



## **Financial statements and Independent Auditors' Report**

### **Savings House FULM doo, Skopje**

**31 December 2016**

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## Independent Auditors' Report

To the Management and Sole Owner of  
Savings House FULM doo, Skopje

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### Report on financial statements

We have audited the accompanying financial statements of Savings House FULM doo, Skopje ("the Savings House") which comprise the Balance sheet as at 31 December 2016, and the Income statement, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 126.

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with audit standards accepted in Republic of Macedonia<sup>1</sup>. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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<sup>1</sup> International Standards on Auditing („ISA“) published by the Board of International Standards on Auditing and Assurance („BISAA“), which came into force on 15 December 2009 translated and published in the Official Gazette of Republic of Macedonia number 79 of 2010.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Savings House as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the regulation of the National Bank of the Republic of Macedonia.

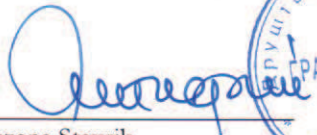
**Report on other legal and regulatory matters**

The Savings House's Management is also responsible for the preparation of the Annual report for the Savings House's performance for 2016 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion about whether the Annual report is consistent with the historical financial information presented in the Annual account and the audited financial statements of the Savings House as at and for the year that ended on 31 December 2016, in accordance with audit standards accepted in Republic of Macedonia<sup>2</sup> and the requirements of Article 34, paragraph 1, point (d) of the Law on Audit.

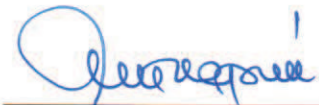
In our opinion, the historical financial information presented in the Annual report for the Savings House's as at and for the year that ended on 31 December 2016, is consistent, in all material respects, with the historic financial information presented in the Annual account and the audited financial statements of the Savings House as at and for the year that ended on 31 December 2016.

Skopje,  
06 March 2017

Grant Thornton DOO, Skopje



Suzana Stavrik  
Director



Suzana Stavrik  
Certified Auditor

<sup>2</sup> International Standards on Auditing („ISA“) published by the Board of International Standards on Auditing and Assurance („BISAA“), which came into force on 15 December 2009 translated and published in the Official Gazette of Republic of Macedonia number 79 of 2010.

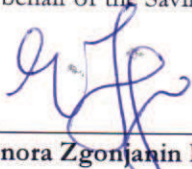
Financial statements  
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## Income statement

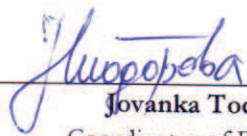
	Notes	in Denar thousand	
		2016	2015
Interest income		28,882	26,452
Interest expense		(5,468)	(4,671)
<b>Net interest income (expense)</b>	<b>6</b>	<b>23,414</b>	<b>21,781</b>
Fee and commission income		8,676	6,034
Fee and commission expense		(1,087)	(534)
<b>Net fee and commission income(expense)</b>	<b>7</b>	<b>7,589</b>	<b>5,500</b>
Net income from trading	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Foreign exchange gains/(losses), net	10	2	(7)
Other operating income	11	2,888	266
Participation in income of associates	24	-	-
Correction of value of financial assets, net.	12	(1,501)	141
Impairment losses of non-financial assets, net	13	(18)	(22)
Personnel expenses	14	(19,405)	(16,098)
Depreciation and amortization	15	(1,559)	(899)
Other operating expenses	16	(10,359)	(9,755)
Participation in losses of associates	24	-	-
<b>Profit / (loss) before taxation</b>		<b>1,051</b>	<b>907</b>
Income tax	17	(145)	(128)
<b>Profit / (loss) for the year from continuing operations</b>		<b>906</b>	<b>779</b>
<b>Profit / (loss) from group of assets and liabilities held for sale *</b>		-	-
<b>Profit/(loss) for the financial year</b>		<b>906</b>	<b>779</b>
<b>Profit / (loss) for the financial year, attributable to:*</b>			
Savings House's shareholders		-	-
minority interest		-	-
<b>Earnings per share</b>	<b>41</b>		
Basic earnings per share (in Denar)		-	-
Diluted earnings per share (in Denar)		-	-

\*For consolidated financial statements only

Financial statements were approved by the Sole Owner of Savings House on 21 February 2017.  
Signed on behalf of the Savings House by:

  
MSc Eleonora Zgonjanin Petrovic  
Director



  
Jovanka Todorova  
Coordinator of Finance

Financial statements  
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## Statement of comprehensive income

	Note	in Denar thousand	
		2016	2015
<b>Profit/(loss) for the financial year</b>		<b>906</b>	<b>779</b>
<b>Other profits/(losses) not recognized in profit or loss (prior to taxation)</b>			
Revalorization reserve for assets available-for-sale			
- Unrealized net-changes in fair value of assets available for sale		-	-
- Realized profits/(losses) of assets available for sale, reclassified in profit and loss, net		-	-
Revaluation reserves for foreclosed assets			
- Revaluation reserve as at the date of foreclosure		-	-
- Decrease of the revaluation reserve, reclassified in profit and loss		-	-
Reserve for protection against risk of cash flows			
- Unrealized net-changes in fair value of instruments for protection against risk of cash flows		-	-
- Realized profits/losses from instruments for protection against risk of cash flows,		-	-
Reserve for instruments for the protection against risk of net investments in foreign operations		-	-
Reserve for Foreign exchange differences from investments in foreign operations		-	-
Share in other profit/(loss) of associates not recognized in profit or loss	24	-	-
Other profit/(loss) not recognized in profit or loss		-	-
Income tax from other profits/(losses) not recognized in profit or loss	17	-	-
<b>Other profit/(loss) from the period not recognized in profit or loss</b>		<b>-</b>	<b>-</b>
<b>Comprehensive profit/ (loss) for the financial year</b>		<b>906</b>	<b>779</b>

**Comprehensive income/(loss) for the financial year, attributed to: \***

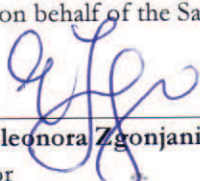
Savings House's shareholders -

minority interest -


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Director



  
Jovanka Todorova  
Coordinator of Finance

Financial statements  
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## Balance sheet

	Notes	in Denar thousand	
		2016	2015
<b>Assets</b>			
Cash and cash equivalents	18	30,554	21,595
Trading assets	19	-	-
Financial assets at fair value through profit and loss at initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Loans and receivable from banks	22.1	1,909	8,556
Loans and receivables from customers	22.2	211,008	188,401
Investments in securities	23	-	-
Investments in associates (accounted for using the equity method)	24	-	-
Income tax receivables (current)	30.1	-	65
Other receivables	25	459	222
Pledged assets	26	-	-
Foreclosed assets	27	72	90
Intangible assets	28	2,276	846
Property and equipment	29	23,351	23,610
Deferred tax assets	30.2	-	-
Non - current assets held for sale and group for disposal	31	-	-
<b>Total assets</b>		<b>269,629</b>	<b>243,385</b>
<b>Liabilities</b>			
Trading liabilities	32	-	-
Financial assets at fair value through profit and loss at its/ their initial recognition	33	-	-
Derivative liabilities held for risk management	21	-	-
Due to banks	34.1	-	-
Due to customers	34.2	156,314	135,995
Issued debt securities	35	-	-
Borrowings	36	11,896	13,993
Subordinated liabilities	37	-	-
Special reserve and provisions	38	-	-
Income tax liabilities (current)	30.1	11	-
Deferred tax liabilities	30.2	-	-
Other liabilities	39	8,241	1,136
Liabilities related to disposal group	31	-	-
<b>Total liabilities</b>		<b>176,462</b>	<b>151,124</b>

See accompanying Notes to the financial statements

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## Balance sheet (continued)


	Notes	in Denar thousand	
		2016	2015
<b>Equity and reserves</b>			
Subscribed capital	40	75,607	75,607
Share premium		-	-
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves		112	112
Other reserves		15,227	15,227
Retained earnings / (Accumulated losses)		2,221	1,315
<b>Total equity and reserves attributable to the Savings House's shareholders</b>		<b>93,167</b>	<b>92,261</b>
<b>Minority interest *</b>		-	-
<b>Total equity and reserves</b>		<b>93,167</b>	<b>92,261</b>
<b>Total liabilities and equity and reserves</b>		<b>269,629</b>	<b>243,385</b>
Contingent liabilities	42.1	-	-
Contingent assets		-	-

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Director



  
Jovanka Todorova  
Coordinator of Finance



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## Statement of changes in equity

	Equity							Retained earnings	Total equity and reserves attributable to the shareholders of the Savings House rest*						
	Subscribed capital	Share premium (Treasury shares)	Other equity instruments available for sale	Revaluation reserve for closed assets	Risk Reserve	Forex reserve	Other revaluations			Statutory reserve	Capital components of financial instruments	Other reserves	Attributable to sharehol.	Limited distrib. to sharehol.	(Accum. loss)
At 01 January 2015	75,607	-	-	-	112	-	-	15,227	-	-	536	-	-	-	91,482
Corrections to the opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 01 January 2015, corrected	75,607	-	-	-	112	-	-	15,227	-	-	536	-	-	-	91,482
Comprehensive profit/ (loss) for the financial year	-	-	-	-	-	-	-	-	-	-	779	-	-	-	779
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not recognized in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available – for – sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of risk protection of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of risk protection of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See accompanying Notes to the financial statements

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Statement of changes in equity (continued)

	Equity				Revaluation reserves			Other reserves		Retained earnings		Total equity and reserves attributable to the shareholders of the House	
	Subscribed capital	Share premium	Other equity of instruments available for sale	Reval. Reserve for fore-closed assets	Reval. Reserve for revaluation	Forex reserve	Risk Reserve	Statutory reserve	Other financial instruments reserves	Attribut. to sharehol.	Limited distrib. to sharehol.		Minority inter-Savings House rest*
Foreign exchange differences from investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets) / liabilities recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profits/ (losses) not recognized in profit or loss (in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total unrealized profit/loss recognized in equity and reserves</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive profit/ (loss) for the financial year	-	-	-	-	-	-	-	-	-	779	-	-	779
<b>Transactions with shareholders, recognized in equity and reserves:</b>													
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other changes in equity and reserves</i>	-	-	-	-	-	-	-	-	-	(536)	-	-	(536)
Reinvested profit	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with shareholders, recognized in equity and reserves</b>													
On 31 December 2015 / 01 January 2016	75,607	-	-	112	-	-	-	15,227	-	779	536	-	92,261
Corrections to the opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>At 01 January 2016, corrected</b>	<b>75,607</b>	-	-	<b>112</b>	-	-	-	<b>15,227</b>	-	<b>779</b>	<b>536</b>	-	<b>92,261</b>

See accompanying Notes to the financial statements

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Statement of changes in equity (continued)

	Equity				Revaluation reserves			Other reserves			Retained earnings		Total equity and reserves attributable to the shareholders of the House Savings and reserves	
	Subscribed capital	Share premium (Treasury shares)	Other equity instruments	Reval. Reserve of assets available for sale	Reval. Reserve for fore-closed assets	Risk Reserve	Forex reserve.	Other reser.	Statutory reserve	Capital components of hybrid financial instruments	Other to share-holders reserves	Attribut. for distrib. to share-holders		Limited distrib. sharehol. loss))
<b>Comprehensive profit/ (loss) for the financial year</b>	-	-	-	-	-	-	-	-	-	-	906	-	-	906
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not recognized in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available – for – sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of protection against risk of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of protection against risk of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences from investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets) / liabilities recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profits/ (losses) not recognized in profit or loss (in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized profit/(loss) recognized in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Comprehensive profit/ (loss) for the financial year</b>	-	-	-	-	-	-	-	-	-	-	906	-	-	906

See accompanying Notes to the financial statements

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Statement of changes in equity (continued)

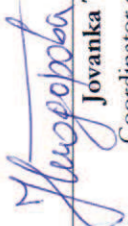
	Equity			Revaluation reserves			Other reserves			Retained earnings		Total equity and reserves attributable to the shareholders of the House			
	Subscribed capital	Share premium	(Treasury shares)	Revaluation of equity of assets available for sale	Reserve for revaluation of closed assets	Risk Reserve	Forex reserve	Other revaluation reserves	Statutory reserve	Financial instruments	Other reserves		Attributed to sharehol.	Limited distrib. to sharehol.	Minority interest*
<b>Transactions with shareholders, recognized in equity and reserves:</b>															
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to reinvested profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with shareholders, recognized in equity and reserves</b>															
At 31 December 2016	75,607	-	-	-	112	-	-	-	15,227	-	(779)	779	906	1,315	93,167

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Financial statements were approved by the Sole Owner of Savings House on 21 February 2017.

