021</b>    |
|--|----------------|----------------|
| Realized positive price and exchange rate differences from gold, net   | 201,528        | 33,201         |
| Realized positive exchange rate differences from arbitration with foreign banks, net                         | 104,411        | 95,557         |
| Realized positive exchange rate differences from transactions on foreign exchange market with the Government | 68,656         | 108,866        |
| Realized positive exchange rate differences from remittance  | 47,682         | 46,336         |
| Realized positive exchange rate differences from interventions with domestic banks                           | 17,164         | 8,684          |
| Realized negative/positive exchange rate differences on other basis, net                                     | (4)            | 13             |
| <b>Total</b>   | <b>439,437</b> | <b>292,657</b> |

The net realized positive exchange rate and price differences arise from purchase and sale of gold with foreign banks, purchase and sale of foreign currencies with foreign banks, as well as from the spread between middle and ask rate when selling foreign currencies to government bodies for the purpose of making international foreign exchange payments, and from foreign exchange market interventions with the domestic banks.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***10. Dividend income**

|                                       | <b>2022</b>  | <b>2021</b>   |
|---------------------------------------|--------------|---------------|
| Dividend income on investments in BIS | 9,230        | 16,566        |
| <b>Total</b>                          | <b>9,230</b> | <b>16,566</b> |

In 2022, the National Bank generated dividend income on investments in BIS. The dividend was received in June 2022 after the announcement of the BIS's decision of the 92<sup>nd</sup> annual assembly for payment of the regular dividend for 2022/2021. In 2021, the dividend was received in July, after the announcement of the BIS's decision of the 91<sup>st</sup> annual assembly for payment of the regular dividend for 2021/2020 and additional dividend as well, as a compensation for the undistributed dividend for 2020/2019.

**11. Other income**

|   | <b>2022</b>    | <b>2021</b>   |
|---|----------------|---------------|
| Contract negligence penalty income                                  | 296,999        | 75            |
| Revenue from automatic securities lending                           | 13,573         | 12,495        |
| Revenue from penalty interest for settlement delay by foreign banks | 3,810          | 553           |
| Realized gains from assets sold                                     | -              | 1,822         |
| Royalty income from collector coins                                 | -              | 702           |
| Revenue from sale of collector coins and sets of coins              | 174            | 124           |
| Income on other basis   | 20,204         | 21,552        |
| <b>Total</b>  | <b>334,760</b> | <b>37,323</b> |

The increase of the other incomes in 2022 compared to 2021 is primarily due to the penalty incomes from contract negligence. During 2022, the National Bank generated revenues from contractual penalty in the amount of MKD 295,466 thousand, due to termination of the new business premises construction contract.

**12. Personnel expenses**

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| Wages and personal income tax             | 338,431        | 310,163        |
| Pension cost – defined contribution plans | 88,382         | 80,998         |
| Mandatory contributions                   | 43,251         | 39,638         |
| Other personnel expenses                  | 21,126         | 25,699         |
| <b>Total</b>                              | <b>491,190</b> | <b>456,498</b> |

The total number of employees in National Bank as of 31 December 2022 is 442 (as of 31 December 2021: 426).

Personnel expenses are related to short-term employee benefits. The remuneration of the key management of the National Bank in 2022 amounted to MKD 19,034 thousand (2021: MKD 15,051 thousand), and it is included in "Personnel expenses" above.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***13. Other expenses**

|  | <b>2022</b>    | <b>2021</b>    |
|--|----------------|----------------|
| Costs for services received                | 83,249         | 71,845         |
| Costs of production of banknotes and coins | 74,473         | 57,928         |
| Overhead and material expenses             | 30,497         | 25,876         |
| Other administrative expenses              | 10,752         | 4,989          |
| Collector coins and coin sets expenses     | 109            | 571            |
| Expenses on other basis                    | 720            | 947            |
| <b>Total</b>                               | <b>199,800</b> | <b>162,156</b> |

The costs of banknotes and coins manufacturing mainly relate to purchased banknotes and coins. Banknotes are printed and coins are minted by domestic or foreign manufacturers. The National Bank adopts a policy of differentiating the costs of manufacturing of banknotes and coins depending on the period of their use, within a period of 2 to 4 years.

**14. Provisions and Impairment, net**

|  | <b>Note</b> | <b>2022</b>    | <b>2021</b>    |
|--|-------------|----------------|----------------|
| Impairment for receivables for contract negligence penalty                               | 29          | 147,733        | -              |
| Impairment for expected credit losses on foreign securities at amortized cost            | 17          | 2,805          | 3,085          |
| (Released) impairment for expected credit losses on foreign securities at amortized cost | 17          | (3,497)        | (9,282)        |
| Impairment of interest receivables, net  | 29          | 7,420          | 1              |
| Impairment of receivables from fees and commissions, net                                 | 29          | 1,418          | 464            |
| Impairment for expected credit losses on foreign currency term deposits                  | 16          | 51             | -              |
| (Released) impairment for expected credit losses on foreign currency term deposits       | 16          | -              | (54)           |
| Impairment of operating receivables, net   | 29          | 442            | 464            |
| Provisions for potential liabilities based on litigations                                | 41          | 22             | 75             |
| <b>Total provisions and impairment, net</b>  |             | <b>156,394</b> | <b>(5,247)</b> |

Financial assets impairment in 2022 resulted mainly from the impairment charged for bad and doubtful receivable from contractual penalty (early contract termination), accrued penalty interest on uncollected receivables as well as receivables from fees and commissions for early termination of the contract on construction of the new National Bank building, in the total amount of MKD 156,068 thousand.

The impairment for expected credit losses for investments in securities in 2022 is lower compared to 2021, despite the higher investments in securities carried at amortized cost, which is mainly due to the greater credit quality of the newly acquired assets amid maturation of part of the lower credit rating instruments. The foreign currency term deposits, also carried at amortized cost, fall due in short time periods (up to 14 days) resulting in low expected credit losses.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***15. Foreign currencies**

|                    | <b>2022</b>      | <b>2021</b>      |
|--------------------|------------------|------------------|
| Euro               | 2,397,435        | 2,630,183        |
| US dollars         | 543,022          | 716,268          |
| British pounds     | 8,265            | 10,454           |
| Australian dollars | 4,204            | 4,257            |
| Swiss franc        | 4,131            | 4,466            |
| Other currencies   | 7,190            | 7,031            |
| <b>Total</b>       | <b>2,964,247</b> | <b>3,372,659</b> |

Foreign currencies include cash in foreign currency. Foreign currencies are included in cash equivalents for the purposes of the Cash Flow Statement (Note 44).

**16. Foreign currency deposits**

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Foreign currency sight deposits                               | 44,224,516        | 41,819,630        |
| Foreign currency term deposits at foreign banks up to 1 month | 9,429,658         | -                 |
| <b>Included in the cash and cash equivalents (Note 44)</b>    | <b>53,654,174</b> | <b>41,819,630</b> |
| <b>Total</b>  | <b>53,654,174</b> | <b>41,819,630</b> |

As at 31 December 2022, the foreign currency term deposits include accrued interest in the amount of MKD 2,801 thousand (2021: zero MKD).