Signed on behalf of the Savings House by:

  
MSc Eleonora Zgonjanin Petrovic  
Director

  
Jovanka Todorova  
Coordinator of Finance



See accompanying Notes to the financial statements

## Statement of cash flows

		<i>in Denar thousand</i>	
		Year ended on 31 December	
	Notes	2016	2015
<b>Cash flows from operating activity</b>			
Profit / (Loss) before taxation		1,051	907
Adjustment for:			
Minority interest, included in consolidated income statement *		-	-
<i>Amortization and depreciation of:</i>			
Intangible assets		515	483
Property and equipment		1,044	416
<i>Capital gain from:</i>			
Sale of intangible assets		-	-
Sale of property and equipment		-	-
Sale of foreclosed assets		-	-
<i>Capital loss from:</i>			
Sale of intangible assets		-	-
Sale of property and equipment		-	-
Sale of foreclosed assets		-	-
Interest income		(28,882)	(26,452)
Interest expense		5,468	4,671
Net trading expenses / (income)		-	-
<i>Impairment losses of financial assets, net</i>		1,501	(141)
additional impairment losses		26,486	23,573
release of impairment losses		(24,985)	(23,714)
<i>Impairment losses of non – financial assets, net</i>		18	22
additional impairment losses		18	22
release of impairment losses		-	-
<i>Special reserve</i>		-	-
additional provisions		-	-
release of provisions		-	-
Dividends		-	-
Participation in profit / (loss) of associates		-	-
Other adjustments		(122)	58
Received interest		28,774	26,390
Paid interest		(5,371)	(4,710)
<b>Profit / (Loss) from operations before changes in operating assets</b>		<b>3,996</b>	<b>1,644</b>
<i>(Increase) / decrease of operating assets:</i>			
Trading assets		-	-
Derivative assets held for risk management		-	-
Loans and receivable from banks		7,000	-
Loans and receivables from customers		(24,317)	(11,904)
Pledged assets		-	-
Foreclosed assets		-	-
Obligatory deposit in foreign currency		-	-
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(151)	(110)
Deferred tax assets		-	-
Non - current assets held for sale and group for disposal		-	-
Increase / (decrease) in operating liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-

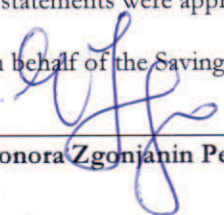
in Denar thousand

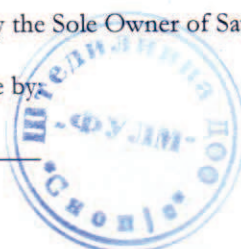
Statement of cash flows (continued)	Year ended on 31 December	
	2016	2015
Due to banks	-	-
Due to customers	20,221	10,476
Other liabilities	7,105	(458)
Liabilities related to disposal group of assets	-	-
<b>Net cash flow from operating activities before taxation</b>	<b>13,854</b>	<b>(352)</b>
(Paid) / received income tax	(69)	(244)
<b>Net cash flow from operating activities</b>	<b>13,785</b>	<b>(596)</b>
<b>Cash flow from investment activity</b>		
(Investments in securities)	-	-
Inflows from sale of investment in securities	-	3,166
(Outflows from investment in subsidiaries and associates)	-	-
Inflows from disposal of investment in subsidiaries and associates	-	-
(Purchase of intangible assets)	(1,945)	(327)
Inflows from sale of intangible assets	-	-
(Purchase of property and equipment)	(785)	(23,026)
Inflows from sale of property and equipment	-	-
(Outflows from non – current assets held for sale)	-	-
Inflows from non – current assets held for sale	-	-
(Other outflows from investing activity)	-	-
Other inflows from investing activity	-	-
<b>Net cash flow from investing activity</b>	<b>(2,730)</b>	<b>(20,187)</b>
<b>Cash flow from financing activity</b>		
(Repayment of debt securities issued)	-	-
Inflows from debt securities issued	-	-
(Repayment of borrowings)	(2,096)	-
Increase of borrowings	-	10,849
(Repayment of issued subordinated debts)	-	-
Inflows from issued subordinated debts	-	-
Inflows from issued shares / equity instruments during the period	-	-
(Purchase of treasury shares)	-	-
Sold treasury shares	-	-
(Dividends paid)	-	-
(Other outflows from financing)	-	-
Other inflows from financing	-	-
<b>Net cash flow from financing activity</b>	<b>(2,096)</b>	<b>10,849</b>
Effect from allowance for impairment of cash and cash equivalents	-	-
Effect from foreign exchange differences of cash and cash equivalents	-	-
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>8,959</b>	<b>(9,934)</b>
Cash and cash equivalents as at 01 January	21,595	31,529
<b>Cash and cash equivalents at 31 December</b>	<b>18 30,554</b>	<b>21,595</b>

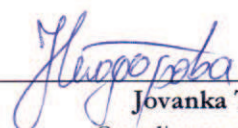
\*For consolidated financial statements only

Financial statements were approved by the Sole Owner of Savings House on 21 February 2017.

Signed on behalf of the Savings House by:

  
 MSc Eleonora Zgonjanin Petrovic  
 Director



  
 Jovanka Todorova  
 Coordinator of Finance

# Notes to the financial statements

## 1 Introduction

### a) General information

Savings House FULM DOO, Skopje (hereinafter: "the Savings House") is a limited liability company established on 24 March 1999. The Savings House is headquartered in Skopje at number 48 St. Cyril and Methodious Street. The Savings House performs its operations in the Republic of Macedonia through its headquarters and network of 5 branches.

The core business of the Savings House is as follows:

- Collecting Denar deposits from individuals; - Approving loans to individuals and self-employed individuals who have no legal capacity of entity; economic-financial consulting and- Other services defined by the law.

The Savings House is controlled by the Association of Citizens "Financial Services for the People of Macedonia" which is the Savings House's sole shareholder.

The Savings House is has no investments in subsidiaries and associates. The Savings House is not listed on the Macedonian Stock Exchange.

As at 31 December 2016, the Savings House employs 34 employees (2015: 29 employees).

The Savings House's financial statements for the year ended 31 December 2016 were approved by the sole shareholder of the Savings House at the meeting held at 21 February 2017.

Notes to the financial statements (continued)

**b) Basis of preparation**

**Statement of compliance**

Financial statements of the Savings House have been prepared in accordance with the Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04...61/2016), Law on Banks ("Official Gazette of the Republic of Macedonia" no. 67/07,...190/16), law regulation passed by the National Bank of the Republic of Macedonia (here in after "NBRM"), as well as in compliance with the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements (hereinafter "Methodology") ("Official Gazette of the Republic of Macedonia" no. 169/10, 50/13, 110/13) and the Decision on the types and content of financial statements of banks ("Official Gazette of the Republic of Macedonia" no. 196/10, 152/11, 54/12, 166/13), issued by the NBRM, applicable as of 31 December 2016.

The financial statements are separate financial statements.

Financial statements have been prepared as at and for the years that ended on 31 December 2016 and 2015. Where necessary, presentation of comparative data is adjusted according to changes in presentation in the current year.

The accompanying financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder, under the going concern assumption.

The presented financial statements are expressed in thousands of Denars (MKD). The Denar represents the functional and reporting currency of the Savings House for the purpose of reporting to NBRM.

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

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

Information regarding the significant areas for which there is uncertainty based on estimates and critical judgments in the implementation of the accounting policies with the most significant impact on the amounts disclosed in the financial statements is presented in Note 1 d).

Financial statements of the Savings House were prepared in compliance with the accounting policies published in Note 1 c) to the financial statements.



Notes to the financial statements (continued)  
Significant accounting policies (continued)

**c) Significant accounting policies**

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

**Interest income and expense**

Interest income and expense are recognized in the profit and loss for all interest bearing instruments on accrual basis, measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability through allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Savings House estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**Fee and Commission Income**

Fees and commissions, except the fees on approval of loans, are generally recognized on an accrual basis over the period of service rendering. Other fees relating to the management of approved loans are deferred over the life of the loan and amortized using the effective interest rate method. The fees for issuing a loan form, for reviewing a loan request and for credit analyses, are recognized on accrual basis at the moment when the service is being rendered.

**Foreign Exchange Translation**

Transactions denominated in foreign currencies have been translated into Denars at rates set by the National Bank of the Republic of Macedonia ("NBRM") at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the end of reporting period using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the profit and loss.

Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the end of reporting period.

Official foreign exchange rates used in presentation of the most significant balance sheet positions denominated in foreign currencies are the following:

	<b>2016</b>	<b>2015</b>
	<b>MKD</b>	<b>MKD</b>
1 EUR	61.4812	61.5947
1 USD	58.3258	56.3744

Notes to the financial statements (continued)  
Significant accounting policies (continued)

**Financial assets**

Financial assets are classified into the following specified categories: cash and cash equivalents, held- to-maturity financial assets and loans to and liabilities from banks and customers. The classification depends on the nature and the purposes of the financial assets and is determined at initial recognition. Financial assets are recognized and derecognized on a settlement date which is the date when the asset is delivered. The Savings House recognizes the financial assets in the Balance Sheet when it becomes a party to the contractual provisions of the instrument.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash, account balances on demand deposits with banks, balances on accounts with the Central Bank and time deposits with maturities of less than 3 months following the depositing date.

**Held-to-maturity financial assets**

Held-to-maturity financial assets of the Savings House are financial assets with fixed or determinable payments and fixed maturity and include short-term government bills in Denars issued by the Ministry of Finance of the Republic of Macedonia on behalf of the Government of the Republic of Macedonia, that the Savings House has the positive intention and ability to hold to maturity. If the Savings House sells or reclassifies a significant amount of the held-to-maturity financial assets, i.e. over 10% of the total held- to-maturity securities before they reach the maturity date, the entire category of these assets will be reclassified as available-for-sale financial assets. These securities are measured at amortized cost using the effective interest rate method.

**Loans originated by the Savings House**

Loans originated by the Savings House are financial assets with fixed or determinable payments that are not quoted in active markets. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

Interest on loans originated by the Savings House is included in interest income and is recognized on an accrual basis.

Loans to customers and financial institutions are stated at their net amount reduced by allowance for impairment and uncollectibility.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

**Impairment of financial assets**

The Savings House assesses on a monthly basis and at each end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The amount of the impairment loss for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

**Impairment losses on loans and advances**

Allowances for impairment and uncollectibility are determined if there is an objective evidence that the Savings House cannot collect all amounts due to a claim according to the original contractual terms. A provision for loan impairment is reported as a reduction of the carrying amount of the loan. Additions to provisions are made through impairment losses on financial assets in the profit and loss.

The allowances for impairment of loans and other assets are determined according to the regulation of the NBRM ruling on each end of reporting period, according to which the Savings House is liable to classify the assets in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as at 31 December 2016 and 31 December 2015.

The allowances for impairment and uncollectibility are determined on the basis of the degree (size) of the risk of uncollectibility on the basis of the following principles:

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and uncollectibility are measured and determined for the difference between the carrying amount of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows, discounted by effective loan interest rate.
- If there is objective evidence of uncollectibility of loans in the loan portfolio that may not be identified on a specific basis, the allowances for losses on impairment are determined at level of risk for specific loan portfolio. These rates of expected losses are determined on the basis of the methodology which defined by NBRM's Decision for credit risk management.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

**Impairment Losses on Loans and Advances (Continued)**

- Losses on impairment and uncollectibility is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. All impairment losses on loans are reviewed and tested at least on a monthly basis and any further changes in the amounts and time of expected future cash inflows against the previous assessments, result in changes in impairment losses on loans, which is recorded a liability or approval of losses due to impairment recorded in the profit and loss.

- The loan which is believed that is impossible to be collected is written off against the relevant allowance for losses on impairment and uncollectibility. Further collections are recorded as reduction of losses on impairment and uncollectibility in the income statement. Since 2016, the loan writing off is conducted in accordance with the Decision for amending the Decision on credit risk of the NBRM (official gazette of Republic of Macedonia 223/2015).

**Derecognition of financial assets**

The Savings House derecognizes financial assets when the right to receive cash from the financial asset has expired or has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of ownership of the assets to another entity.

**Financial liabilities**

Financial liabilities are classified in accordance with the substance of the contractual arrangement. Financial liabilities are classified as deposits from customers, loans payable and other liabilities.

**Deposits from customers**

Deposits from customers include demand and time deposits from individuals.

These financial liabilities are initially recognized at fair value net of transaction costs incurred whereas subsequently, they are carried at their amortized purchasing value.

**Loans Payable**

Loans payable are initially recognized at fair value net of transaction costs incurred. Subsequent measurement is at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss over the period of the loan using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

**Other liabilities**

Other payables are stated at their nominal amounts.

**Derecognition of financial liabilities**

The Savings House derecognizes financial liabilities when, and only when, the Savings House's obligations are discharged, cancelled or have expired.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

**Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the profit and loss as an expense as incurred. Depreciation is charged at estimated rates so as to write off the cost of assets over their estimated useful lives, using the straight-line method. No depreciation is provided on construction in progress until the constructed assets are put into use. The annual depreciation rates are as follows:

Buildings	40 years
Computers	4 – 10 years
Vehicles	4 years
Furniture and office equipment	4 – 10 years

Useful lives of property and equipment is reviewed and adjusted at least once a year, if it is necessary and applies prospectively.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss.

The Savings House annually reviews its property and equipment for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

**Intangible assets**

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets include computer software that was acquired apart from hardware, and other intangible assets such as rights and licenses which are legally protected and cannot be deducted from the authorized owner against his wish (for example: patents, copyrights and other commercial rights).

Intangible assets are amortized on a straight-line basis over the estimated useful life. Intangible assets on preparation are not amortized. Depreciation rates based on their estimated useful lives are as follows:

	Useful lives
Software	4 years
Patents and licenses	10 years

The Savings House annually reviews its intangible assets and assess whether there is any indication for impairment. If such indications exist, an estimate is performed to assess whether the carrying amount is recoverable. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

**Impairment of non-financial assets**

The Saving House's management regularly reviews the carrying amounts of the Savings House's property equipment and intangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense in the current period. A reversal of an impairment loss is recognized as income immediately.

**Foreclosed assets**

Foreclosed assets are recognized upon completed legal procedure to foreclose and to entitle asset with the ownership. Foreclosed assets are recognized at the lower than the cost and assessed value reduced by expected sale costs, so as to fulfill the liabilities towards customs, fully or partially, for the relevant loan. At the moment of recognition of the foreclosed asset, the receivable is derecognized fully or partially from the Balance sheet.

At the date of initial recognition of assets, the Savings House is obligated pursuant to the Decision on the accounting and regulatory treatment of foreclosed assets to reduce the value of foreclosed asset in the Balance sheet, as impairment by at least 20% of the initial carrying amount of the foreclosed asset. If the amount of the closed impairment provision is higher than 20% from the beginning carrying value of the foreclosed asset, the Savings House is obliged to recognize this difference as revalorization reserve on the date when the asset is foreclosed. Revalorization reserve is part of the Savings House's additional equity and it can be excluded from the additional equity if the conditions in the Decision on the methodology for determining capital adequacy are met.

At least once in 12-month period the Savings House is obliged to determine the appraised value of the foreclosed asset and to recognize impairment provision in profit and loss which is equal to the higher amount from:

- The negative difference between the estimated value and net value of the foreclosed asset; and
- 20% from the net carrying value of the foreclosed asset.

If the Savings House fails to sell the foreclosed assets within a period of 3 years, at the end of the third year it must reduce the value of the foreclosed asset to zero.

Foreclosed assets are derecognized in case of its sale. The realized surplus at the moment of sale of the asset is recognized in the profit and loss at the date of sale.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

### **Donations**

Donations in the accounting are recorded pursuant to the Decision of the representatives of the Sole owner and Founder of the Savings House.

Donations which entirely consists of intangible assets and other expenses related with the project "Inclusion and innovation in microfinance" (note 28) are recorded as income systematically and rationally throughout the useful lives of the assets. Donations received are recognized as differed income in the financial statements. Income from donations is recognized in profit and loss as other income.

### **Provisions**

Provisions are recognized when the Savings House has a present obligation (legal or constructive) as a result of a past event and it is probable that the Savings House will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### **Employment Benefits**

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Savings House during the year at the statutory rates. Such contributions represent defined contribution benefit plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans. The Savings House, in the course of 2016 and 2015, according to the legal regulations, paid holiday pay for its employees, jubilee compensations for the employees that worked 10 years in the Savings House and one-time New Year's fee.

As at 31 December 2016, the Savings House does not have defined plans for severance payment or options for other compensation. The Savings House's management estimates that present value of future liabilities toward employees relating to severance payment and jubilee expenses are not significant as at 31 December 2016 and 2015.

### **Income Tax**

The current income tax payable is calculated based on the local tax regulation by using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax expense of 10% is calculated on the income for the period, determined as a difference between total income and total expenditures increased by unrecognized expenditures for tax purposes, adjusted by tax credits and tax exemptions.

The tax basis is reduced by the amount of revenues from dividends earned per share in the capital of other tax payer – resident of the Republic of Macedonia, provided that they are taxed at the tax payer which pays the dividend and for the amount of reinvested profit in the last year. Taxpayers who make payments on the accumulated gains in the period from 2009 to 2013 for dividends and other distributions of profits are obliged to calculate and pay income tax.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

Income tax expense (continued)

Deferred income tax is recognized on the differences between the accounting value of assets and liabilities in financial statements and their relevant tax basis used during calculation of taxable income and is recorded by applying the liability method.

Deferred tax liabilities are recognized for all taxable temporary differences; whereas a deferred tax asset is recognized for all refused temporary differences to the extent of the probability that there will be sufficient future tax profit which will allow for using the temporary differences as refusal item deferred tax liabilities.

Deferred tax assets and liabilities are measured according to the tax rates which are expected to be applied during the period when the liabilities are paid or assets realized, and stem from the prescribed tax rates (and tax laws) valid on the balance sheet date.

As at 31 December 2016 and 2015, the Savings House does not record deferred tax assets and liabilities as there are no temporary differences on the aforementioned date.

**Leases**

The Savings House leases assets as operating leases. Rent expenses are recognized in the income statement on a straight-line basis over the term of the lease.

**Equity and reserves**

The share of the owner is classified as equity. Additional expenses, if any, directly related to subscription of shares are recognized as the exemption from equity, net of any tax effects. The subscribed equity is recorded at a special account in the amount entered in the Central Registry at the moment of incorporation, i.e. at the moment of changing the value of equity.

In the statutory reserves, the Savings House allocated at least 5% of the net income until the level of statutory reserves reaches the amount equal to one-tenth of the subscribed capital. Until the minimum required level is reached, the statutory reserve could be used only for covering of losses.

**d) Use of estimates and judgments**

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

**Fair value of financial instruments**

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Savings House applies professional judgment in selecting appropriate methods and assumptions.

In the Republic of Macedonia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not available. As a result, the fair value cannot readily or reliably be determined in the absence of an active market. The Management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may have not been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.



Notes to the financial statements (continued)  
Significant accounting policies (continued)

Use of estimates and judgment (continued)

**Allowance for Loan Losses**

Once a month, the Savings House reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Savings House makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

The Savings House's management uses estimates of rates on expected losses based on a Methodology determined by the NBRM's Decision on credit risk management. The Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**Useful Lives of Property, Equipment and Intangible Assets**

The Savings House's management determines estimated useful lives and related depreciation and amortization charges for its property, equipment 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.

**Financial Crises**

Developments on the financial markets may have effect on the future cash flows of the Savings House that otherwise would be expected under the regular public interest. As a result, future cash flows are subject to possible fluctuations and whether the fluctuations are significant relative to the previously expected cash flows remains uncertain.

**e) Changes in accounting policies, estimates and error correction**

During 2016 the Savings House make changes to the accounting policies and accounting estimates as result of the Decision of NBRM for amending the Decision on credit risk from 2015. During 2016 and 2015 the Savings House did not make correction of errors.

Notes to the financial statements (continued)  
Significant accounting policies (continued)

**f) Compliance to legislative regulations**

The Savings House maintains its accounting records and prepares its financial statements in accordance with the local regulations prescribed by the NBRM.

The accompanying financial statements are in compliance with legal regulation prescribed by the NBRM which is in force on each balance sheet date.

The Savings House's management is in charge of implementing full compliance of the Savings House operations with the regulations of the National Bank of the Republic of Macedonia.

There is no non-compliance with regulations prescribed by the National Bank of the Republic of Macedonia in terms of solvency and capital adequacy, exposure limits and liquidity of the Savings House.

Notes to the financial statements (continued)

## **2 Risk management**

The Savings House's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. The Savings House's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Savings House's financial performance.

The Savings House's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks. The Savings House regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Savings House's risk management organization structure ensures existence of clear lines of responsibility, efficient segregation of duties and prevention of conflicts of interest at all levels, including the Sole Shareholder, the General Manager, its customers and all other related parties.

The most important types of risk are credit risk, liquidity risk, market risk and operational risk.

### **2.1 Credit risk**

The Savings House is exposed to credit risk which represents the risk of financial loss due to customer's default on their contractual obligations. Credit risk is the most important risk for the Savings House's operations; therefore the management carefully manages the Savings House's exposure to credit risk. The exposure to this risk arises principally from lending activities.

#### **2.1.1 Management of credit risk**

Initially, when approving loans and loan commitments, different Credit Committees assess creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Savings House's credit risk management, which encompasses identification, measurement, monitoring and control of credit risk, is performed by the following bodies: the Sole owner, General Manager, Credit Committee, Branch Managers, Payment Coordinator, Reporting Coordinator and Internal Audit Sector and it is mainly based on reports and analyses prepared by relevant organization units of the Savings House. The Savings House's management is regularly informed of the credit risk that the Savings House is exposed to.

Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)

The Savings House has an internal system of client classification the main purpose of which is to determine their creditworthiness and assess the acceptable level of credit risk at the start of lending. The Savings House employs a range of practices to mitigate credit risk. Common practice is accepting suitable collateral for approved loans. The main collateral types for loans and other credit exposures are:

- Sureties and promissory notes
- Pledges over items of gold and precious metals
- Foreign currency pledges
- Pledges over deposits.

### 2.1.2 Impairment and Provisioning Policies

The impairment losses are identified losses of the Savings House credit portfolio that were incurred at the balance sheet date and for which there is objective evidence of impairment. The Savings House calculates the impairment provision after making the classification of credit exposure in the appropriate risk category.

The classification is made according to the following criteria:

- Client's creditworthiness;
- Client's regularity in settling the liabilities, and
- Collateral quality.

The individual approach encompasses at least the individually significant exposures that are above materiality thresholds set by the Savings House. The materiality threshold is over Denar 140,000 by 01.12.2016 and over Denar 150,000 from 01.12.2016. Impairment provision of individually assessed items on individual basis are determined by evaluation of generated loss on the balance sheet date, which represents the difference between the carrying and present value of projected future cash flows. Effective interest rate is used for discounting the future cash flows.

All non-performing loans are assessed for impairment on individual basis.

The calculated impairment losses on group basis are provisioned on portfolios of homogenous assets that are individually lower than the materiality thresholds. Impairment and provisioning are calculated by using parameters that are obtained for expected loss rates of certain portfolios, which are determined on the basis of the methodology set by NBRM's Decision on the credit risk management.

Individually important exposures for which there is no identified impairment on individual basis, and which can be grouped in homogenous portfolios according to credit risk similarity, are included in the collective assessment for impairment calculation.

Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)

The calculated impairment provision is within the following parameters:

- From 0% to 5% of credit exposure, classified in risk category A
- From 5% to 20% of credit exposure, classified in risk category B
- From 20% to 45% of credit exposure, classified in risk category V
- From 45% to 70% of credit exposure, classified in risk category G
- From 70% to 100% of credit exposure, classified in risk category D

**Write off receivables**

The Savings House shall write off receivable upon a final court decision, when all other circumstances for settlement of the claim have been exhausted.

The Savings House may also write off receivables without a final court decision in the following cases:

- if it has been determined that the borrower is unable and/or not prepared to service the loan, and the Savings House has no valid instrument for forced settlement of the claim;
- if the costs for initiation and conducting a procedure for forced settlement are higher than the amount of the credit exposure.
- if are passed two years from the date when the Savings House was obliged to make impairment or allocate special reserve of 100% in accordance with the Decision of NBRM for amending the Decision on credit risk from 2015.

The Savings House may write off the maximum amount for write off small amounts of individually insignificant receivables, determined by a Decision of the Sole owner. The Savings House in 2015 conduct single write off claims for consumer loans given to borrowers who have received an act by the Ministry of Finance for acquiring the right to a tax credit and based on an Act for exercising the right to single write off the debt by the Commission for acting upon requests for single write off debts of citizens pursuant to the Law on Single Write off Citizens' Debts. The single write off is made by writing off the borrower from records of the Savings House and recording a claim from the Republic of Macedonia based on tax credit, which may be at the most 10% of the amount of the written off debt.

During 2016 the Savings House writes off receivables in accordance with the Decision of NBRM. It affects the reduction of loans in category D and reducing impairment.

Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)		A. Analysis of total credit risk exposure																	
		Loans and receivable from banks		Loans and receivables from customers		Investments in financial assets available – for – sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<i>in Denar thousand</i>																			
<b>I. Carrying value of exposure with impairment provision/ special reserve</b>																			
<b>Carrying value of individually significant exposures, before impairment provision and special reserve, on individual basis</b>																			
Risk category A		2,009	9,006	96,862	96,177	-	-	-	-	13	5	25	26	-	-	98,909	105,214		
Risk category B		-	-	39,252	38,482	-	-	-	-	33	30	-	-	-	-	39,285	38,512		
Risk category V		-	-	18,426	15,064	-	-	-	-	61	31	-	-	-	-	18,487	15,095		
Risk category G		-	-	3,144	1,982	-	-	-	-	8	4	-	-	-	-	3,152	1,986		
Risk category D		-	-	1,945	6,596	-	-	-	-	52	89	-	-	-	-	1,997	6,685		
(impairment provision and special reserve on individual basis)		(100)	(450)	(15,387)	(18,949)	-	-	-	-	(79)	(106)	(1)	(1)	-	-	(15,567)	(19,506)		
<b>Carrying value of individually significant exposures, less impairment provision and special reserve on individual basis</b>		<b>1,909</b>	<b>8,556</b>	<b>144,242</b>	<b>139,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88</b>	<b>53</b>	<b>24</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>146,263</b>	<b>147,986</b>		

*Carrying value of exposures recognized collectively, before impairment provision and special reserve, on a collective basis*

Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)

A. Analysis of the total credit risk exposure (continued)

	Loans and receivable from banks		Loans and receivables from customers		Investments in financial assets available – for sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		2016
<i>in Denar thousand</i>																		
Individually insignificant exposures (portfolio of small loans)	-	-	49,674	32,757	-	-	-	-	-	-	59	8	-	-	-	-	49,733	32,765
Individually significant exposures, non-impaired on individual basis (impairment provision and special reserve on a collective basis)	-	-	10,518	10,762	-	-	-	-	-	-	2	1	-	-	-	-	10,520	10,763
<b>Carrying value of exposures recognized collectively, less impairment provision and special reserve on collective basis</b>	-	-	(1,037)	(684)	-	-	-	-	-	-	(1)	-	-	-	-	-	(1,038)	(684)
<b>II. Carrying value of exposures for which no impairment provision/special reserves has been allocated</b>	-	-	59,155	42,835	-	-	-	-	-	-	60	9	-	-	-	-	59,215	42,844

II. Carrying value of exposures for which no impairment provision/special reserves has been allocated

Matured receivables  
Maturity structure of matured receivables for which no impairment provision has been allocated

	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	Total
Carrying value of due receivables for which no impairment provision has been allocated	-	-	36	6	-	-	42
Impairment provision	-	-	-	-	-	-	-
<b>Carrying value of due receivables for which no impairment provision has been allocated</b>	-	-	36	6	-	-	42

Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)

A. Analysis of the total credit risk exposure (continued)

	Loans and receivable from banks		Loans and receivables from customers		Investments in financial assets available – for sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
<i>in Denar thousand</i>																			
<b>Non-matured receivables</b>																			
Restructured receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	7,575	6,208	-	-	30,554	21,595	-	-	-	-	-	-	-	-	-	-	-
Carrying value for non-matured receivables for which no impairment provision/ special reserve has been allocated	-	-	7,575	6,208	-	-	30,554	21,595	-	-	-	-	-	-	-	-	-	-	-
<b>Total carrying value for credit risk receivables prior to impairment provision and special reserves</b>	<b>2,009</b>	<b>9,006</b>	<b>227,432</b>	<b>208,034</b>	<b>-</b>	<b>-</b>	<b>30,554</b>	<b>21,595</b>	<b>229</b>	<b>169</b>	<b>32</b>	<b>26</b>	<b>32</b>	<b>26</b>	<b>260,256</b>	<b>238,830</b>			
<b>Total impairment provision and special reserve</b>	<b>(100)</b>	<b>(450)</b>	<b>(16,424)</b>	<b>(19,633)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80)</b>	<b>(106)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(16,605)</b>	<b>(20,190)</b>			
<b>Total carrying value for credit risk receivables less impairment provision and special reserve</b>	<b>1,909</b>	<b>8,556</b>	<b>211,008</b>	<b>188,401</b>	<b>-</b>	<b>-</b>	<b>30,554</b>	<b>21,595</b>	<b>149</b>	<b>63</b>	<b>31</b>	<b>25</b>	<b>31</b>	<b>25</b>	<b>243,651</b>	<b>218,640</b>			



Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)  
The estimated fair value of collateral and other increases in collateral of financial assets are presented in the following table:

**B. Collateral value (fair value) for mitigating of credit risk**

	Loans and receivable from banks		Loans and receivables from customers		Investments in financial assets available – for sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Other receivables		Off-balance exposures		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		2016
<i>In Denar thousand</i>																
<i>Value of collateral for credit exposure assessed for impairment on individual basis</i>																
First-class collateral instruments:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash deposits (depot and /or limited accounts in the Savings House)	-	-	9,703	8,381	-	-	-	-	-	-	-	-	-	-	9,703	8,381
Government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (apart from banking and insurance companies)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property pledge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property for own use (flats, houses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movable property pledge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other types of pledge	-	-	17,153	17,386	-	-	-	-	-	-	-	-	-	-	17,153	17,386
<b>Total value of collateral for credit exposure assessed for impairment on individual basis</b>	-	-	<b>26,856</b>	<b>25,767</b>	-	-	-	-	-	-	-	-	-	-	<b>26,856</b>	<b>25,767</b>

Notes to the financial statements (continued)  
Risk management (continued)

## Credit risk (continued)

**B. Collateral value (fair value) for mitigating of credit risk (continued)**

	Loans and receivable from banks		Loans and receivables from customers		Investments in financial assets available – for – sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Other receivables		Off-balance exposures		Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
<i>in Denar thousand</i>															
<i>Value of collateral for credit exposure assessed for impairment on collective basis</i>															
First class instruments for guarantee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash deposits (depot and /or limited accounts in the Savings House)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (apart from banking and insurance companies)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property pledge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property for own use (flats, houses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movable property pledge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other types of pledge	-	-	14,641	-	3,309	-	-	-	-	-	-	-	14,641	-	3,309
<b>Total value of collateral for credit exposure assessed for impairment on collective basis</b>	-	-	<b>14,641</b>	-	<b>3,309</b>	-	-	-	-	-	-	-	<b>14,641</b>	-	<b>3,309</b>







Notes to the financial statements (continued)  
Risk management (continued)

Credit risk (continued)

*D. Concentration of credit risk by geographical location*

The following table presents the Savings House's credit risk exposure according to recorded amounts, categorized by geographical location as at 31 December 2016 and 2015:

<i>in Denar thousand</i>	Loans and receivables from banks		Loans and receivables from customers		Investments in financial assets available – for – sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015			
<b>Geographical location</b>																			
Republic of Macedonia	1,909	8,556	211,008	188,401	-	-	-	-	30,554	21,595	149	63	31	25	-	-	243,651	218,640	
EU member countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe (other)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD member countries (without the European member-countries of OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (list individually the exposure higher than 10% of the total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,909</b>	<b>8,556</b>	<b>211,008</b>	<b>188,401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,554</b>	<b>21,595</b>	<b>149</b>	<b>63</b>	<b>31</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>243,651</b>	<b>218,640</b>	

Notes to the financial statements (continued)  
Risk management (continued)

## 2.2 Liquidity risk

Liquidity risk represents a risk of Savings House's inability to provide sufficient monetary assets to settle its short-term liabilities when they come due, i.e. a risk that the necessary liquid assets will be provided at much higher cost.