As at 31 December 2022, the impairment for expected credit losses of term deposits amounted to MKD 51 thousand (2021: zero MKD). The movement of the impairment for expected credit losses of term deposits is shown in the table below:

|   | <b>Note</b> | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|-------------|
| <b>Balance as at 1 January</b>  |             | <b>-</b>    | <b>53</b>   |
| Increase of impairment for expected credit losses on foreign currency term deposits | 14          | 51          | -           |
| (Released) impairment for expected credit losses on foreign currency term deposits  | 14          | -           | (54)        |
| Effect of unrealized foreign exchange rate differences                              |             | -           | 1           |
| <b>Balance as at 31 December</b>  |             | <b>51</b>   | <b>-</b>    |

The deposits bear annual interest at rates contingent upon the deposit currency which during 2022 and 2021 had the following values for the respective deposits:

| <b>Interest rate type</b>   | <b>2022</b> | <b>2021</b> |
|-----------------------------|-------------|-------------|
| - Overnight deposits in USD | 1.63%       | 0.03%       |
| - Overnight deposits in EUR | 0.07%       | -0.507%     |
| - Term deposits in USD      | -           | 0.14%       |
| - Term deposits in EUR      | 1.19%       | -0.54%      |

**16. Foreign currency deposits (Continued)****Foreign currency deposits by entity type**

|                                      | <b>2022</b>       | <b>2021</b>       |
|--------------------------------------|-------------------|-------------------|
| Central banks                        | 44,115,597        | 41,168,326        |
| Foreign commercial banks             | 9,505,588         | 648,505           |
| International financial institutions | 32,989            | 2,799             |
| <b>Total</b>                         | <b>53,654,174</b> | <b>41,819,630</b> |

**Foreign currency deposits by geographic location**

|               | <b>2022</b>       | <b>2021</b>       |
|---------------|-------------------|-------------------|
| Europe        | 47,238,461        | 34,398,944        |
| Asia          | 4,465,830         | 5,491,810         |
| North America | 1,949,883         | 1,928,876         |
| <b>Total</b>  | <b>53,654,174</b> | <b>41,819,630</b> |

**17. Foreign securities**

The National Bank has investments in foreign debt securities and foreign equity securities. The investments in foreign debt securities are classified as securities at fair value through profit and loss and securities at amortized cost, while the investments in foreign equity securities are classified as securities at fair value through other comprehensive income.

|   | <b>2022</b>        | <b>2021</b>        |
|---|--------------------|--------------------|
| Bonds   | 93,562,550         | 108,829,824        |
| Commercial bills  | 11,675,460         | -                  |
| Discounted bills  | 7,584,127          | 16,452,011         |
| Certificate of deposits   | 2,904,054          | -                  |
| <b>Debt securities at fair value through profit and loss</b>              | <b>115,726,191</b> | <b>125,281,835</b> |
| Bonds   | 42,077,870         | 32,047,748         |
| <b>Debt securities at amortized cost</b>                                  | <b>42,077,870</b>  | <b>32,047,748</b>  |
| Foreign equity securities, BIS  | 41,208             | 40,945             |
| Foreign equity securities, SWIFT <sup>17</sup>                            | 2,684              | 2,187              |
| <b>Equity securities at fair value through other comprehensive income</b> | <b>43,892</b>      | <b>43,132</b>      |
| <b>Total</b>  | <b>157,847,953</b> | <b>157,372,715</b> |
| Current   | 118,560,575        | 129,808,861        |
| Non-current   | 39,287,378         | 27,563,854         |

<sup>17</sup> Society for Worldwide Interbank Financial Telecommunications - SWIFT.

**17. Foreign securities (Continued)**

The portfolio of the securities at fair value through profit and loss contains high quality debt securities, including bonds, commercial bills, discounted bills and certificates of deposits. The investments in securities at fair value through profit and loss are aligned with the fair value and bear fixed coupon interest at a rate ranging between 0% and 4.25% p.a. (2021: from 0% to 5.85% p.a.). Foreign securities at fair value through profit and loss include accrued interest in amount of MKD 293,820 thousand (2021: MKD 555,500 thousand).

Securities at amortized cost bear fixed income with interest rate ranging between 0% and 4.85% p.a. (2021: from 0% to 5.5% p.a.). Foreign securities at amortized cost include accrued interest in amount of MKD 260,072 thousand (2021: MKD 215,481 thousand).

As at 31 December 2022, the impairment for expected credit losses of securities at amortized cost amounted to MKD 9,862 thousand (2021: MKD 10,577 thousand). The movement of the impairment for expected credit losses of securities at amortized cost is shown in the table below:

|   | Note | 2022          | 2021          |
|---|------|---------------|---------------|
| <b>Balance as at 1 January</b>  |      | <b>10,577</b> | <b>16,792</b> |
| Increase of impairment for expected credit losses of the securities at amortized cost | 14   | 2,805         | 3,085         |
| (Released) impairment for expected credit losses of the securities at amortized cost  | 14   | (3,497)       | (9,282)       |
| Effect of unrealized foreign exchange rate differences                                |      | (23)          | (18)          |
| <b>Balance as at 31 December</b>  |      | <b>9,862</b>  | <b>10,577</b> |

BIS and SWIFT shares represent unquoted equity instruments classified as securities at fair value through other comprehensive income.

The National bank owns 430 ordinary BIS shares (nominal value of 5,000 SDR per share – paid up at 25% of their nominal value). The fair value of BIS shares cannot be reliably determined and therefore are carried at cost. Thus it is considered that their cost reflects their fair value. National bank owns 6 ordinary SWIFT shares with nominal value of 125 EUR per share, acquired at cost of 5,915 EUR per share. The fair value of SWIFT shares as of 31 December 2022, according to the data published by the company, is 7,275 EUR per share.

**18. Derivatives**

During 2022 and 2021, the National Bank made derivative transactions – bond futures. During 2022, the National Bank made derivative transactions – bond futures with a total nominal value of MKD 4,919,456 thousand (2021: derivative transactions – bond futures with a total nominal value of MKD 978,725 thousand).

As of 31 December 2022, the National Bank has no open futures positions. Gains and losses from changes of the fair value of futures have been recognized in the income statement (Note 8).

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***19. Gold**

|                                 | <b>2022</b>       | <b>2021</b>       |
|---------------------------------|-------------------|-------------------|
| Sight gold deposits             | 13,687,570        | 9,994,383         |
| Term gold deposits              | 9,425,612         | 11,889,498        |
| Gold in the National Bank vault | 42,161            | 39,932            |
| <b>Total</b>                    | <b>23,155,343</b> | <b>21,923,813</b> |
| Current                         | 23,155,343        | 21,923,813        |

As of 31 December 2022, the National Bank total gold reserves were 221,527.1627 ounces (2021: 221,520.1677 ounces) at a fair value of US Dollar 1,812.35 or MKD 104 thousand per ounce (2021: US Dollar 1,820.10 or MKD 99 thousand per ounce).

Interest rates on term gold deposits in 2022 ranged between 0.08% and 0.52% p.a. for gold deposits based on the price of the gold in US Dollars (2021: at an interest rate between 0.04% and 0.25% p.a.). As of 31 December 2022, term gold deposits include accrued interest in the amount of MKD 8,342 thousand (2021: MKD 984 thousand).

**20. Special Drawing Rights**

The National Bank maintains an SDR-denominated current account with the IMF used for processing and settling all transactions with the IMF. As of 31 December 2022, the special drawing rights amounted to MKD 24,679 thousand (2021: MKD 80,443 thousand).

This current account bears interest in the amount of the so-called IMF basic rate. In 2022, the basic rate ranged from 0.050% to 2.916% p.a. (2021: from 0.050% to 0.115% p.a.). Special Drawing Rights are included in cash equivalents for the purposes of the Cash Flow Statement (Note 44).

**21. Receivables based on foreign repo transactions**

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
| Reverse repo transaction in foreign currency with received collateral in securities | 8,902,551        | 2,127,117        |
| <b>Total</b>  | <b>8,902,551</b> | <b>2,127,117</b> |
| Current   | 8,902,551        | 2,127,117        |

During 2022 and 2021, the National Bank entered into foreign banks reverse repo transactions with received collateral in securities. As of 31 December 2022, the fair value of the received collateral in securities (government bonds with credit rating BBB) is MKD 8,823,366 thousand (31.12.2021: MKD 2,119,667 thousand). Receivables from reverse repo transactions include accrued interest of MKD 6,186 thousand (2021: accrued interest liabilities of MKD 780 thousand).