### 2.2.1. Liquidity risk management

The main objective of the Savings House's liquidity management is to maintain adequate liquid assets, primarily cash and cash equivalents, to enable normal business operation of the Savings House.

The Savings House is exposed to daily calls on its available cash resources from deposits and borrowings. The Savings House does not seek to maintain cash resources to meet all of these needs, estimating that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Savings House's management reviews the report on the balance of its cash accounts and deposits on a daily basis. The management determines the critical days affecting the Savings House's liquidity, or otherwise, the significant dates upon which funds are to be utilized by using its empirical experience. Based upon the identification of accessible funds and the determined daily needs of cash, a decision is made regarding the appropriate use of funds.

The matching of the maturities of assets and liabilities is fundamental to the management of the Savings House.

The Savings House manages its liquidity risk through the constant monitoring of the maturities of its asset and liability components.

Maturity analysis of the financial assets and liabilities, including balance and off-balance sheet items as at 31 December 2016 and 2015 has been prepared by remaining contractual maturities, i.e. the remaining period of the balance sheet date to the contractual maturity date. Presented amounts are gross, i.e. they are not reduced by the amounts of accumulated depreciation, impairment losses and allocated special reserve.

The tables do not show the Savings House's obligatory reserve of Denar 3,748 thousand which is kept at NBRM's account (2015: Denar 3,287 thousand), as it is not at the Savings House's disposal.

Notes to the financial statements (continued)  
Risk management (continued)

Liquidity risk (continued)

*Analysis according to the maturity of financial assets and liabilities (residual maturity)  
in Denar thousand*

<b>31 December 2016</b>	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and cash equivalents	26,806	-	-	-	-	-	26,806
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and receivable from banks	2,009	-	-	-	-	-	2,009
Loans and receivables from customers	12,572	10,913	62,857	58,528	79,933	2,690	227,493
Investments in securities	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-
Other receivables	320	-	-	-	-	-	320
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>41,707</b>	<b>10,913</b>	<b>62,857</b>	<b>58,528</b>	<b>79,933</b>	<b>2,690</b>	<b>256,628</b>
<b>Financial liabilities</b>							
Trading liabilities							
Financial liabilities designated at fair value through profit and loss at its / their initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	-	-	-	-	-	-	-
Due to customers	13,198	15,807	59,049	40,093	28,167	-	156,314
Issued debt securities	-	-	-	-	-	-	-
Borrowings	240	336	1,317	1,421	3,702	4,936	11,952
Subordinated liabilities	-	-	-	-	-	-	-
Income tax liabilities (current)	11	-	-	-	-	-	11
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	393	80	5,856	-	-	-	6,329
<b>Total financial liabilities</b>	<b>13,842</b>	<b>16,223</b>	<b>66,222</b>	<b>41,514</b>	<b>31,869</b>	<b>4,936</b>	<b>174,606</b>
<b>Off-balance entries</b>							
Off-balance assets	-	-	-	-	-	-	-
Off-balance liabilities	-	-	-	-	-	-	-
<b>Net liquidity gap</b>	<b>27,865</b>	<b>(5,310)</b>	<b>(3,365)</b>	<b>17,014</b>	<b>48,064</b>	<b>(2,246)</b>	<b>82,022</b>



Notes to the financial statements (continued)  
Risk management (continued)

Liquidity risk (continued)

Analysis according to the maturity of financial assets and liabilities (residual maturity) (continued)  
in Denar thousand

31 December 2015	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and cash equivalents	18,308	-	-	-	-	-	18,308
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and receivable from banks	6	-	9,000	-	-	-	9,006
Loans and receivables from customers	8,246	11,171	60,142	51,993	72,697	3,871	208,120
Investments in securities	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-	-
Income tax receivables (current)	65	-	-	-	-	-	65
Other receivables	244	-	-	-	-	-	244
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>26,869</b>	<b>11,171</b>	<b>69,142</b>	<b>51,993</b>	<b>72,697</b>	<b>3,871</b>	<b>235,743</b>
<b>Financial liabilities</b>							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	-	-	-	-	-	-	-
Due to customers	11,260	16,465	55,267	35,687	17,316	-	135,995
Issued debt securities	-	-	-	-	-	-	-
Borrowings	310	406	1,412	1,849	3,908	6,170	14,055
Subordinated liabilities	-	-	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,111	-	25	-	-	-	1,136
<b>Total financial liabilities</b>	<b>12,681</b>	<b>16,871</b>	<b>56,704</b>	<b>37,536</b>	<b>21,224</b>	<b>6,170</b>	<b>151,186</b>
<b>Off-balance entries</b>							
Off-balance assets	-	-	-	-	-	-	-
Off-balance liabilities	-	-	-	-	-	-	-
<b>Net liquidity gap</b>	<b>14,188</b>	<b>(5,700)</b>	<b>12,438</b>	<b>14,457</b>	<b>51,473</b>	<b>(2,299)</b>	<b>84,557</b>

Notes to the financial statements (continued)  
Risk management (continued)

**2.3 Market risks**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from the interest changes in the market rates (such as interest rates and credit spreads).

*Interest risk*

The Savings House is exposed to risks associated with the effects of fluctuation in the level of market interest rates on its financial positions and cash flows. Interest margins may increase as a result of such changes, but can also decrease or cause a loss in the event of unplanned movements. Risk management activities in assets and liabilities are carried in terms of the Savings House's response to the changes in the interest rates. The Savings House is always careful not to reduce the interest margin. In any case, the final effect will depend on various factors including the stability of the economy, surrounding environment and the rate of inflation.

*Currency risk*

The Savings House takes on exposure to effects on fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Notes to the financial statements (continued)  
Risk management (continued)

Market risks (continued)

### 2.3.1 Analysis of the sensitivity of assets and liabilities to changes in market risk

#### A. Analysis of the sensitivity of assets and liabilities to changes in market risk

	Profit/(loss) in Denar thousand	Own funds in Denar thousand	Risk-weighted assets in Denar thousand	Capital adequacy ratio in %
2016				
Amount before sensitivity analysis/stress tests (31.12.2016)	906	92,261	336,197	27%
<b>Effects from used scenarios</b>				
Currency risk (Denar depreciation by 30% presented through indirect credit risk)	4,627	96,892	383,151	25%
Scenario 1 (increase of the loans classified in risk categories C, D and E by 70%)	(1,239)	91,026	369,640	25%
Scenario 2 (increase of the loans classified in risk categories C, D and E by 100%)	(3,752)	88,513	363,850	24%
Scenario 3 (increase of the loans classified in risk categories C, D and E by 150%)	(7,942)	84,323	354,199	24%
Risks from changes in interest rates				
Scenario 1 (change by 2%)	(2,231)	90,030	336,197	27%
Scenario 2 (change by 5%)	(5,602)	86,659	336,197	26%

Risk of change in the market price of the investments in equity securities  
Combined scenarios, if any (not applicable)

Notes to the financial statements (continued)  
Risk management (continued)

Market risk (continued)

A. . Analysis of the sensitivity of assets and liabilities to changes in market risk (continued)

	<i>in Denar thousand</i>	<b>Profit/(loss)</b> <i>in Denar thousand</i>	<b>Own funds</b> <i>in Denar thousand</i>	<b>Risk-weighted assets</b> <i>in Denar thousand</i>	<b>Capital adequacy ratio</b> <i>in %</i>
2015					
Amount before sensitivity analysis/stress tests (31.12.2015)		779	91,482	390,428	23%
<b>Effects from used scenarios</b>					
Currency risk (Denar depreciation by 30% presented through indirect credit risk)		8,100	98,803	338,758	37%
Scenario 1 (increase of the loans classified in risk categories C, D and E by 70%)		(2,585)	88,897	408,790	34%
Scenario 2 (increase of the loans classified in risk categories C, D and E by 100%)		(7,164)	84,318	399,631	33%
Scenario 3 (increase of the loans classified in risk categories C, D and E by 150%)		(14,797)	76,685	384,367	31%
Risks from changes in interest rates					
Scenario 1 (change by 2%)		(101)	91,381	390,428	23%
Scenario 2 (change by 5%)		(262)	91,220	390,428	23%
Risk of change in the market price of the investments in equity securities		-	-	-	-
Combined scenarios, if any (not applicable)		-	-	-	-



Notes to the financial statements (continued)  
Risk management (continued)

## Market risks (continued)

**2.3.2. Analysis of the risk of changes in interest rates of financial assets and liabilities (trading assets are not included)**

## A. Analysis of sensitivity from changes in interest rates

## Changes of economic value of the portfolio from bank activities at 31 December 2016

	Position	Currency	<i>in Denar thousand</i> Amount
1.1	Net weighted position of currencies MKD (FIR + VIR + AIR)	MKD	2,315
1.2	Net weighted position for MKD cl. EUR currency (FIR + VIR + AIR)	MKD cl. EUR	(50)
	<b>Total weighted value – changes in the economic value of the portfolio of banking activities</b>		<b>2,265</b>
2	Own funds		92,261
3			
4	<b>Total weighted value/assets (2/3*100)</b>		<b>2.45%</b>

## Changes of economic value of the portfolio from bank activities at 31 December 2015

	Position	Currency	<i>in Denar thousand</i> Amount
1.1	Net weighted position of currencies MKD (FIR + VIR + AIR)	MKD	192
1.2	Net weighted position for MKD cl. EUR currency (FIR + VIR + AIR)	MKD cl. EUR	(79)
	<b>Total weighted value – changes in the economic value of the portfolio of banking activities</b>		<b>113</b>
2	Own funds		91,482
3			
4	<b>Total weighted value/assets (2/3*100)</b>		<b>0.12%</b>

Notes to the financial statements (continued)  
Risk management (continued)

Market risks (continued)

*Analysis of the risk of changes in interest rates of financial assets and liabilities (trading assets are not included) (continued)*  
B. *Analysis of Reconciliation of Interest Rates*

The table below summarized the assets and liabilities of the Savings House, groups according to the expected changes in interest rates at 31 December 2016 and 2015 (in Denar thousand)

<i>in Denar thousand</i>	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest-bearing assets/liabilities
<b>31 December 2016</b>							
<b>Financial assets</b>							
Cash and cash equivalents	30,376	-	-	-	-	-	30,376
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and receivable from banks	1,900	-	-	-	-	-	1,900
Loans and receivables from other customers	11,671	10,241	53,817	128,645	4,019	123	208,516
Investments in securities	-	-	-	-	-	-	-
Other unmentioned interest sensitive assets	-	-	-	-	-	-	-
<b>Total interest sensitive financial assets</b>	<b>43,947</b>	<b>10,241</b>	<b>53,817</b>	<b>128,645</b>	<b>4,019</b>	<b>123</b>	<b>240,792</b>
<b>Financial liabilities</b>							
Financial liabilities designated at fair value through profit and loss at its / their initial recognition	-	-	-	-	-	-	-
Due to banks	-	-	-	-	-	-	-
Due to customers	12,235	15,807	59,049	40,093	28,167	-	155,351
Issued debt securities	-	-	-	-	-	-	-
Borrowings	233	336	1,317	1,421	3,702	4,936	11,945
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-	-
Other unmentioned interest sensitive liabilities	-	-	5,828	-	-	-	5,828
<b>Total interest sensitive financial liabilities</b>	<b>12,468</b>	<b>16,143</b>	<b>66,194</b>	<b>41,514</b>	<b>31,869</b>	<b>4,936</b>	<b>173,124</b>
<b>Net-balance position</b>	<b>31,479</b>	<b>(5,902)</b>	<b>(12,377)</b>	<b>87,131</b>	<b>(27,850)</b>	<b>(4,813)</b>	<b>67,668</b>
Off-balance interest sensitive assets positions	-	-	-	-	-	-	-
Off-balance interest sensitive liabilities positions	-	-	-	-	-	-	-
<b>Net off-balance position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net position</b>	<b>31,479</b>	<b>(5,902)</b>	<b>(12,377)</b>	<b>87,131</b>	<b>(27,850)</b>	<b>(4,813)</b>	<b>67,668</b>

Notes to the financial statements (continued)  
Risk management (continued)

Market risks (continued)

*Analysis of the risk of changes in interest rates of financial assets and liabilities (trading assets are not included) (continued)*  
*B. Analysis of Reconciliation of Interest Rates (continued)*

<i>in Denar thousand</i>	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest-bearing assets/liabilities
<b>31 December 2015</b>							
<b>Financial assets</b>							
Cash and cash equivalents	21,447	-	-	-	-	-	21,447
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and receivable from banks	-	-	8,550	-	-	-	8,550
Loans and receivables from other customers	6,301	10,433	162,883	2,645	3,916	165	186,343
Investments in securities	-	-	-	-	-	-	-
Other unmentioned interest sensitive assets	-	-	-	-	-	-	-
<b>Total interest sensitive financial assets</b>	<b>27,748</b>	<b>10,433</b>	<b>171,433</b>	<b>2,645</b>	<b>3,916</b>	<b>165</b>	<b>216,340</b>
<b>Financial liabilities</b>							
Financial liabilities designated at fair value through profit and loss at its / their initial recognition	-	-	-	-	-	-	-
Due to banks	-	-	-	-	-	-	-
Due to customers	10,395	16,465	55,267	35,687	17,316	-	135,130
Issued debt securities	-	-	-	-	-	-	-
Borrowings	302	406	1,412	1,849	3,908	6,170	14,047
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-	-
Other unmentioned interest sensitive liabilities	-	-	-	-	-	-	-
<b>Total interest sensitive financial liabilities</b>	<b>10,697</b>	<b>16,871</b>	<b>56,679</b>	<b>37,536</b>	<b>21,224</b>	<b>6,170</b>	<b>149,177</b>
<b>Net-balance position</b>	<b>17,051</b>	<b>(6,438)</b>	<b>114,754</b>	<b>(34,891)</b>	<b>(17,308)</b>	<b>(6,005)</b>	<b>67,163</b>
Off-balance interest sensitive assets positions	-	-	-	-	-	-	-
Off-balance interest sensitive liabilities positions	-	-	-	-	-	-	-
<b>Net off-balance position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net position</b>	<b>17,051</b>	<b>(6,438)</b>	<b>114,754</b>	<b>(34,891)</b>	<b>(17,308)</b>	<b>(6,005)</b>	<b>67,163</b>



Notes to the financial statements (continued)  
Risk management (continued)

Market risks (continued)

**2.3.3 Foreign currency risk**

The following tables summarize the net foreign currency risk position of the Savings House's monetary assets and liabilities at 31 December 2016 and 2015.

	<i>in Denar thousand</i>	MKD	EUR	USD	Other	Total
<b>31 December 2016</b>						
<b>Monetary assets</b>						
Cash and cash equivalents		30,554	-	-	-	30,554
Trading assets		-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition		-	-	-	-	-
Derivative assets held for risk management		-	-	-	-	-
Loans and advances to banks		1,909	-	-	-	1,909
Loans and advances to customers		211,008	-	-	-	211,008
Investments in securities		-	-	-	-	-
Investment in associates		-	-	-	-	-
Income tax receivables (current)		-	-	-	-	-
Other receivables		459	-	-	-	459
Pledged assets		-	-	-	-	-
Deferred tax assets		-	-	-	-	-
<b>Total monetary assets</b>		<b>243,930</b>	-	-	-	<b>243,930</b>
<b>Monetary liabilities</b>						
Trading liabilities		-	-	-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition		-	-	-	-	-
Derivative liabilities held for risk management		-	-	-	-	-
Due to banks		-	-	-	-	-
Due to customers		156,314	-	-	-	156,314
Issued debt securities		-	-	-	-	-
Borrowings		11,896	-	-	-	11,896
Subordinated liabilities		-	-	-	-	-
Income tax liabilities (current)		11	-	-	-	11
Deferred tax liabilities		-	-	-	-	-
Other liabilities		8,241	-	-	-	8,241
<b>Total monetary liabilities</b>		<b>176,462</b>	-	-	-	<b>176,462</b>
<b>Net-position</b>		<b>67,468</b>	-	-	-	<b>67,468</b>

Notes to the financial statements (continued)  
Risk management (continued)

Market risks (continued)  
Currency risk (continued)

	<i>in Denar thousand</i>	MKD	EUR	USD	Other	Total
<b>31 December 2015</b>						
<b>Monetary assets</b>						
Cash and cash equivalents		21,595	-	-	-	21,595
Trading assets		-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition		-	-	-	-	-
Derivative assets held for risk management		-	-	-	-	-
Loans and advances to banks		8,556	-	-	-	8,556
Loans and advances to customers		188,401	-	-	-	188,401
Investments in securities		-	-	-	-	-
Investment in associates		-	-	-	-	-
Income tax receivables (current)		65	-	-	-	65
Other receivables		222	-	-	-	222
Pledged assets		-	-	-	-	-
Deferred tax assets		-	-	-	-	-
<b>Total monetary assets</b>		<b>218,839</b>	-	-	-	<b>218,839</b>
<b>Monetary liabilities</b>						
Trading liabilities		-	-	-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition		-	-	-	-	-
Derivative liabilities held for risk management		-	-	-	-	-
Due to banks		-	-	-	-	-
Due to customers		135,995	-	-	-	135,995
Issued debt securities		-	-	-	-	-
Borrowings		13,993	-	-	-	13,993
Subordinated liabilities		-	-	-	-	-
Income tax liabilities (current)		-	-	-	-	-
Deferred tax liabilities		-	-	-	-	-
Other liabilities		1,136	-	-	-	1,136
<b>Total monetary liabilities</b>		<b>151,124</b>	-	-	-	<b>151,124</b>
<b>Net-position</b>		<b>67,715</b>	-	-	-	<b>67,715</b>

Notes to the financial statements (continued)  
Risk management (continued)

#### **2.4 Operating risk**

The operating risk is defined as the risk of loss resulting from inadequate internal processes and systems, human factors or external effects. The Savings House has established a framework for managing operational risk based on a policy to manage these risks. It allows, within the framework of different processes of the Bank, different risks to be identified resulting from these processes, their measurement and undertaking corrective actions, in order to avoid the potential negative effect on the Savings House's financial result and capital position.

Notes to the financial statements (continued)

### **3 Capital adequacy**

#### **Capital Management**

The Savings House's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- to comply with the capital requirements set by the NBRM;
- to safeguard the Savings House's ability to continue as a going concern so that it can continue to provide returns for shareholder and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of the Savings House's own funds are monitored regularly by the Savings House's management, employing techniques based on the directives required by the regulator, for supervisory purposes. The required information is filed with the NBRM on a quarterly basis.

The Savings House's own funds comprise of: Core Capital (Tier 1), in which paid-in capital, retained earnings and reserves formed from retained earnings are included. At 31 December 2016 the Savings House had no revaluation reserves in the additional capital (Tier 2).

The risk-weighted assets are classified according to the nature of each asset and counterparty, by means of relevant risk weights. These weights reflect the credit risk and take into consideration each eligible collateral or guarantees.

#### **Capital adequacy ratio**

The statement on the capital adequacy ratio is prepared in accordance with the Guidelines for implementation of the Decision on the methodology for determining capital adequacy.

The Savings House is required to maintain capital adequacy ratio which cannot be lower than 20%.

Notes to the financial statements (continued)

Capital adequacy (continued)

Ord. No.	DESCRIPTION	31 December 2016	31 December 2015
1	2	3	4
<b>I</b>	<b>Credit risk weighted assets</b>		
1	Credit risk weighted assets with the standardized approach	219,447	203,264
2	Capital necessary to cover credit risk	17,556	16,261
<b>II</b>	<b>FOREIGN CURRENCY RISK WEIGHTED ASSETS</b>		
3	Aggregate foreign currency position	64,394	140,680
4	Net-position of gold	-	-
5	Capital necessary to cover currency risk	5,151	11,254
6	Foreign exchange risk weighted assets	64,394	140,680
<b>III</b>	<b>OPERATING RISK WEIGHTED ASSETS</b>		
7	Capital necessary to cover operating risk with the basic indicator approach	4,188	3,719
8	Capital necessary to cover operating risk with the standardized approach	-	-
9	Operating risk weighted assets	52,356	46,484
<b>IV</b>	<b>OTHER RISK WEIGHTED ASSETS</b>		
10	Capital necessary to cover the risk from price changes of goods	-	-
11	Capital necessary to cover market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital necessary to cover position risks (11.1.1+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital necessary to cover the specific risk from investment in debt instruments	-	-
11.1.2	Capital necessary to cover the general risk from investment in debt instruments	-	-
11.1.3	Capital necessary to cover the specific risk from investment in equity securities	-	-
11.1.4	Capital necessary to cover the general risk from investment in equity securities	-	-
11.2	Capital necessary to cover the settlement risk	-	-
11.3	Capital necessary to cover counterparty risk	-	-
11.4	Capital necessary to cover overdraft of exposure limits	-	-
11.5	Capital necessary to cover market risks from options	-	-
12	Capital necessary to cover the other risks (10+11)	-	-
13	Other risk weighted assets	-	-
<b>V</b>	<b>RISK WEIGHTED ASSETS</b>	<b>336,197</b>	<b>390,428</b>
14	Capital necessary to cover the risks	67,239	78,086
<b>VI</b>	<b>OWN FUNDS</b>	<b>92,261</b>	<b>91,482</b>
<b>VII</b>	<b>CAPITAL ADEQUACY (VI/V)</b>	<b>27%</b>	<b>23%</b>

Notes to the financial statements (continued)

Capital adequacy (continued)

Report on own funds

Ord. No.	DESCRIPTION	31 December 2016	31 December 2015
	<b>Core capital</b>		
	<b>Paid-in and subscribed ordinary and non-cumulative preference shares</b>		
<b>1</b>	<b>shares</b>	<b>75,607</b>	<b>75,607</b>
1	Nominal value	75,607	75,607
1.1.1	Nominal value of ordinary shares	75,607	75,607
1.1.2	Nominal value of non-cumulative preference shares	-	-
1	Premium	-	-
1.2.1	Premium of ordinary shares	-	-
1.2.2	Premium of non-cumulative preference shares	-	-
<b>2</b>	<b>Reserves and retained earnings and loss</b>	<b>16,542</b>	<b>15,763</b>
2.1	Reserve fund	15,227	15,227
2.2	Retained earnings limited for distribution to shareholders	1,315	536
2.3	Accumulated loss from previous years	-	-
2.4	Current profit	-	-
<b>3</b>	<b>Positions arising from consolidation</b>	-	-
3.1	Minority interest	-	-
3.2	Reserves from exchange rate differences	-	-
3.3	Other differences	-	-
<b>4</b>	<b>Deduction</b>	-	-
4.1	Loss at the year end or current loss	-	-
4.2	Treasury shares	-	-
4.3	Intangible assets	-	-
4.4	Differences between amounts of the required and recognized impairment/special reserve	-	-
4.5	Amount of unallocated impairment and special reserve as a result of accounting time lag	-	-
4.6	Unrealized loss from equity instruments available-for-sale	-	-
4.7	Other deductions	-	-
<b>I</b>	<b>CORE CAPITAL</b>	<b>92,149</b>	<b>91,370</b>
	<b>Additional capital</b>		
	<b>Paid-in and subscribed cumulative preference shares and premium on such share</b>		
<b>5</b>	<b>shares</b>	-	-
5.1	Nominal value	-	-
5.2	Premium	-	-
<b>6</b>	<b>Revaluation reserves</b>	<b>112</b>	<b>112</b>
<b>7</b>	<b>Hybrid instruments</b>	-	-
<b>8</b>	<b>Subordinated instruments</b>	-	-
<b>9</b>	<b>Amount of cumulative priority shares and subordinated instruments that may be included in the additional capital</b>	-	-
<b>II</b>	<b>ADDITIONAL CAPITAL</b>	<b>112</b>	<b>112</b>
	<i>Deduction from core capital and additional capital</i>		
10	Capital investments in other banks and financial institutions with more than 10% share participation in such institutions	-	-
11	<b>Investments in subordinated and hybrid capital investments and other instruments of institutions referred to in 10 10</b>	-	-
12	Aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments exceeding 10% of (I+II)	-	-
13	<b>Direct capital investments in insurance and reinsurance companies exceeding 10% of their capital</b>	-	-
14	Investments in financial instruments issued by the insurance and reinsurance companies where the Savings House owns over 10% of their capital	-	-
15	Amounts representing excess of limits of investments in non – financial institutions	-	-
16	Positions arising from consolidations (negative amounts)	-	-
<b>III</b>	<b>DEDUCTIONS</b>	-	-
<b>IV</b>	<b>Core capital after deductions</b>	<b>92,149</b>	<b>91,370</b>
<b>V</b>	<b>Additional capital after deduction</b>	<b>112</b>	<b>112</b>

Notes to the financial statements (continued)

*Report on own funds (continued)*

	<b>Own funds</b>		
<b>VI Core capital</b>		<b>92,149</b>	<b>91,370</b>
<b>VII Additional capital</b>		<b>112</b>	<b>112</b>
<b>VIII OWN FUNDS</b>		<b>92,261</b>	<b>91,482</b>

Notes to the financial statements (continued)

#### 4 Segment reporting

Segment reporting is based on the business activities according to the Savings House's operating segment.

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

- performs activities as a result based on which incomes are generated and expenditures arise;
- reviews from the Sole owner, in order to assess the accomplishments and decision making for future business activities of the segment; and
- financial information for the segment is available.

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

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

As of 31 December 2016 and 2015 the Savings House's operating segments are as follows

- retail customers – loans given and deposits received;
- financial institutions;
- state
- other significant operating segments.

The Saving House discloses information for the concentration of the business activities towards separate significant clients. Significant client is a personal banking client or a legal entity as well as the parties involved, if the Saving House realizes 10% or more from its total business income or expenditure. As at 31 December 2016 and 2015 there are no significant clients.

The Savings House has no secondary geographical segments and it performs its business activities in the Republic of Macedonia.











Notes to the financial statements (continued)

**5 Fair value of financial assets and liabilities**

*a) Cash and cash equivalents*

The carrying amount of cash and cash equivalents equals their fair values as they include cash, accounts with banks and bank deposits with short-terms maturity.

*b) Loans and receivable from banks*

Loans and advances to banks are recorded at amortized cost less the provisions for impairment. The appraised fair value of loans and advances to banks is determined by the discounted expected future cash flows. Appraised future cash flows for determining the fair value are discounted using effective interest rate. The fair value approximates their carrying amount.

*c) Loans and receivable from customers*

Loans and receivables from customers are measured based on depreciated purchasing costs depreciated by their impairment value. The major part of the loans and receivable from customers in the credit portfolio of the Savings House is with adjustable (variable) interest rate and only a smaller part is with fixed interest rate. The appraised fair value of loans and receivable from customers is determined by the discounted expected future cash flows. Appraised future cash flows for determining the fair value are discounted using effective interest rate. The fair value approximates their carrying amount.

*d) Other receivables*

The fair value of other receivables equals their carrying value as they will mature in short periods.

*e) Due to customers*

The fair value of the sight deposits and the time deposits with variable interest rate is equal to their carrying amount.