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***22. Receivables from Government related to IMF**

|   | <b>Note</b> | <b>2022</b>       | <b>2021</b>       |
|---|-------------|-------------------|-------------------|
| <b>Receivables from Government related to net cumulative allocation, on behalf and for the account of IMF</b> |             |                   |                   |
| Receivables based on the spending of the general allocation from 2021   | 39a         | 10,309,305        | 10,243,548        |
| Receivable related to general and special net cumulative allocation from 2009                                 | 39a         | 4,388,194         | 4,360,204         |
| Receivable related to SDR inherited allocation  | 39a         | 642,356           | 638,260           |
| <b>Total</b>  |             | <b>15,339,855</b> | <b>15,242,012</b> |
| <b>Receivables from Government on behalf and for the account of IMF, based on IMF credit lines</b>            |             |                   |                   |
| Receivable based on the spending of borrowed funds - RFI <sup>18</sup>  | 39b         | 10,823,523        | 10,706,402        |
| Receivable based on the spending of borrowed funds - PLL <sup>19</sup>  | 39b         | 6,480,058         | -                 |
| <b>Total</b>  |             | <b>17,303,581</b> | <b>10,706,402</b> |
| <b>Total</b>  |             | <b>32,643,436</b> | <b>25,948,414</b> |
| Current   |             | 18,122,607        | 15,260,851        |
| Non-current   |             | 14,520,829        | 10,687,563        |

Counterparty of these balance sheet positions are payables based on SDR allocation and borrowing from IMF, on behalf and for the account of the Government.

**23. IMF Membership**

According to the IMF's Articles of Agreement, ratified by the Assembly and to the Law on the Legal Inheritance of the Republic of Macedonia of the Membership in the International Monetary Fund, the National Bank acts as a fiscal agent of the Republic of North Macedonia and simultaneously behaves as a depositary of the IMF in the Republic of North Macedonia. As such, the National Bank also keeps records of the quota of the Republic of North Macedonia for membership in the IMF, on the account no. 1 and the account no. 2.

The quota of the Republic of North Macedonia for membership in the IMF is amounted MKD 11,043,104 thousand at the end of 2022, the account no. 1 amounts to MKD 27,677 thousand and the account no. 2 amounts to MKD 160 thousand (2021: MKD 10,208,567 thousand, MKD 25,586 thousand, and MKD 148 thousand, respectively, for the three positions). The changes are due to the valuation of these positions at the SDR exchange rate as of 30 April 2022, according to the IMF financial year (Note 39c).

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<sup>18</sup> Rapid Financing Instrument - RFI.

<sup>19</sup> Precautionary and Liquidity Line - PLL.



**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***24. Loans to banks**

Amid increased liquidity needs of the domestic banks in 2022, the National Bank created liquidity based on concluded auctions of repo transactions with received collateral in Government securities and National Bank bills (2021: auctions of repo transactions have not been concluded).

As of 31 December 2022, the National Bank has no receivables from approved loans based on concluded auctions of repo transactions with the domestic banks.

**25. Other receivables**

|  | <b>2022</b>    | <b>2021</b>    |
|--|----------------|----------------|
| Receivables from a bank under bankruptcy               | 730,039        | 730,039        |
| Bank's receivables related to overdue auction deposits | 5,268          | 5,268          |
| <b>Total</b>   | <b>735,307</b> | <b>735,307</b> |
| Impairment of receivables                              | (735,307)      | (735,307)      |
| <b>Total</b>   | <b>-</b>       | <b>-</b>       |

In January 2004, the National Bank paid out MKD 1,018,258 thousand to foreign banks on the basis of guarantees given for borrowings of one Macedonian bank from foreign banks, in accordance with the Decision on the criteria and the conditions for the use of a portion of the foreign reserves based on guarantees for borrowings of Macedonian banks from foreign banks, which ceased being valid in March 2003. The National Bank created a receivable from the domestic bank. Bankruptcy proceeding was initiated against the bank in March 2004. The National Bank recorded receivables from guarantees granted by the bank under bankruptcy worth MKD 1,034,569 thousand. The National Bank made full impairment of the receivables from the bank under bankruptcy.

During the period from 2010 to 2019, the National Bank collected part of the receivable from the bank under bankruptcy, in amount of MKD 304,530 thousand from which MKD 231,234 thousand were collected based on a decision for advance allocation from the bankruptcy estate of the domestic bank in bankruptcy and from the bankruptcy estate of a debtor of the domestic bank in bankruptcy and MKD 73,296 thousand were collected based on foreclosed assets for uncollected receivables.

Overdue receivable based on overdue auction deposits relate to auction deposits of other domestic bank which was not repaid on time. In 1999, a bankruptcy proceeding was initiated against this bank which is still pending. The National Bank fully impaired the receivables from the bank under bankruptcy in amount of MKD 9,268 thousand. In 2013, the National bank collected part of the receivables in the amount of MKD 1,000 thousand, while in 2019, the National Bank collected part of the receivables in the amount of MKD 3,000 thousand.

In 2022 and 2021, there was no collection of these receivables.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**
**Notes to the Financial Statements for the year ended 31 December 2022**
*(Amounts expressed in thousands of MKD unless otherwise stated)*
**26. Property and equipment**

|  | Land and buildings | Furniture, equipment and vehicles | Works of art  | Library fund | Assets under construction | Total assets for business purposes | Property and equipment for recreational purposes | Total            |
|--|--------------------|-----------------------------------|---------------|--------------|---------------------------|------------------------------------|--|------------------|
| <b>As at 1 January 2021</b>                      |                    |                                   |               |              |                           |                                    |  |                  |
| Cost   | 814,013            | 563,362                           | 64,361        | 4,904        | 808,729                   | 2,255,369                          | 34,149   | 2,289,518        |
| Accumulated depreciation                         | (474,727)          | (520,112)                         | -             | -            | -                         | (994,839)                          | (22,001)   | (1,016,840)      |
| <b>As at 1 January 2021, net carrying amount</b> | <b>339,286</b>     | <b>43,250</b>                     | <b>64,361</b> | <b>4,904</b> | <b>808,729</b>            | <b>1,260,530</b>                   | <b>12,148</b>                                    | <b>1,272,678</b> |
| Additions  |                    |                                   |               |              |                           |                                    |  |                  |
| - Cost   | 1,422              | 63,419                            | -             | 66           | 166,297                   | 231,204                            | -  | 231,204          |
| Disposals and write-offs                         |                    |                                   |               |              |                           |                                    |  |                  |
| - Cost   | -                  | (43,444)                          | -             | -            | -                         | (43,444)                           | -  | (43,444)         |
| - Accumulated depreciation                       | -                  | 43,444                            | -             | -            | -                         | 43,444                             | -  | 43,444           |
| Transfers  |                    |                                   |               |              |                           |                                    |  |                  |
| - Cost   | -                  | (3,060)                           | -             | -            | -                         | (3,060)                            | (14)   | (3,074)          |
| - Accumulated depreciation                       | -                  | 3,001                             | -             | -            | -                         | 3,001                              | 14   | 3,015            |
| Depreciation for the year                        | (25,196)           | (25,378)                          | -             | -            | -                         | (50,574)                           | (637)  | (51,211)         |
| <b>As at 31 December 2021</b>                    | <b>315,512</b>     | <b>81,232</b>                     | <b>64,361</b> | <b>4,970</b> | <b>975,026</b>            | <b>1,441,101</b>                   | <b>11,511</b>                                    | <b>1,452,612</b> |
| <b>As at 31 December 2021</b>                    |                    |                                   |               |              |                           |                                    |  |                  |
| Cost   | 815,435            | 580,277                           | 64,361        | 4,970        | 975,026                   | 2,440,069                          | 34,135   | 2,474,204        |
| Accumulated depreciation                         | (499,923)          | (499,045)                         | -             | -            | -                         | (998,968)                          | (22,624)   | (1,021,592)      |
| <b>Net carrying amount</b>                       | <b>315,512</b>     | <b>81,232</b>                     | <b>64,361</b> | <b>4,970</b> | <b>975,026</b>            | <b>1,441,101</b>                   | <b>11,511</b>                                    | <b>1,452,612</b> |