*f) Borrowings*

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

*g) Other liabilities*

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

Notes to the financial statements (continued)

*Fair value of financial assets and liabilities (continued)*  
**A. Fair Value of Financial Assets and Financial Liabilities**

<i>in Denar thousand</i>		<b>2016</b>		<b>2015</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Fair Value</b>
<b>Financial assets</b>					
Cash and cash equivalents	30,554	30,554	21,595	21,595	21,595
Trading assets	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Loans and receivable from banks	1,909	1,909	8,556	8,556	8,556
Loans and receivables from customers	211,008	211,008	188,401	188,401	188,401
Investments in securities	-	-	-	-	-
Investment in associates	-	-	-	-	-
Income tax receivables (current)	-	-	65	65	65
Other receivables	459	459	222	222	222
Pledged assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
<b>Financial liabilities</b>					
Trading liabilities			-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition			-	-	-
Derivative liabilities held for risk management			-	-	-
Due to banks			-	-	-
Due to customers	156,314	156,314	135,995	135,995	135,995
Issued debt securities			-	-	-
Borrowings	11,896	11,896	13,993	13,993	13,993
Subordinated liabilities			-	-	-
Income tax liabilities (current)	11	11	-	-	-
Deferred tax liabilities			-	-	-
Other liabilities	8,241	8,241	1,136	1,136	1,136

Notes to the financial statements (continued)

*Fair value of financial assets and liabilities (continued)*

*B. Levels of fair value of financial assets and liabilities, assessed by fair value*

*B1. Levels of fair value of financial assets and liabilities, assessed by fair value*

	<i>in Denar thousand</i>	Notes	Level 1	Level 2	Level 3	<b>Total</b>
<b>2016</b>						
<b>Financial assets at fair value</b>						
Trading assets		19	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition		20	-	-	-	-
Derivative assets held for risk management		21	-	-	-	-
Investment in securities available for sale		23.1	-	-	-	-
<b>Total</b>			-	-	-	-
<b>Financial liabilities at fair value</b>						
Trading liabilities		32	-	-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition		33	-	-	-	-
Derivative liabilities held for risk management		21	-	-	-	-
<b>Total</b>			-	-	-	-

Notes to the financial statements (continued)

*Fair value of financial assets and liabilities (continued)*

*B. Levels of fair value of financial assets and liabilities, assessed by fair value (continued)*

*B1. Levels of fair value of financial assets and liabilities, assessed by fair value (continued)*

<b>2015</b>	<i>in Denar thousand</i>	Notes	Level 1	Level 2	Level 3	<b>Total</b>
<b>Financial assets at fair value</b>						
Trading assets		19	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition		20	-	-	-	-
Derivative assets held for risk management		21	-	-	-	-
Investment in securities available for sale		23.1	-	-	-	-
<b>Total</b>			-	-	-	-
<b>Financial liabilities at fair value</b>						
Trading liabilities		32	-	-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition		33	-	-	-	-
Derivative liabilities held for risk management		21	-	-	-	-
<b>Total</b>			-	-	-	-



Notes to the financial statements (continued)

*Fair value of financial assets and liabilities (continued)*

*B. Levels of fair value of financial assets and liabilities, assessed by fair value (continued)*

*B2. Transfers between levels 1 and 2 by fair value*

<i>in Denar thousand</i>	2016		2015	
	Transfers between level 1 and level 2	Transfers between level 2 and level 1	Transfers between level 1 and level 2	Transfers between level 2 and level 1
<b>Financial assets at fair value</b>				
Trading assets	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investment in securities available for sale	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Financial liabilities at fair value</b>				
Trading liabilities	-	-	-	-
Financial liabilities designated at fair value through profit and loss at its / their initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
<b>Total</b>	-	-	-	-

Notes to the financial statements (continued)

*Fair value of financial assets and liabilities (continued)*

*B. Levels of fair value of financial assets and liabilities, assessed by fair value (continued)*

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

<i>in Denar thousand</i>	Trading assets	Financial assets at fair value through profit and loss at its/ their initial recognition.	Investment in securities available- for-sale	<b>Total assets</b>	Trading liabilities	Financial liabilities at fair value through profit and loss at its/ their initial recognition.	<b>Total liabilities</b>
<i>in Denar thousand</i>							
<b>At 1 January 2016</b>	-	-	-	-	-	-	-
Profits/ (losses) recognized in:	-	-	-	-	-	-	-
- Statement of Income	-	-	-	-	-	-	-
- Other profits/(losses)	-	-	-	-	-	-	-
not recognized in the statement of income	-	-	-	-	-	-	-
Financial instruments purchased in the period	-	-	-	-	-	-	-
Financial instruments sold in the period	-	-	-	-	-	-	-
Financial instruments issued in the period	-	-	-	-	-	-	-
Financial instruments paid for in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	-	-	-
<b>Total profit/(loss) recognized in profit and loss for financial assets and liabilities held until 31 December 2016</b>	-	-	-	-	-	-	-



## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

**6 Net interest income / (expense)****A. Structure of interest income and expense according to the type of financial instruments**

	<b>2016</b>	<b>2015</b>
<b>Interest income</b>		
Cash and cash equivalents	193	338
Financial assets at fair value through profit and loss at initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and receivable from banks	75	194
Loans and receivables from other customers	27,812	24,755
Investments in securities	-	64
Other receivables	-	-
(Allowance for impairment of interest income, net)	(106)	(33)
Collected interest previously written off	908	1,134
<b>Total interest income</b>	<b>28,882</b>	<b>26,452</b>
<b>Interest expense</b>		
Financial liabilities designated at fair value through profit and loss at its / their initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	-	-
Due to customers	4,772	4,654
Issued debt securities	-	-
Borrowings	696	17
Subordinated liabilities	-	-
Other liabilities	-	-
<b>Total interest expense</b>	<b>5,468</b>	<b>4,671</b>
<b>Net interest income (expense)</b>	<b>23,414</b>	<b>21,781</b>

**B. Sector analysis of interest income and expenses according to sector**

	<b>2016</b>	<b>2015</b>
<b>Interest income</b>		
Non-financial companies	-	-
State	-	64
Non-profit institutions providing services to households	-	-
Banks	268	532
Other financial institutions (non-banking)	-	-
Households	27,812	24,755
Non-residents	-	-
(Allowance for impairment of interest income, net)	(106)	(33)
Collected interest previously written off	908	1,134
<b>Total interest income</b>	<b>28,882</b>	<b>26,452</b>
<b>Interest expense</b>		
Non-financial companies	-	-
State	-	-
Non-profit institutions providing services to households	-	-
Banks	696	17
Other financial institutions (non-banking)	-	-
Households	4,772	4,654
Non-residents	-	-
<b>Total interest expense</b>	<b>5,468</b>	<b>4,671</b>
<b>Net interest income (expense)</b>	<b>23,414</b>	<b>21,781</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## 7 Net fee and commission income / (expense)

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

	2016	2015
<b>Fee and commission income</b>		
Loans	8,276	5,834
Payment operations	-	-
- in the country	-	-
- abroad	-	-
Letter of credit and guarantees	-	-
Brokerage operations	-	-
Asset management	-	-
Fiduciary activities	-	-
Issuing securities	-	-
Other	400	200
<b>Total fee and commission income</b>	<b>8,676</b>	<b>6,034</b>
<b>Fee and commission expense</b>		
Loans	-	-
Payment operations	-	-
- in the country	345	307
- abroad	-	-
Letter of credit and guarantees	295	209
Brokerage operations	-	-
Asset management	-	-
Fiduciary activities	-	-
Issuing securities	-	-
Other		
- Compensation for NBRM	120	-
- Fee for taken claims	318	-
Other	9	18
<b>Total fee and commission expense</b>	<b>1,087</b>	<b>534</b>
<b>Net fee and commission income(expense)</b>	<b>7,589</b>	<b>5,500</b>

### B. Sector analysis of fees and commission income and expenses

	2016	2015
<b>Fee and commission income</b>		
Non-financial companies	-	-
State	-	-
Non-profit institutions providing services to households	400	200
Banks	-	-
Other financial institutions (non-banking)	-	-
Households	8,276	5,834
Non-residents	-	-
<b>Total fee and commission income</b>	<b>8,676</b>	<b>6,034</b>
<b>Fee and commission expense</b>		
Non-financial companies	-	-
State	120	-
Non-profit institutions providing services to households	-	-
Banks	354	325
Other financial institutions (non-banking)	318	-
Households	-	-
Non-residents	295	209
<b>Total fee and commission expense</b>	<b>1,087</b>	<b>534</b>
<b>Net fee and commission income(expense)</b>	<b>7,589</b>	<b>5,500</b>

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 8 Net income from trading

	2016	2015
<b>Trading assets</b>		
Profit/(loss) from fair value changes of debt securities, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
- realized	-	-
- unrealized	-	-
Income from dividends from trading assets	-	-
Income from interest of trading assets	-	-
<b>Trading liabilities</b>		
Profit/(loss) from fair value changes of debt securities, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from fair value changes of trading deposits, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from fair value changes of remaining financial liabilities for trading, net		
- realized	-	-
- unrealized	-	-
Interest expense of financial liabilities held for trade	-	-
<i>Profit/(loss) from fair value change of derivatives held for trading, net</i>		
- realized	-	-
- unrealized	-	-
<b>Net income from trading</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

**9 Net income from other financial instruments carried at fair value**

	2016	2015
<b>Financial assets at fair value through profit and loss at initial recognition</b>		
Profit/(loss) from fair value changes of debt securities, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
- realized	-	-
- unrealized	-	-
Income from dividends from financial assets at fair value through profit and loss	-	-
Profit/(loss) from the changes in fair value of loans and receivables at fair value through profit and loss, net		
- realized	-	-
- unrealized	-	-
<b>Financial liabilities designated at fair value through profit and loss at its / their initial recognition</b>		
Profit/(loss) from fair value changes of debt securities, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the changes in fair value of deposits at fair value through profit and loss, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the changes in fair value of borrowings at fair value through profit and loss, net		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss, net		
- realized	-	-
- unrealized	-	-
<i>Profit/(loss) from fair value changes of derivatives held for risk management at fair value through profit and loss, net</i>		
- realized	-	-
- unrealized	-	-
<b>Net income from other financial instruments carried at fair value</b>	<b>-</b>	<b>-</b>

**10 Foreign exchange gains/ (losses), net**

	2016	2015
Realized foreign exchange gains / (losses), net	-	-
Unrealized foreign exchange gains / (losses), net		
- foreign exchange differences of allowance for impairment of financial assets, net	-	-
- foreign exchange differences on off-balance exposure, net	-	-
- other foreign exchange differences, net	2	(7)
<b>Foreign exchange gains/(losses), net</b>	<b>2</b>	<b>(7)</b>

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 11 Other operating income

	2016	2015
Profit from the sale of assets available – for – sale	-	-
Dividends from equity instruments available – for – sale	-	-
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
- property and equipment	-	-
- intangible assets	-	-
- foreclosed assets	-	-
- non - current assets held for sale and group for disposal	-	-
Income from rent	-	-
Income from litigations	128	149
Collected receivables previously written off	444	-
Release of special reserve and provisions for:		
- off – balance sheet credit exposure	-	-
- contingent commitments based on litigations	-	-
- pensions and other employee benefits	-	-
- restructuring	-	-
- adverse contracts	-	-
- other provisions	-	-
Other		
- income from insurance claims	-	20
- prior year income	79	32
- project income	2,212	-
- other	25	65
<b>Total other operating income</b>	<b>2,888</b>	<b>266</b>

The Savings House made a contract for giving sub-project implementation support number 03-96/1 with the Association of microfinance organizations from Skopje, for the purposes of the project “Inclusion and innovation in the microfinance”.

The activities of the Savings House (acts as sub-implementer) are funded by the project.

Received funds for the purchase of intangible assets are recognized as deferred income in the accompanying financial statements. On each subsequent balance date, the deferred income will be recognized as income for the year. Other received funds from the Project are recognized as income in the moment of purchase or service delivery.



Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## 12 Allowance for impairment of financial assets, net

	Loans and receivable from banks	Loans and receivables from customers	Investment in finan. assets available-for- sale	Investment in finan. assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	Total
<b>2016</b>								
<i>Allowance for impairment, on individual basis</i>								
Additional allowance for impairment	101	24,578	-	-	-	232	-	24,911
(Release of allowance for impairment)	(451)	(23,114)	-	-	-	(199)	-	(23,764)
	<b>(350)</b>	<b>1,464</b>	-	-	-	<b>33</b>	-	<b>1,147</b>
<i>Allowance for impairment, on group basis</i>								
Additional allowance for impairment	-	1,570	-	-	-	5	-	1,575
(Release of allowance for impairment)	-	(1,217)	-	-	-	(4)	-	(1,221)
	-	<b>353</b>	-	-	-	<b>1</b>	-	<b>354</b>
<b>Total allowance for impairment of financial assets, net</b>	<b>(350)</b>	<b>1,817</b>	-	-	-	<b>34</b>	-	<b>1,501</b>
<b>2015</b>								
<i>Allowance for impairment, on individual basis</i>								
Additional allowance for impairment	452	21,511	-	-	-	183	4	22,150
(Release of allowance for impairment)	(452)	(21,257)	-	-	-	(196)	(3)	(21,908)
	-	<b>254</b>	-	-	-	<b>(13)</b>	<b>1</b>	<b>242</b>
<i>Allowance for impairment, on group basis</i>								
Additional allowance for impairment	-	1,420	-	-	-	3	-	1,423
(Release of allowance for impairment)	-	(1,803)	-	-	-	(3)	-	(1,806)
	-	<b>(383)</b>	-	-	-	-	-	<b>(383)</b>
<b>Total allowance for impairment of financial assets, net</b>	-	<b>(129)</b>	-	-	-	<b>(13)</b>	<b>1</b>	<b>(141)</b>

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

**13 Impairment losses of non-financial assets, net**

	Property and equipment	Intangible assets	Foreclosed assets	Non - current assets held for sale and group for disposal	Other non-financial assets	Uncontrolled participation	Total
<b>2016</b>							
Additional impairment loss			18				18
(Release of impairment loss)			-				-
<b>Total impairment loss of non-financial assets, net</b>			<b>18</b>				<b>18</b>
<b>2015</b>							
Additional impairment loss	-	-	22	-	-	-	22
(Release of impairment loss)	-	-	-	-	-	-	-
<b>Total impairment loss of non-financial assets, net</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>

## Notes to the financial statements (continued)

As at and for the year ended December 31, 2016

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

**14 Personnel expenses**

	2016	2015
<b>Short - term employee benefits</b>		
- Salaries	13,669	11,466
- Mandatory contribution for social and health insurance	5,037	4,179
- Short - term paid leave of absence	-	-
- Expenses for temporary employment	-	-
- Interest in profit and rewards	-	-
- Non-monetary benefits	-	-
	<b>18,706</b>	<b>15,645</b>
<b>Benefits after employment</b>		
- Contribution to pension plans for defined contributions	-	-
- Benefits at retirement	-	-
- Increasing the obligation for pension plans and defined benefits	-	-
- Increasing the obligation for other long-term benefits	-	-
- Other benefits after the termination of employment	-	-
	-	-
<b>Benefits due to termination of employment</b>		
Employee payment based on shares, settled with equity instruments	-	-
Employee payment based on shares, settled in cash	-	-
Other		
- holiday pay	304	244
- New year's contribution	151	-
- Jubilee contribution	22	133
- other	222	76
	<b>699</b>	<b>453</b>
<b>Total personnel expenses</b>	<b>19,405</b>	<b>16,098</b>

According to the legal requirements, the Savings House, during 2016 provided a holiday pay for its employees and jubilee contributions for its employees with over 10 years of working experience in the Savings House and New Year's contribution for all employees.

**15 Depreciation and amortization**

	2016	2015
<b>Amortization of intangible assets</b>		
Internally developed software	-	-
Acquired software from external suppliers	410	483
Other internally developed intangible assets	-	-
Other intangible assets	105	-
Investments in intangible assets under lease	-	-
	<b>515</b>	<b>483</b>
<b>Depreciation of property and equipment</b>		
Buildings	556	5
Transport vehicles	-	-
Furniture and office equipment	474	338
Other equipment	13	13
Other items of property and equipment	-	-
Investment in property and equipment under lease	1	60
	<b>1,044</b>	<b>416</b>
<b>Total depreciation and amortization</b>	<b>1,559</b>	<b>899</b>

Notes to the financial statements (continued)  
As at and for the year ended December 31, 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

Depreciation and amortization (continued)

The Savings House sign a contract for giving sub-project implementation support number 03-96/1 with the Association of microfinance organizations from Skopje, for the purposes of the project "Inclusion and innovation in the microfinance".

The activities of the Savings House (acts as sub-implementer) are funded by the project.

Purchased intangible assets are amortized in accordance with the accounting policy.

Notes to the financial statements (continued)  
As at and for the year ended December 31, 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## 16 Other operating expenses

	2016	2015
Loss due to the sale of assets available – for – sale	-	-
Expenses for software licensing	-	-
Insurance premiums on deposits	725	652
Insurance premiums on property and employees	142	120
Materials and services	6,310	5,174
Administrative and marketing expenses	1,442	1,086
Other taxes and contributions	320	284
Expenses for rent	1,378	2,314
Expenses for litigation	14	14
Special reserve for off-balance exposure, net	-	-
Provisions for pensions and other employee benefits, net	-	-
Provisions for contingent commitments based on litigations, net	-	-
Other provisions, net	-	-
Loss from the sale of:	-	-
- property and equipment	-	-
- intangible assets	-	-
- foreclosed assets	-	-
- non - current assets held for sale and group for disposal	-	-
Expenses due to initial recognition of foreclosed assets	-	-
Other	-	-
- Net carrying value of written off assets	-	74
- Other	28	37
<b>Total other operating expenses</b>	<b>10,359</b>	<b>9,755</b>

## 17 Income tax

### A. Expenses/income for current and deferred income tax

	2016	2015
<b>Current income tax</b>		
Expenses / (income) for current income tax for the year	223	182
Adjustments for previous years	-	-
Benefits from previously unrecognized tax losses, tax balance or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	(78)	(54)
	<b>145</b>	<b>128</b>
<b>Deferred income tax</b>		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previously unrecognized tax losses	-	-
Changes in the tax rate	-	-
Introducing new taxes	-	-
Benefits from previously unrecognized tax losses, tax balance or temporary differences from previous years	-	-
Other	-	-
	-	-
<b>Total expenses/(return) of income tax</b>	<b>145</b>	<b>128</b>

	2016	2015
<b>Current income tax</b>		
Recognized in the Income statement	145	128
Recognized in equity and reserves	-	-
	<b>145</b>	<b>128</b>
<b>Deferred income tax</b>		
Recognized in the Income statement	-	-
Recognized in equity and reserves	-	-
	-	-
<b>Total expenses/(return) of income tax</b>	<b>145</b>	<b>128</b>

Notes to the financial statements (continued)  
As at and for the year ended December 31, 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

**Income tax (continued)****B. Reconciliation of the effective average tax rate with the variable tax rate**

	in %		in %	
	2016		2015	
Profit/(loss) before taxation	-	1,051	-	907
Income tax in accordance with the applicable tax rate	10.0%	105	10.0%	91
Effect from various tax rates in other countries	-	-	-	-
Adjustment for previous years and changes in the tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expenses unrecognized for tax purposes	10.0%	118	10.0%	91
Tax exempted income	-	-	-	-
Tax exemptions unrecognized in the Income statement	-	-	-	-
Recognition of previously unrecognized tax losses	-	-	-	-
Benefits from previously unrecognized tax losses, tax balance or temporary differences from previous years	-	-	-	-
Changes of deferred tax	-	-	-	-
Other	(7.4%)	(78)	(5.9%)	(54)
<b>Total expenses/(return) of income tax</b>	-	<b>145</b>	-	<b>128</b>
<b>Average effective tax rate</b>	<b>13.8%</b>	-	<b>14.1%</b>	-

**C. Income tax for other profit/ (losses) during the period, not shown in profit and loss**

	2016		2015	
	Before taxation	(expense)/income tax return	Before taxation	(expense)/income tax return
Revalorization reserve for assets available-for-sale	-	-	-	-
Reserve for protection against risk of cash flows	-	-	-	-
Reserve for instruments for the protection against risk of net investments in foreign operations	-	-	-	-
Reserve for Foreign exchange differences from investments in foreign operations	-	-	-	-
Share in other profit/(loss) of associates not recognized in profit or loss	-	-	-	-
Other profit/(loss) not recognized in profit or loss	-	-	-	-
<b>Other profit/(loss) from the period not recognized in profit or loss</b>	-	-	-	-

Notes to the financial statements (continued)  
 As at and for the year ended December 31, 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 18 Cash and cash equivalents

	2016	2015
Cash in hand	178	148
Current account and deposits with the NBRM, except for obligatory foreign currency reserves	3,748	3,287
Current accounts and deposits with foreign banks	-	-
Current accounts and deposits with domestic banks	26,628	18,160
Treasury bills traded on the secondary market	-	-
Government bills traded on the secondary market	-	-
Term deposits with a maturity period less than, or equal to three months	-	-
Other short - term highly liquid assets	-	-
Interest receivables	-	-
(Allowance for impairment)	-	-
<b><i>Included in cash and cash equivalents for the purpose of the Statement of cash flows</i></b>	<b>30,554</b>	<b>21,595</b>
Obligatory foreign currency reserves	-	-
Limited deposits	-	-
(Allowance for impairment)	-	-
<b>Total</b>	<b>30,554</b>	<b>21,595</b>

	2016	2015
<b>Movements of provision for impairment</b>		
At 1 January	-	-
Allowance for impairment for the year		
- additional allowance for impairment	-	-
- (release of allowance for impairment)	-	-
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>

No interest was calculated and paid on obligatory reserve in Denars in 2016 (2015: No interest was calculated and paid on obligatory reserve).

Notes to the financial statements (continued)  
 As at and for the year ended December 31, 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 19 Trading assets

### A. Trading assets structure according to type of financial instrument

	2016	2015
Trading Securities		
Debt securities for trading		
- Treasury bills for trading	-	-
- Government bills for trading	-	-
- Other instruments on the money market	-	-
- Bonds issued by the government	-	-
- Corporative bonds	-	-
- Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Equity instruments for trading		
- Equity instruments issued by banks	-	-
- Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Trade derivatives		
- Contracts dependent on the interest rate change	-	-
- Contracts dependent on the exchange rate change	-	-
- Contracts dependent on the change of price of securities	-	-
- Other contracts that meet the criteria of IAS 39	-	-
	-	-
<b>Total assets for trading</b>	<b>-</b>	<b>-</b>



Notes to the financial statements (continued)  
As at and for the year ended December 31, 2016

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

*Trading assets (continued)*

**B. Reclassified trading assets**

**B1. Balance of the reclassified trading assets**

	2016		2015		
	Reclassified amount (at the date of reclassification)	carrying value as at 31.12.2016	fair value as at 31.12.2016	carrying value as at 31.12.2015	fair value as at 31.12.2015
<b>Trading assets reclassified in 2016 in:</b>					
- available-for-sale financial assets	-	-	-	-	-
- loans and advances to banks	-	-	-	-	-
- loans and advances to customers	-	-	-	-	-

**Trading assets reclassified in 2015 in:**

- available-for-sale financial assets	-	-	-	-	-
- loans and advances to banks	-	-	-	-	-
- loans and advances to customers	-	-	-	-	-

Notes to the financial statements (continued)  
As at and for the year ended December 31, 2016

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

*Trading assets (continued)*

**B. Reclassified trading assets (continued)**  
**B2. Profit/ (loss) from reclassified trading assets**

	Reclassified during 2016		Reclassified during 2015		Other profit/(loss) 2015
	Income statement 2016	Other profit/(loss) 2016	Income statement 2015	Other profit/(loss) 2015	
<b>Period preceding reclassification</b>					
Trading assets reclassified in available- for- sale financial assets	-	-	-	-	-
- trade income, net	-	-	-	-	-
Trading assets reclassified in loans and advances to banks	-	-	-	-	-
- trade income, net	-	-	-	-	-
Trading assets reclassified in loans and advances to customers	-	-	-	-	-
<b>Period following reclassification</b>					
Trading assets reclassified in available- for- sale financial assets	-	-	-	-	-
- interest income	-	-	-	-	-
- impairment provision for financial assets, net - changes in fair value, net	-	-	-	-	-
- changes in fair value, net	-	-	-	-	-
Trading assets reclassified in loans and advances to banks	-	-	-	-	-
- interest income	-	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-	-
Trading assets reclassified in loans and advances to customers	-	-	-	-	-
- interest income	-	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-	-

## Notes to the financial statements (continued)

As at and for the year ended December 31, 2016

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

*Trading assets (continued)***B. Reclassified trading assets (continued)****B3. Profit/ (loss) that would have been recognized in profit and loss, had the assets not have been reclassified**

	Reclassified during 2016 Income statement 2016	Reclassified during 2015 Income statement 2015
Trading assets reclassified in available- for- sale financial assets	-	-
- trade income, net	-	-
Trading assets reclassified in loans and advances to banks	-	-
- trade income, net	-	-
Trading assets reclassified in loans and advances to customers	-	-
- trade income, net	-	-

## Notes to the financial statements (continued)

As at and for the year ended December 31, 2016

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

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

	2016	2015
<i>Debt securities</i>		
- Treasury bills	-	-
- Government bills	-	-
- Other instruments on the money market	-	-
- Bonds issued by the government	-	-
- Corporative bonds	-	-
- Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Equity instruments</i>		
- Equity instruments issued by banks	-	-
- Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Loans and receivable from banks	-	-
Loans and receivables from customers	-	-
<b>Total financial assets at fair value through profit and loss, at initial recognition</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 21 Derivative assets and liabilities held for risk management

	Derivative assets	2016 (Derivative liabilities)	Derivative assets	2015 (Derivative liabilities)
<b>A. Derivatives for risk protection /Derivatives held for risk management</b>				
A.1 According to type of variability				
<b>Derivatives held for risk management</b>				
Contracts dependent on the change of interest rate	-	-	-	-
Contracts dependent on the change of exchange rate	-	-	-	-
Contracts dependent on the change of price of securities	-	-	-	-
Other contracts that meet the criteria of IAS 39	-	-	-	-
<b>Total derivatives held for risk management</b>	-	-	-	-
A.2 According to risk protection				
Fair value risk protection	-	-	-	-
Cash flow risk protection	-	-	-	-
Risk protection of net investment in foreign operations	-	-	-	-
<b>Total derivatives held for risk management</b>	-	-	-	-
<b>B. Embedded derivatives</b>				
Contracts dependent on the change of interest rate	-	-	-	-
Contracts dependent on the change of exchange rate	-	-	-	-
Contracts dependent on the change of price of securities	-	-	-	-
Other contracts that meet the criteria of IAS 39	-	-	-	-
<b>Total embedded derivatives</b>	-	-	-	-
<b>Total derivatives held for risk management</b>	-	-	-	-

Notes to the financial statements (continued)  
 As at and for the year ended December 31, 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 22 Loans and advances

### 22.1 Loans and receivable from banks

	2016		2015	
	short-term	long-term	short-term	long-term
Loans to banks	-	-	-	-
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Term deposits, maturity over three months	2,000	-	9,000	-
- Domestic banks	2,000	-	9,000	-
- Foreign banks	-	-	-	-
Repo	-	-	-	-
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Other receivables	-	-	-	-
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Interest receivables	9	-	6	-
Current maturity	-	-	-	-
<b>Total loans and advances to banks before allowance for impairment</b>	<b>2,009</b>	<b>-</b>	<b>9,006</b>	<b>-</b>
(Allowance for impairment)	(100)	-	(450)	-
<b>Total loans and receivable to banks less allowance for impairment</b>	<b>1,909</b>	<b>-</b>	<b>8,556</b>	<b>-</b>

	2016	2015
<b>Movements of provision for impairment</b>		
At 1 January	450	450
Allowance for impairment for the year		
- additional allowance for impairment	101	452
- (release of allowance for impairment)	(451)	(452)
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	-	-
<b>At 31 December</b>	<b>100</b>	<b>450</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

Loans and advances (continued)

## 22.2 Loans and receivables from customers

### A. Structure of loans and advance to clients by type of borrower

	2016		2015	
	short-term	long-term	short-term	long-term
Non-financial companies				
- receivables per principal	-	-	-	-
- interest receivables	-	-	-	-
State				
- receivables per principal	-	-	-	-
- interest receivables	-	-	-	-
Non-profit institutions providing services to households				
- receivables per principal	-	-	-	-
- interest receivables	-	-	-	-
Financial companies, except banks				
- receivables per principal	-	-	-	-
- interest receivables	-	-	-	-
Households				
- receivables per principal				
housing loans	-	-	-	-
consumer loans	21,391	180,478	20,909	161,998
car loans	-	-	-	-
mortgages	-	-	-	-
credit cards	-	-	-	-
other loans	33	24,343	1,223	22,821
- interest receivables	1,187	-	1,083	-
- Non-residents, except banks				
- receivables per principal	-	-	-	-
- interest receivables	-	-	-	-
Current maturity	64,872	(64,872)	56,282	(56,282)
<b>Total loans and advances to other customers before allowance for impairment</b>	<b>87,483</b>	<b>139,949</b>	<b>79,497</b>	<b>128,537</b>
(Allowance for impairment)	(9,252)	(7,172)	(12,947)	(6,686)
<b>Total loans and advances to customers less allowance for impairment</b>	<b>78,231</b>	<b>132,777</b>	<b>66,550</b>	<b>121,851</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
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**Loans and advances to customers (continued)****A. Structure of loans and advances to customers by type of debtor (continued)**

	2016	2015
<b>Movements of allowance for impairment, individual basis</b>		
At 1 January	18,949	18,727
Allowance for impairment for the year		
- additional allowance for impairment	24,578	21,511
- (release of allowance for impairment)	(23,114)	(21,257)
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	(5,026)	(32)
<b>At 31 December</b>	<b>15,387</b>	<b>18,949</b>
<b>Movements of allowance for impairment, group basis</b>		
At 1 January	684	1,067
Allowance for impairment for the year		
- additional allowance for impairment	1,570	1,420
- (release of allowance for impairment)	(1,217)	(1,803)
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	-	-
<b>At 31 December</b>	<b>1,037</b>	<b>684</b>
<b>Total allowance for impairment of loans and advances to customers</b>	<b>16,424</b>	<b>19,633</b>

**B. Structure of loans and advances to customers per type of collateral**

	2016	2015
(Current carrying value of loans and advances)	-	-
First class instruments for guarantee	-	-
- Cash deposits (depot and /or limited accounts in the Savings House)	7,610	6,214
- Government securities	-	-
- Government unconditional guarantees	-	-
- Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (apart from banking and insurance companies)	-	-
Guarantees from individuals	177,292	167,438
Property pledge	-	-
- Property for own use (flats, houses)	-	-
- Property for operating activities	-	-
Movable property pledge	-	-
Other types of guarantees	26,106	14,749
Unsecured	-	-
<b>Total loans and advances to customers less allowance for impairment</b>	<b>211,008</b>	<b>188,401</b>

**Risks and uncertainties**

The Savings House management has recorded provisions for impairment for all known and foreseeable risks as of the date of the financial statements.