  

|  | Land and buildings | Furniture, equipment and vehicles | Works of art  | Library fund | Assets under construction | Total assets for business purposes | Property and equipment for recreational purposes | Total            |
|--|--------------------|-----------------------------------|---------------|--------------|---------------------------|------------------------------------|--|------------------|
| <b>As at 1 January 2022</b>                      |                    |                                   |               |              |                           |                                    |  |                  |
| Cost   | 815,435            | 580,277                           | 64,361        | 4,970        | 975,026                   | 2,440,069                          | 34,135   | 2,474,204        |
| Accumulated depreciation                         | (499,923)          | (499,045)                         | -             | -            | -                         | (998,968)                          | (22,624)   | (1,021,592)      |
| <b>As at 1 January 2022, net carrying amount</b> | <b>315,512</b>     | <b>81,232</b>                     | <b>64,361</b> | <b>4,970</b> | <b>975,026</b>            | <b>1,441,101</b>                   | <b>11,511</b>                                    | <b>1,452,612</b> |
| Additions  |                    |                                   |               |              |                           |                                    |  |                  |
| - Cost   | -                  | 12,410                            | -             | 257          | 89,730                    | 102,397                            | 20   | 102,417          |
| Disposals and write-offs                         |                    |                                   |               |              |                           |                                    |  |                  |
| - Cost   | -                  | (8,632)                           | -             | (2)          | -                         | (8,634)                            | -  | (8,634)          |
| - Accumulated depreciation                       | -                  | 8,593                             | -             | -            | -                         | 8,593                              | -  | 8,593            |
| Transfers  |                    |                                   |               |              |                           |                                    |  |                  |
| - Cost   | 94                 | -                                 | -             | -            | (94)                      | -                                  | -  | -                |
| - Accumulated depreciation                       | -                  | -                                 | -             | -            | -                         | -                                  | -  | -                |
| Depreciation for the year                        | (25,264)           | (27,803)                          | -             | -            | -                         | (53,067)                           | (640)  | (53,707)         |
| <b>As at 31 December 2022</b>                    | <b>290,342</b>     | <b>65,800</b>                     | <b>64,361</b> | <b>5,225</b> | <b>1,064,662</b>          | <b>1,490,390</b>                   | <b>10,891</b>                                    | <b>1,501,281</b> |
| <b>As at 31 December 2022</b>                    |                    |                                   |               |              |                           |                                    |  |                  |
| Cost   | 815,529            | 584,055                           | 64,361        | 5,225        | 1,064,662                 | 2,533,832                          | 34,155   | 2,567,987        |
| Accumulated depreciation                         | (525,187)          | (518,255)                         | -             | -            | -                         | (1,043,442)                        | (23,264)   | (1,066,706)      |
| <b>Net carrying amount</b>                       | <b>290,342</b>     | <b>65,800</b>                     | <b>64,361</b> | <b>5,225</b> | <b>1,064,662</b>          | <b>1,490,390</b>                   | <b>10,891</b>                                    | <b>1,501,281</b> |

**26. Property and equipment (Continued)**

Property and equipment for recreational purposes consist of buildings and fixtures and fittings within the buildings.

As a part of the reforms of the payment system, in 2001, the National Bank overtook the function for supplying cash from the former Payment Operations Bureau (POB), and part of the buildings, equipment and the furniture of the POB related to such function in ten towns throughout the country. These assets were transferred under the National Bank's possession, but the ownership has not been transferred yet due to incomplete partition balance with POB, and consequently, the assets have not been recorded in the National Bank books.

In 2013, the Government made a decision to give the National Bank a right of permanent use of land owned by the Republic of North Macedonia with purpose of building new business premises. The land is not recorded in the books of the National Bank. As of 31 December 2022, the balance of investments in assets under construction related to the new business premises amounts to MKD 1,055,246 thousand (2021: MKD 974,932 thousand). During 2022, the National Bank made investments in assets under construction related to the new business premises in the amount of MKD 80,314 thousand (2021: MKD 166,297 thousand) (Note 45b).

The construction contract was terminated in July 2022, due to breach of contractual obligations by the contractor, and the National Bank took measures to protect the building under construction. During the last quarter of 2022, pre-bankruptcy proceeding was initiated against the former contractor that is still on-going. Since the beginning of 2023, the National Bank is undertaking preparatory activities to continue the construction.

In 2022 and 2021, the National Bank has no encumbrances over its property and equipment.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***27. Intangible assets**

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
| <b>Balance as at 1 January</b>           |               |               |
| Cost                                     | 281,413       | 262,479       |
| Assets under construction                | 6,242         | 6,103         |
| Accumulated amortization                 | (255,694)     | (239,777)     |
| <b>Net carrying amount</b>               | <b>31,961</b> | <b>28,805</b> |
| Additions during the year                |               |               |
| - Cost                                   | 16,482        | 18,291        |
| Disposals and write-offs during the year |               |               |
| - Cost                                   | (1,301)       | (2,431)       |
| - Accumulated amortization               | 1,301         | 2,431         |
| Transfers:                               |               |               |
| - Cost                                   | -             | 3,074         |
| - Accumulated amortization               | -             | (3,015)       |
| Amortization charge                      | (14,532)      | (15,333)      |
| Assets under construction                | (5,637)       | 139           |
| <b>Balance as at 31 December</b>         | <b>28,274</b> | <b>31,961</b> |
| <b>Balance as at 31 December</b>         |               |               |
| Cost                                     | 296,594       | 281,413       |
| Assets under construction                | 605           | 6,242         |
| Accumulated amortization                 | (268,925)     | (255,694)     |
| <b>Net carrying amount</b>               | <b>28,274</b> | <b>31,961</b> |

**28. Coins from precious metals**

As at 31 December 2022 coins from precious metals amounted to MKD 5,815 thousand (2021: MKD 5,703 thousand).

Coins from precious metals include jubilee coins, collector coins and sets of coins.

The jubilee coins are gold and silver coins which, as defined by the decision of the Government, were manufactured for the purposes of celebrating jubilees relevant to the country. As at 31 December 2022, the National Bank held at stock 173 gold coins and 25 silver coins (31 December 2021: 173 gold coins and 26 silver coins).

According to the Law on the National Bank, as of June 2014, the National Bank started selling collector coins, which at the same time represent legal tender. In 2016, the National Bank started selling collector coins through commission. As at 31 December 2022, the National Bank held at a stock 218 pieces of collector coins (31 December 2021: 268 pieces).

As at 31 December 2022, the National Bank held at a stock 2,856 pieces set of coins (2021: 2,931 pieces set of coins).

Revenues from the sale of collector coins and sets of coins are presented in Note 11.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***29. Operating receivables**

The operating receivables contain foreign currency receivables from paid interest, fees and other expenses on behalf and for the account of the Government based on IMF net cumulative allocation, receivables from commissions and fees for services provided by the National Bank, receivables for maintenance of premises and other receivables:

|  | <b>2022</b>    | <b>2021</b>   |
|--|----------------|---------------|
| Foreign currency receivables from paid interest, fees and other expenses on behalf and for the account of the Government (Net Cumulative Allocation) | 70,419         | 765           |
| Commissions and fees   | 38,041         | 30,515        |
| Receivables for maintenance of premises  | 2,643          | 1,614         |
| Other receivables  | 564,844        | 407,814       |
| Impairment of other receivables  | (564,844)      | (407,814)     |
| <b>Total</b>   | <b>111,103</b> | <b>32,894</b> |

The movement of impairment of the other receivables is presented below:

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| <b>Balance as at 1 January</b>  | <b>407,814</b> | <b>406,961</b> |
| Increase of impairment of contract negligence penalty receivables (Note 14) | 147,733        | -              |
| Increase of impairment of interest receivables (Note 14)                    | 7,420          | 1              |
| Increase of impairment of receivables from commissions and fees (Note 14)   | 1,418          | 464            |
| Increase of impairment of operating receivables (Note 14)                   | 442            | 464            |
| Increase / (Write off) of bad and doubtful receivables                      | 4              | (77)           |
| Effect of unrealized exchange rate differences                              | 13             | 1              |
| <b>Balance as at 31 December</b>  | <b>564,844</b> | <b>407,814</b> |

**30. Other assets**

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| Prepaid expenses for purchased banknotes and coins          | 172,380        | 75,778         |
| Other receivables in foreign currency                       | 23,615         | 281            |
| Office and other materials                                  | 12,592         | 12,325         |
| Other accrued expenses                                      | 6,671          | 5,503          |
| Advances  | 5,816          | 43,770         |
| Assets on other basis                                       | 129            | 59             |
| Foreclosed assets for uncollected receivables               | 55,848         | 55,848         |
| Impairment on foreclosed assets for uncollected receivables | (55,848)       | (55,848)       |
| <b>Total</b>  | <b>221,203</b> | <b>137,716</b> |
| Current   | 208,611        | 125,391        |
| Non-current   | 12,592         | 12,325         |

Prepaid expenses for purchased banknotes and coins refer to the paid liabilities based on concluded contracts for procurement of banknotes and coins. In 2021, the most significant item from the Advances' balance represents advances paid regarding the contracts for the new office building. The construction contract was terminated in 2022, hence the paid advances have been collected by activating the advance L/G issued by the contractor.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA**
**Notes to the Financial Statements for the year ended 31 December 2022**
*(Amounts expressed in thousands of MKD unless otherwise stated)*
**31. Currency in circulation**

Currency in circulation comprises the following:

| 2022   |               |             | 2021                   |             |                        |
|--|---------------|-------------|------------------------|-------------|------------------------|
|  | Nominal value | Pieces      | Value in MKD thousands | Pieces      | Value in MKD thousands |
| MKD  |               |             |                        |             |                        |
| Currency in circulation (legal tender)             |               |             |                        |             |                        |
| Banknotes  | 100           | 17,701,456  | 1,770,146              | 16,519,578  | 1,651,958              |
|  | 200           | 941,142     | 188,228                | 1,333,335   | 266,667                |
|  | 500           | 10,572,856  | 5,286,428              | 11,282,603  | 5,641,301              |
|  | 1000          | 22,696,936  | 22,696,936             | 22,596,970  | 22,596,970             |
|  | 2000          | 10,892,251  | 21,784,502             | 9,606,016   | 19,212,032             |
| Total banknotes                                    |               |             | 51,726,240             | 49,368,928  |                        |
| Polymer banknotes                                  | 10            | 29,567,556  | 295,676                | 25,961,988  | 259,620                |
|  | 50            | 6,400,562   | 320,028                | 5,850,292   | 292,515                |
| Total polymer banknotes                            |               |             | 615,704                | 552,135     |                        |
| Coins  | 1             | 123,522,884 | 123,523                | 115,542,580 | 115,542                |
|  | 2             | 87,785,204  | 175,570                | 83,501,859  | 167,004                |
|  | 5             | 47,888,934  | 239,445                | 44,722,791  | 223,614                |
|  | 10            | 39,161,315  | 391,613                | 38,060,758  | 380,608                |
|  | 50            | 5,538,878   | 276,944                | 5,613,906   | 280,695                |
| Total coins  |               |             | 1,207,095              | 1,167,463   |                        |
| Total currency in circulation (legal tender)       |               |             | 53,549,039             | 51,088,526  |                        |
| Currency in circulation - Collector coins          |               |             |                        |             |                        |
| Coins  | 10            | 91,922      | 919                    | 91,912      | 919                    |
|  | 100           | 101,344     | 10,135                 | 101,304     | 10,130                 |
|  | 1000          | 557         | 557                    | 557         | 557                    |
|  | 2000          | 45          | 90                     | 45          | 90                     |
| Total currency in circulation – Collector coins    |               |             | 11,701                 | 11,696      |                        |
| Currency in circulation – Not a legal tender       |               |             |                        |             |                        |
| Coins  | 0.5           | 4,345,792   | 2,173                  | 4,345,792   | 2,173                  |
| Banknotes  | 10            | 16,922,578  | 169,226                | 16,928,588  | 169,286                |
| Banknotes  | 50            | 2,253,692   | 112,684                | 2,254,635   | 112,732                |
| Banknotes  | 5000          | 1,543       | 7,715                  | 1,605       | 8,025                  |
| Total currency in circulation – Not a legal tender |               |             | 291,798                | 292,216     |                        |
| Total currency in circulation                      |               |             | 53,852,538             | 51,392,438  |                        |

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***32. Bank and saving house deposits**

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Bank and saving house deposit facilities in MKD with the National Bank                      | 48,793,233        | 36,067,024        |
| Bank deposits and other accounts of financial institutions in MKD held at the National bank | 19,037,564        | 30,637,968        |
| Bank deposit in foreign currency RTGS – EUR   | 5,602,864         | 6,739,690         |
| Bank deposit in foreign currency with maturity up to 1 month                                | 738,484           | 616,072           |
| Bank deposit in foreign currency with maturity from 1 to 3 months                           | 123,120           | -                 |
| <b>Total</b>  | <b>74,295,265</b> | <b>74,060,754</b> |
| Current   | 74,295,265        | 74,060,754        |

Domestic banks, foreign banks' branches and saving houses<sup>20</sup> have the right to place deposit facilities with the National Bank. Deposits fall due in one working day (overnight deposits) and seven days, without possibility of early withdrawal, neither in part nor in total amount.

The interest rate on overnight deposit facilities in 2022 ranged from 0.15% to 2.65% p.a. (2021: 0.15% p.a.), while the interest rate on 7-day deposit facilities in 2022 ranged from 0.3% to 2.7% p.a. (2021: 0.3% p.a.). Seven-day bank and saving house deposit facilities include accrued interest in the amount of MKD 1,234 thousand (2021: MKD 24 thousand).

Deposit liabilities to banks and other accounts of financial institutions in MKD reflect the balances on their accounts held at the National Bank for settling payment transactions. The funds on those accounts are included in the fulfillment of the MKD reserve requirement.

The National bank does not pay interest on banks' assets placed at the National bank denominated in MKD through which they fulfill the obligation of reserve requirement and the residue of funds on their accounts, as well as on the accounts of the financial institutions.<sup>21</sup>

For settlement purposes of domestic banks, the National Bank has open accounts in Euros in RTGS for connection to TARGET 2 Euro payment system.

The interest rate on placed deposits in foreign currency with maturity up to 1 month, during 2022 ranged from -0.40% to 1.2% p.a. (2021: -0.40% p.a.). Bank deposits in foreign currency with maturity up to 1 month include accrued interest payables in the amount of MKD 566 thousand (2021: accrued interest in the amount of MKD 198 thousand).

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<sup>20</sup> According to the Decision of Deposit Facility, Official Gazette of the Republic of North Macedonia No. 263/22.

<sup>21</sup> Accounts of Development Bank of North Macedonia JSC Skopje for different projects.

**32. Bank and saving house deposits (Continued)**

During 2022, the interest rate on placed foreign currency deposits with maturity from 1 to 3 months ranged from -0.37% to 1.7% p.a. Bank deposits in foreign currency with maturity from 1 to 3 months, include accrued interest payables in the amount of MKD 134 thousand (2021: the domestic banks do not have placements in foreign currency deposits with maturity from 1 to 3 months).

**33. Reserve requirement of banks in foreign currency and reserve requirements of savings houses in MKD**

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| Banks' reserve requirement in foreign currency | 27,125,601        | 19,935,455        |
| Savings houses' reserve requirement in MKD     | 23,366            | 25,207            |
| <b>Total</b>                                   | <b>27,148,967</b> | <b>19,960,662</b> |
| Current  | 27,148,967        | 19,960,662        |

As specified by the regulations, the banks are obliged to fulfill reserve requirement in both MKD and in foreign currency, while the savings houses are obliged to fulfill MKD reserve requirement. The reserve requirement of the savings houses is fulfilled at a fixed level.

During 2021 and from January to August 2022, the National Bank calculated reserve requirement remuneration rate in euros equal to the ECB's overnight deposit facility interest rate valid on the last day of the fulfillment period, and remuneration for the allocated funds above the reserve requirement, at the same rate reduced by 0.15 b.p. Since August 2022, the National Bank has calculated reserve requirement remuneration rate in euros equal to the lower of 0% and ECB's overnight deposit facility interest rate valid on the last day of the fulfillment period, and remuneration for the allocated funds above the reserve requirement, at the same rate reduced by 0.15 b.p.<sup>22</sup>.

During 2022, the interest rate on reserve requirement in euros was -0.50% p.a. (2021: -0.50% p.a.).

In 2022, for the amount of allocated funds on the foreign currency account in euros in RTGS, which is above 5% than the calculated reserve requirement in euros, the interest rate ranged from -0.65% to -0.15% p.a. (2021: -0.65% p.a.).

As of 31 December 2022, banks' reserve requirement in foreign currency does not include receivables based on accrued interest (2021: MKD 4,956 thousand).

<sup>22</sup> According to the Decision for reserve requirement, Official Gazette of the Republic of North Macedonia No. 177/21, No. 83/22, No. 153/22, No. 201/22 and No. 251/22.



## NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

### Notes to the Financial Statements for the year ended 31 December 2022

(Amounts expressed in thousands of MKD unless otherwise stated)

#### 34. National Bank bills issued

In 2022, the National Bank applied a tender with limited volume and a fixed interest rate. Despite the domestic banks and foreign bank branches, since November 2022, the saving houses have also been allowed to participate in the National Bank bills' auctions<sup>23</sup>.

During 2022, the National Bank bill interest rate ranged from 1.25% to 4.75% p.a. (2021: in the period from January to the first decade of March 2021, the National Bank bill interest rate was 1.5%. At the beginning of the second decade of March, the National Bank bill interest rate decreased by 0.25 b.p. and as at 31.12.2021 it was 1.25%).

As of 31 December 2022, the accrued interest on National Bank bills amounted to MKD 21,126 thousand (2021: MKD 5,545 thousand).

The cash flow related to the National Bank bills is as follows:

|                                  | 2022             | 2021             |
|----------------------------------|------------------|------------------|
| <b>Balance as at 1 January</b>   | <b>9,993,065</b> | <b>9,994,589</b> |
| National Bank bills, inflows     | 99,140,328       | 119,867,110      |
| National Bank bills, outflows    | (99,879,000)     | (120,000,000)    |
| Discount, inflows                | 196,186          | 131,366          |
| <b>Balance as at 31 December</b> | <b>9,450,579</b> | <b>9,993,065</b> |

#### 35. Liabilities based on foreign repo transactions

|   | 2022              | 2021             |
|---|-------------------|------------------|
| Repos in foreign currency with pledged collateral in securities | 22,915,335        | 2,127,069        |
| Repos in foreign currency with pledged collateral in gold       | 4,440,273         | 6,236,602        |
| <b>Total</b>  | <b>27,355,608</b> | <b>8,363,671</b> |
| Current   | 27,355,608        | 8,363,671        |

During 2022 and 2021, the National Bank made repo transactions with foreign banks in foreign currency with pledged collateral in foreign securities and gold (Note 2D).

The total market value of the collateral pledged amounts to MKD 27,219,768 thousand, of which the market value of the pledged collateral in gold amounts to MKD 4,388,521 thousand, while the market value of the pledged collateral in foreign securities amounts to MKD 22,831,247 thousand (2021: the market value of the pledged collateral in gold was MKD 6,333,785 thousand, while the market value of the pledged collateral in foreign securities was MKD 2,123,282 thousand).

<sup>23</sup> According to the Decision for National Bank bills, Official Gazette of the Republic of North Macedonia No. 263/22

**35. Liabilities based on foreign repo transactions (Continued)**

Liabilities based on foreign repo transactions with pledged collateral in securities as of 31 December 2022 include accrued interest liabilities in the amount of MKD 9,394 thousand (2021: accrued interest receivables in the amount of MKD 827 thousand), while the liabilities based on foreign repo transactions with pledged collateral in gold as of 31 December 2022 include accrued interest in the amount of MKD 2,736 thousand (2021: accrued interest receivables in the amount of MKD 1,949 thousand).

**36. Government MKD deposits**

The National Bank performs deposit operations for the government and the government administration bodies, as defined by the Law on the National Bank.

|                         | 2022              | 2021              |
|-------------------------|-------------------|-------------------|
| Unique treasury account | 23,113,816        | 23,988,875        |
| Other MKD deposits      | 869,764           | 930,731           |
| <b>Total</b>            | <b>23,983,580</b> | <b>24,919,606</b> |
| Current                 | 23,983,580        | 24,919,606        |

The National Bank pays interest on government MKD deposits as specified in the Decision for calculation and payment of interest on government deposits with the National Bank<sup>24</sup>.

During the period January - August 2022, the interest rate on government MKD deposits was determined at the level of the interest rate on overnight deposit facilities of the National Bank and ranged from 0.15% to 0.40% p.a. According to the amendment to the Decision on calculation and payment of interest, from September 2022, the interest rate on government MKD deposits is set at the level of the banks' monthly weighted interest rate on overnight MKD deposits for non-financial institutions without a currency clause and in the period from September to December 2022 ranged from 0.04% to 0.10% p.a. (2021: 0.15% p.a.).

Government deposits include accrued interest in the amount of MKD 413 thousand (2021: MKD 775 thousand).

<sup>24</sup> According to the Decision on calculation and payment of interest on government deposits with the National Bank, Official Gazette of the Republic of Macedonia No. 218/16, Official Gazette of the Republic of North Macedonia No. 183/22, government sight deposit interest is paid up to a predetermined amount, which for MKD deposits is MKD 6,000,000 thousand.

### **37. Government foreign currency deposits**

As specified by the Law on the National Bank and the Law on the Foreign Exchange Operations, the National Bank is an agent of the government for performing international payment operations. The Central Government bodies and some of the public funds, deposit their foreign currency inflows on foreign exchange accounts with the National Bank, only if the opening of such account is formally approved by the Ministry of Finance. As of 31 December 2022, these deposits are in the amount of MKD 16,360,703 thousand (2021: MKD 22,067,344 thousand).

The National Bank pays interest on government foreign currency deposits as specified in the Decision for calculation and payment of interest on government deposits with the National Bank<sup>25</sup>.

During the period January - August 2022, the interest rate on government foreign currency deposits was determined at the level of the interest rate on ECB overnight deposit facilities, and if the interest rate is negative (-0.50% for the period from January to July 2022 and 0% until the end of August 2022) no interest is calculated, and amounts 0 MKD.

According to the amendment to the Decision on calculation and payment of interest, from September 2022, the interest rate on foreign currency deposits is set at the level of the banks' monthly weighted interest rate on foreign currency overnight deposits of non-financial institutions in euros that was 0.01% p.a. for the period from September to December 2022 (2021: the interest rate on overnight deposit facilities with European Central Bank was negative and was set at -0.50%, thus according to the Decision, no interest was calculated on these deposits).

### **38. Restricted deposits**

Restricted deposits primarily include foreign assets of depositors (Government) pending the completion of remittance abroad, and funds of depositors (Government) which represent 100% cover of a letter of credit issued by the National Bank for their account. The National Bank does not pay interest on these deposits. As of 31 December 2022, the balance of the restricted deposits amounted to MKD 142,111 thousand (2021: MKD 137,929 thousand).

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<sup>25</sup> According to the Decision on calculation and payment of interest on government deposits with the National Bank, Official Gazette of the Republic of Macedonia No. 218/16, Official Gazette of the Republic of North Macedonia No. 183/22, government sight deposit interest is paid up to a predetermined amount, which for the foreign currency deposits is EUR 100,000 thousand.

### **39. Payables to IMF**

Payables to IMF comprise liabilities on the basis of net cumulative allocation, borrowings from IMF - on behalf and for the account of the Government and liabilities on the basis of IMF membership and IMF deposits.

#### **a) Payables based on Special Drawing Rights Allocation – on behalf and for the account of the Government**

By a decision of the IMF's Executive Board dated 14 December 1992, our country inherited over 5.4% of the liability on the basis of the net SDR allocation from former Yugoslavia in the amount of MKD 642,356 thousand (SDR 8,379 thousand), in accordance with the Law on the Legal Inheritance of the Republic of Macedonia in the International Monetary Fund.

By a decision of the IMF's Executive Board dated 7 August 2009, our country was granted General SDR Allocation in the amount of MKD 3,915,786 thousand (SDR 51,076 thousand). By entering into force of the Fourth Amendment of IMF's Articles of Agreement on 10 August 2009, and based on a decision of the IMF's Executive Board adopted in 1997, the country was granted Special SDR Allocation in the amount of MKD 472,408 thousand (SDR 6,162 thousand).

By a decision of the IMF's Executive Board dated 2 August 2021, our country was granted General SDR Allocation in the amount of MKD 10,309,305 thousand (SDR 134,471 thousand). The approval of the allocation of funds was assigned to IMF member countries which are participants in IMF's SDR Department proportionally to their current Quotas in IMF with a purpose to provide additional liquidity to the global economic system through support of foreign reserves of the IMF member countries.

Total liability of the Republic of North Macedonia for the SDR allocation at the end of 2022 amounted to MKD 15,339,855 thousand, or SDR 200,088 thousand (2021: MKD 15,242,012 thousand or SDR 200,088 thousand).

According to the IMF's Articles of Agreement, the liability for the SDR allocation falls due only in the case and in the amount of the cancelled SDR allocation, which requires a decision of the Council of IMF Governors, with 85% majority of votes, or in case of canceling the participation in the IMF's SDR Department.

The National Bank pays interest on the total amount of the liability on the basis of the SDR allocation (SDR 200,088,116), at the IMF's basic interest rate. The National Bank refunds the interest paid for the liability based on the SDR Allocation from the Budget of the Republic of North Macedonia.

**39. Payables to IMF (Continued)****b) Borrowings from IMF - on behalf and for the account of the Government**

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Borrowings from IMF - on behalf and for the account of the Government (RFI credit line) | 10,823,523        | 10,706,402        |
| Borrowings from IMF - on behalf and for the account of the Government (PLL credit line) | 6,480,058         | -                 |
| <b>Total (Note 22)</b>  | <b>17,303,581</b> | <b>10,706,402</b> |
| Current   | 2,782,752         | 18,839            |
| Non-current   | 14,520,829        | 10,687,563        |

In April 2020, the Government borrowed SDR 140,300 thousand (100% of the quota) from the IMF through the Rapid Financing Instrument (RFI) that provides support to the Budget of the Republic of North Macedonia<sup>26</sup>. The repayment period of the withdrawn amount from the instrument is ranged from three years and three months to five years upon withdrawal. The repayment of the withdrawn amount from the instrument will be made in eight equal quarterly installments. Repayment of the first installment will begin in July 2023.

In November 2022, the IMF approved SDR 406,870 thousand (290% of the quota) to the Government through the Precautionary and Liquidity Credit Line (PLL) that provides support to the Budget of the Republic of North Macedonia<sup>27</sup>, from which the Government withdrew SDR 84,180 thousand (60% of the quota). The repayment period of the withdrawn amount of the credit line is ranged from three years and three months to five years upon withdrawal. The repayment of the withdrawn amount of the line will be made in eight equal quarterly installments. The repayment of the first installment will begin in February 2026.

Total liability of the Republic of North Macedonia for the borrowings from IMF at the end of 2022 amounted to MKD 17,303,581 thousand, or SDR 224,480 thousand (2021: MKD 10,706,402 thousand or SDR 140,300 thousand).

The interest rate on the withdrawn amounts from the instruments is set according to the IMF rules and in accordance with the financing conditions applicable to the credit lines.

As of 31 December 2022, borrowings from the IMF on behalf and for the account of the Government include accrued interest in the amount of MKD 93,710 thousand (2021: MKD 18,839 thousand).

<sup>26</sup> According to the Decree with legal force for the Republic of North Macedonia to borrow funds from the IMF for financial support from the Rapid Financing Instrument during a state of emergency, Official Gazette of the Republic of North Macedonia No. 100/20.

<sup>27</sup> According to the Decree with legal force for the Republic of North Macedonia to borrow funds from the IMF from the Precautionary and Liquidity Line, Official Gazette of the Republic of North Macedonia No. 246/22.

**39. Payables to IMF (Continued)****c) Payables based on membership and deposits:**

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
| Liabilities based on issued promissory notes for membership in the IMF | 11,043,104        | 10,208,567        |
| Liabilities based on the account 1                                     | 27,677            | 25,585            |
| Liabilities based on the account 2                                     | 160               | 148               |
| <b>Total</b>   | <b>11,070,941</b> | <b>10,234,301</b> |
| Current  | 11,070,941        | 10,234,301        |

Resolution 66-2 Fourteenth General Review of Quotas and Reform of the Executive Board, adopted on 15 December 2010 by the Board of Governors of the IMF entered into force in February 2016, which proposed increasing the quotas for each IMF member country. According to the resolution, the quota of our country for IMF membership in 2016 increased from SDR 68,900 thousand to SDR 140,300 thousand. The National Bank, as a fiscal agent of the Republic of North Macedonia, has issued promissory notes for membership in the IMF (Note 23).

**40. Other deposits**

|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
| Liabilities based on MKD deposits to other domestic entities   | 2,751,411        | 2,329,388        |
| Liabilities based on MKD deposits to international financial institutions (IBRD <sup>28</sup> , IDA <sup>29</sup> and MIGA <sup>30</sup> ) | 11,102           | 4,376            |
| <b>Total</b>   | <b>2,762,513</b> | <b>2,333,764</b> |
| Current  | 2,762,513        | 2,333,764        |

Liabilities based on MKD deposits to other domestic entities comprise client accounts of: Clearing interbanking systems – Reserve Guarantee Fund, brokerage houses and the Central Securities Depository accounts. The brokerage houses client accounts and the Central Securities Depository account are settlement accounts used for securities transactions. The National Bank does not pay any interest on these deposits.

The MKD accounts of the international financial institutions are deposited with the National Bank. The National Bank pays no interest on these deposits.

<sup>28</sup> International Bank for Reconstruction and Development - IBRD.

<sup>29</sup> International Development Association - IDA.

<sup>30</sup> Multilateral Investment Guarantee Agency - MIGA.

**NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA****Notes to the Financial Statements for the year ended 31 December 2022***(Amounts expressed in thousands of MKD unless otherwise stated)***41. Provisions**

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Provisions for potential liabilities based on litigations with individuals and legal entities | 344         | 322         |
| <b>Total</b>  | <b>344</b>  | <b>322</b>  |

Provisions for potential liabilities on litigations pertain to the amount of principal and interest the National Bank expects to pay to the individuals and legal entities who instituted proceedings against the National Bank, once the legal proceedings are final.

The movement of the provisions for potential liabilities on litigations is shown in the table below:

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| <b>Balance as at 1 January</b>  | <b>322</b>  | <b>247</b>  |
| Charged provisions for potential liabilities based on litigations (Note 14) | 22          | 75          |
| <b>Balance as at 31 December</b>  | <b>344</b>  | <b>322</b>  |

**42. Other payables**

Payables are analyzed as follows:

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
| Deposited funds from confiscated foreign currencies and deposited guarantees  | 280,666        | 285,235        |
| Liabilities based on BNT bankruptcy   | 144,895        | 144,895        |
| Accrued interest payables in foreign currency based on concluded arrangements | 70,419         | 1,395          |
| Payables for long-term employee benefits                                      | 38,784         | 42,669         |
| Liabilities to suppliers and other liabilities                                | 16,354         | 21,731         |
| Jubilee coins counterparty  | 5,612          | 5,386          |
| Deferred income   | 4,126          | 5,247          |
| Tax liabilities   | 2,340          | 6,501          |
| Lease liabilities   | 803            | 1,764          |
| Payables for allocation of net income   | -              | 46,108         |
| <b>Total</b>  | <b>563,999</b> | <b>560,931</b> |

Liabilities on deposited funds from confiscated foreign currencies and deposited guarantees represent deposited foreign currency holdings of legal entities and individuals that are confiscated by the competent government bodies as a mandatory measure. The competent government bodies pressed charges against those legal entities and individuals, with the competent courts. Depending on the court decision, these foreign currencies are either returned to the original holder or transferred in Denar equivalent to the Budget of the Republic of North Macedonia. The National Bank pays no interest on these funds.

**42. Other payables (Continued)**

Payables related to the bankruptcy of the Bank for Foreign Trade (BNT) pertain to inherited payables of the National Bank on households' deposits present at the moment when the bank was declared bankrupt in 1995, in the amount of MKD 292,442 thousand. For the purpose of settling liabilities, the National Bank received certain property from the bankruptcy estate of the BNT that was immediately transferred to the Government without any compensation.

The accrued interest payables in foreign currency based on concluded arrangements relate to the calculated interest based on the IMF net cumulative allocation on behalf and for the account of the Government.

The liabilities for long-term employee benefits, other than pension insurance contributions, are equal to the amount of the future benefits exercised by the employees on the basis of their labor over the current and past periods, discounted to its carrying amount by applying annual weighted interest rate of 3.9045% on long-term bonds issued by our country during 2022 with a maturity of over 5 years.

Payables for allocation of net income in 2021 relate to the allocation of net income to the Budget of the Republic of North Macedonia, in accordance with the provisions of the Law on the National Bank. In 2022, the National Bank will not allocate net income to the Budget of the Republic of North Macedonia given the realized net negative distributable earnings (Note 43).

**43. Capital and reserves***Capital*

The National Bank's capital is defined by the Law on the National Bank and as of 31 December 2022, it amounted to MKD 1,289,789 thousand (2021: MKD 1,289,789 thousand).

*General and special reserves*

As stipulated by the Law on the National Bank, 70% of the distributable earnings are transferred to the general reserves until the level of the capital of the National Bank is reached. After the capital level is reached, 15% of the remaining income is transferred to the general reserves, while the remaining share is transferred to the Budget of the Republic of North Macedonia. In case of a special reserve account<sup>31</sup>, distributable earnings shall be distributed so that up to 70% shall be transferred to the special reserves account until reaching the amount set by the National Bank Council to cover costs for previously planned purposes, and 70% of the remaining balance shall be allocated to general reserves until reaching the level of capital or 15% after reaching the level of capital.

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<sup>31</sup> Defined as special reserve account in the Law on the National Bank of the Republic of North Macedonia. In 2015, the National Bank opened a special reserve account for building of new business premises.



**43. Capital and reserves (Continued)***General and special reserves (Continued)*

The general reserves may only be utilized to cover the losses of the National Bank. In order to cover the realized net negative distributable earnings for 2022, MKD 902,067 thousand have been utilized from the general reserves as of 31 December 2022.

|                  | 2022    | 2021      |
|------------------|---------|-----------|
| General reserves | 432,826 | 1,334,893 |
| Special reserves | 843,987 | 843,987   |

*Other reserves*

|  | 2022             | 2021              |
|--|------------------|-------------------|
| Other reserves from unrealized price and exchange rate differences                                     |                  |                   |
| - Other reserves from foreign exchange rate differences  | 79,669           | 129,782           |
| - Other reserves from price and exchange rate differences of gold                                      | 9,817,262        | 10,947,211        |
| - Other reserves from price differences of securities at fair value through profit and loss            | 32,296           | 17,041            |
| - Other reserves from price differences of securities at fair value through other comprehensive income | 502              | -                 |
| <b>Total</b>   | <b>9,929,729</b> | <b>11,094,034</b> |

Other reserves represent accumulated net unrealized positive foreign exchange rate and price differences from periodic exchange rate and pricing revaluations of foreign exchange assets and liabilities, which serve as a reserve against any future adverse movements in exchange rates and prices respectively.

Other reserves from foreign exchange rate differences from foreign exchange assets and liabilities in 2022, are decreased due to coverage of the net unrealized negative foreign exchange rate differences in the amount of MKD 50,113 thousand (2021: increased due to allocation of the net unrealized positive foreign exchange rate differences in the amount of MKD 129,782 thousand).

Other reserves from price and exchange rate differences of gold are decreased in 2022 on a net basis by MKD 1,129,949 thousand from which:

- increase of MKD 1,061,491 thousand as a result of the allocation of the net unrealized positive price and foreign exchange rate differences of gold (2021: net unrealized positive price and foreign exchange rate differences of gold in amount of MKD 850,039 thousand); and
- decrease of MKD 2,191,440 thousand as a result of realized exchange rate and price differences from transactions in gold during 2022, which were added to the distributable earnings in 2022 (2021: realized exchange rate and price differences from transactions in gold in total amount of MKD 1,070,362 thousand).

#### **43. Capital and reserves (Continued)**

##### *Other reserves (Continued)*

Other reserves from price differences of securities at fair value through profit and loss in 2022 increased on a net basis by MKD 15,255 thousand from which:

- increase on the basis of allocation of net unrealized positive price differences from securities at fair value through profit and loss in amount of MKD 32,296 thousand on the "security by security" principle (2021: net unrealized positive price differences from securities at fair value through profit and loss in the amount of MKD 7 thousand);
- decrease of MKD 5,599 thousand as a result of realized price changes of securities, which were added to the distributable earnings for 2022 (2021: realized price changes of securities in the amount of MKD 47,848 thousand); and
- decrease of MKD 11,442 thousand as a result of coverage of the net unrealized negative price changes of securities at fair value through profit and loss in 2022 (2021: net unrealized negative price changes of securities at fair value through profit and loss in total amount of MKD 74,897 thousand).

Other reserves from price differences of securities at fair value through other comprehensive income in 2022 increased by MKD 502 thousand due to the net unrealized positive price changes in the fair value of the foreign equity securities carried at fair value through other comprehensive income (2021: zero MKD).

Other reserves from art works and library fund as of 31 December 2022 amounted to MKD 4,085 thousand (2021: MKD 4,074 thousand). The increase in other reserves of MKD 11 thousand is due to a donation of books to the National Bank's library fund.

#### **44. Cash and cash equivalents**

|                                     | <b>2022</b>       | <b>2021</b>       |
|-------------------------------------|-------------------|-------------------|
| Foreign currencies (Note 15)        | 2,964,247         | 3,372,659         |
| Foreign currency deposits (Note 16) | 53,654,174        | 41,819,630        |
| Special Drawing Rights (Note 20)    | 24,679            | 80,443            |
| <b>Total</b>                        | <b>56,643,100</b> | <b>45,272,732</b> |

**45. Contingencies and commitments**

**a) Litigations**

The National Bank currently is a defendant in several legal proceedings arising from its operations. As at 31 December 2022, the litigations were value at MKD 447,070 thousand (2021: MKD 123,666 thousand). The National Bank disputes these allegations in the lawsuits and based on legal advice considers that no significant material liabilities will be incurred.

In 2022, the National Bank allocated provisions in the amount of MKD 22 thousand for potential liability based on litigation for which it expects to pay the liability (2021: allocated provisions in the amount of MKD 75 thousand for litigations) (Note 14 and 41).

For the other litigations, the National Bank has not allocated provisions, since the management, based on the opinion and advices from the legal professionals, believes that the final outcome of these litigations will be resolved in favor of the National Bank and that no material losses with respect to disputes will arise.

**b) Commitments**

As at 31 December 2021, the National bank has commitments based on the construction of the new business premises<sup>32</sup> in the amount of MKD 608,786 thousand, of which MKD 80,314 thousand have been settled during 2022. In July 2022, the National Bank terminated the construction contract of the new business premises, due to breach of contractual obligations by the contractor, thus there are no commitments on this basis as of 31 December 2022.

As at 31 December 2022, the National bank has commitments based on concluded contracts in the amount of MKD 59,322 thousand for investments in equipment.

**46. Related parties transactions**

The National Bank has related party transactions with the Government of the Republic of North Macedonia and with all Council members. The transactions and outstanding balances with the related parties are presented in Notes 5, 6, 12, 22, 23, 36, 37, 38 and 42.

**47. Events after the date of the statement of financial position**

Subsequent to the date of preparation of the Statement of the financial position, no materially significant events have occurred that would require corrections of the financial statements, nor events that should be disclosed in the financial statements.

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<sup>32</sup> The construction contract of the new business premises was concluded in October 2016.