The Savings House continues to be collateralized primarily by promissory notes and sureties, deposits and precious metals. Depending on the classification of loans, the Savings House's management is maximizing its efforts to realize collateral on a timely basis.

The Savings House's operation could be influence by the financial trends in case of worsening of the overall global and local economic environment.



Notes to the financial statements (continued)  
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*Loans and advances to customers (continued)*

The Savings House's management is reacting appropriately to any new developments to the market and economy as a whole. Some of the undertaken measures are: Strengthening the monitoring of large customers and industry sectors to which the Savings House is mostly exposed to, making appropriate balance of interest rates from loans and interest payable for deposits, reassessment of the relationships with the corresponding banks and other participants on the local financial market, where possible increase of collateral limits. All the aforementioned is focusing to protect and develop current and future customer/depositor base and achievement of the Savings House's goals and objectives for 2016 and beyond.

On 12 April 2016, the Savings House undertakes loans receivables according to Agreement for undertaking loans receivables and regulating the repayment of undertaken loans receivables (loan portfolio) number 03-326/1 in amount of 15,880 thousand Denar.

On 31 December 2016, non-performing loans and receivables to customers amounts to 5,745 thousand Denar (2015:9,268 thousand Denar). During the 2016, in accordance with the Decision of NBRM for amending of the Decision on credit risk, the Savings House written off receivables in amount of 5,026 thousand Denar.

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 23 Investments in securities

### 23.1 Investments in financial assets available – for – sale

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

	2016	2015
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments on the money market	-	-
Government issued bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<b>Total investment in financial instruments available – for – sale before allowance for impairment</b>	<b>-</b>	<b>-</b>
(Allowance for impairment)	-	-
<b>Total investment in financial instruments available – for – sale less allowance for impairment</b>	<b>-</b>	<b>-</b>

	2016	2015
<b>Movements of provision for impairment</b>		
At 1 January	-	-
Allowance for impairment for the year		
- additional allowance for impairment	-	-
- (release of allowance for impairment)	-	-
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016

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

**Investments in securities (continued)**

Investment in financial assets available – for – sale (continued)

*B. Reclassified financial assets available – for – sale*

*B1. Balance of reclassified assets available – for – sale*

	2016		2015	
	Carrying value as at 31.12.2016	fair value as at 31.12.2016	Carrying value as at 31.12.2015	fair value as at 31.12.2015
<b>Assets available- for- sale reclassified in 2016 in:</b>				
- loans and advances to banks	-	-	-	-
- loans and advances to customers	-	-	-	-
<b>Assets available- for- sale reclassified in 2015 in:</b>				
- loans and advances to banks	-	-	-	-
- loans and advances to customers	-	-	-	-
	-	-	-	-

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

## Investments in securities (continued)

Investment in financial assets available – for – sale (continued)

**B2. Reclassified financial assets available – for – sale (continued)****B2. Gains and losses from the reclassified assets available – for – sale**

	Income statement (current year)	Other gains / (losses) (current year)	Income statement (previous year)	Other gains / (losses) (previous year)
<b>Period preceding reclassification</b>				
Assets available – for – sale reclassified in loans and advances to banks	-	-	-	-
- interest income	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-
- changes in fair value, net	-	-	-	-
Assets available-for-sale reclassified to loans and advances to customers	-	-	-	-
- interest income	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-
- changes in fair value, net	-	-	-	-
<b>Period following reclassification</b>				
Assets available – for – sale reclassified in loans and advances to banks	-	-	-	-
- interest income	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-
- amount posted to General Ledger from revaluation reserves	-	-	-	-
Assets available-for-sale reclassified to loans and advances to customers	-	-	-	-
- interest income	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-
- amount posted to General Ledger from revaluation reserve	-	-	-	-

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

## Investments in securities (continued)

Investment in financial assets available – for – sale (continued)

**B. Reclassified financial assets available – for –sale (continued)****B3. Gains and losses that would have been recognized, had the assets not have been reclassified**

	Income statement (current year)	Other gains / (losses) (current year)	Income statement (previous year)	Other gains / (losses) (previous year)
Assets available – for – sale reclassified in loans and advances to banks	-	-	-	-
- interest income	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-
Assets available-for-sale reclassified to loans and advances to customers	-	-	-	-
- interest income	-	-	-	-
- impairment provision for financial assets, net	-	-	-	-
- changes in fair value, net	-	-	-	-

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## Investments in securities (continued)

**23.2 Investment in financial assets held-to-maturity**

	2016	2015
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments on the money market	-	-
Government issued bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<b>Total investments in financial instruments held-to-maturity before allowance for impairment</b>	-	-
(Allowance for impairment)	-	-
<b>Total investment in financial instruments held-to-maturity less allowance for impairment</b>	-	-

	2016	2015
<b>Movements of provision for impairment</b>		
At 1 January	-	-
Allowance for impairment for the year		
- additional allowance for impairment	-	-
- (release of allowance for impairment)	-	-
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	-	-
<b>At 31 December</b>	-	-

**24 Investment in subsidiaries and associates***A. Percentage of the Savings House's interest in subsidiaries and associates*

Name of subsidiaries and associates	Country	Percentage of interest in ownership		Percentage of right to vote		in %
		2016	2015	2016	2015	
		-	-	-	-	
-	-	-	-	-	-	-

*B. Financial information of associates – 100%*

Name of associates	Total assets	Total liabilities	Total equity and reserves	Income	Profit/(loss) for the financial year
2016					
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
	-	-	-	-	-
2015					
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
	-	-	-	-	-

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

## 25 Other receivables

	2016	2015
Trade receivables	-	-
Prepaid expenses	59	49
Calculated deferred income	159	-
Fees and commission receivables	229	169
Receivables from the employees	-	-
Advances for intangible assets	-	-
Advances for property and equipment	-	-
Other	-	-
- small inventory	13	13
- inventory	48	72
- other receivables	32	26
<b>Total other receivables before allowance for impairment</b>	<b>540</b>	<b>329</b>
(Allowance for impairment)	(81)	(107)
<b>Total other receivables less allowance for impairment</b>	<b>459</b>	<b>222</b>

	2016	2015
<b>Movements of provision for impairment</b>		
At 1 January	107	121
Allowance for impairment for the year		
- additional allowance for impairment	237	190
- (release of allowance for impairment)	(203)	(202)
(Foreclosed assets)	-	-
Effect of exchange rate differences	-	-
(Written-off receivables)	(60)	(2)
<b>At 31 December</b>	<b>81</b>	<b>107</b>

## 26 Pledged assets

	2016	2015
Debt securities	-	-
Equity instruments	-	-
<b>Total pledged assets</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
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## 27 Foreclosed assets

	Land	Buildings	Equipment	Residential facilities and apartments	Other	Total
<b>Cost</b>						
At 1 January 2015	-	-	-	-	140	140
Foreclosed during the year	-	-	-	-	-	-
(Sold during the year)	-	-	-	-	-	-
(Transfer to own assets)	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	<b>140</b>	<b>140</b>
At 1 January 2016	-	-	-	-	140	140
Foreclosed during the year	-	-	-	-	-	-
(Sold during the year)	-	-	-	-	-	-
(Transfer to own assets)	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	<b>140</b>	<b>140</b>
<b>Impairment</b>						
At 1 January 2015	-	-	-	-	28	28
Impairment loss	-	-	-	-	22	22
(Sold during the year)	-	-	-	-	-	-
(Transfer to own assets)	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	<b>50</b>	<b>50</b>
At 1 January 2016	-	-	-	-	50	50
Impairment loss	-	-	-	-	18	18
(Sold during the year)	-	-	-	-	-	-
(Transfer to own assets)	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	<b>68</b>	<b>68</b>
<b>Current carrying value</b>						
At 1 January 2015	-	-	-	-	112	112
<b>At 31 December 2015</b>	-	-	-	-	<b>90</b>	<b>90</b>
<b>At 31 December 2016</b>	-	-	-	-	<b>72</b>	<b>72</b>

As at 31 December 2016, the current carrying value of the Savings House's foreclosed assets amounts to Denar 72,000 thousand (2015: 90,000 thousand Denar). As at 31 December 2016 their fair value is in the amount of Denar 140,000 thousand (2015: 140,000 thousand Denar).



Notes to the financial statements (continued)  
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## 28 Intangible assets

Intangible assets as at 31 December 2016 consist of acquired software from external suppliers. Movements of carrying values for the reviewed periods are as follows:

### A. Reconciliation of the current carrying amount

	Internally developed software	Acquired software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation	Investments in intangible assets under lease	Uncontrolled participation	Total
<b>Cost</b>								
At 1 January 2015	-	4,046	-	-	-	-	-	4,046
Increase through new acquisitions	-	327	-	-	-	-	-	327
Increase through internal development	-	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(139)	-	-	-	-	-	(139)
(Disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-
transfer from property and equipment in progress	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	<b>4,234</b>	-	-	-	-	-	<b>4,234</b>
At 1 January 2016	-	4,234	-	-	-	-	-	4,234
Increase through new acquisitions	-	-	-	1,408	537	-	-	1,945
Increase through internal development	-	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-
transfer from property and equipment in progress	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	<b>4,234</b>	-	<b>1,408</b>	<b>537</b>	-	-	<b>6,179</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016

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

Intangible assets (continued)

A. Reconciliation of the current carrying amount (continued)

	Internally developed software	Acquired software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation	Investments in intangible assets under lease	Uncontrolled participation	Total
<b>Depreciation and impairment</b>								
At 1 January 2015	-	3,044	-	-	-	-	-	3,044
Depreciation for the year	-	483	-	-	-	-	-	483
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(139)	-	-	-	-	-	(139)
<b>At 31 December 2015</b>	-	<b>3,388</b>	-	-	-	-	-	<b>3,388</b>
At 1 January 2016	-	3,388	-	-	-	-	-	3,388
Depreciation for the year	-	410	-	105	-	-	-	515
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	<b>3,798</b>	-	<b>105</b>	-	-	-	<b>3,903</b>
<b>Current carrying value</b>								
At 1 January 2015	-	1,002	-	-	-	-	-	1,002
<b>At 31 December 2015</b>	-	<b>846</b>	-	-	-	-	-	<b>846</b>
<b>At 31 December 2016</b>	-	<b>436</b>	-	<b>1,303</b>	<b>537</b>	-	-	<b>2,276</b>

Notes to the financial statements (continued)  
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(All the amounts are expressed in Denar thousand, unless otherwise stated)

Intangible assets (continued)

**B. Carrying value of intangible assets that have ownership limitations and/or are pledged as collateral for the Savings House's liabilities**

	Acquired					Investments in intangible assets under lease	Total
	Internally developed software	software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation		
Current carrying amount :	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	-	-	-

At 31 December 2016 and 2015, the Savings House has no intangible assets that have ownership limitations and/or are encumbered to securitize liability settlement.

The Savings House made a Contract for sub-project implementation support number 03-96/1 with the Association of microfinance organizations from Skopje, for the purposes of the project "Inclusion and innovation in microfinance". The activities of the Savings House (acts an role as sub-project implementer) are funded by the Project. As a result of activities, the Savings House purchased intangible assets in amount of 1,384 thousand Denar.

Included in intangible assets are intangible assets in preparation in amount of 537 thousand Denar for software, which till the date of the balance sheet is not put into use.

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## 29 Property and equipment

### A. Reconciliation of the current carrying amount

Cost	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in preparation	Investments in property and equipment assets under lease	Total
At 1 January 2015	-	-	1,666	6,822	428	-	-	234	9,150
Increase	-	22,254	-	730	33	-	-	83	23,100
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(521)	(174)	-	-	(104)	(799)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	207	-	-	-	(207)	-
<b>At 31 December 2015</b>	-	<b>22,254</b>	<b>1,666</b>	<b>7,238</b>	<b>287</b>	-	-	<b>6</b>	<b>31,451</b>
At 1 January 2016	-	-	1,666	7,238	287	-	-	6	31,451
Increase	-	22,254	-	778	7	-	-	-	785
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(210)	-	-	-	-	(210)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	<b>22,254</b>	<b>1,666</b>	<b>7,806</b>	<b>294</b>	-	-	<b>6</b>	<b>32,026</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

Property and equipment (continued)

A. Reconciliation of the current carrying amount (continued)

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in preparation	Investments in property and equipment assets under lease	Total
<b>Depreciation and impairment</b>									
At 1 January 2014	-	-	1,666	6,088	361	-	-	35	8,150
Depreciation for the year	-	5	-	338	13	-	-	60	416
Impairment loss during the year (Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off) (transfer to non – current assets held for sale)	-	-	-	(521)	(174)	-	-	(30)	(725)
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	63	-	-	-	(63)	-
<b>At 31 December 2015</b>	-	<b>5</b>	<b>1,666</b>	<b>5,968</b>	<b>200</b>	-	-	<b>2</b>	<b>7,841</b>
At 1 January 2016	-	5	1,666	5,968	200	-	-	2	7,841
Depreciation for the year	-	556	-	474	13	-	-	1	1,044
Impairment loss during the year (Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off) (transfer to non – current assets held for sale)	-	-	-	(210)	-	-	-	-	(210)
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	<b>561</b>	<b>1,666</b>	<b>6,232</b>	<b>213</b>	-	-	<b>3</b>	<b>8,675</b>
<b>Net carrying value</b>									
At 1 January 2015	-	-	-	734	67	-	-	199	1,000
<b>At 31 December 2015</b>	-	<b>22,249</b>	-	<b>1,270</b>	<b>87</b>	-	-	<b>4</b>	<b>23,610</b>
<b>At 31 December 2016</b>	-	<b>21,693</b>	-	<b>1,574</b>	<b>81</b>	-	-	<b>3</b>	<b>23,351</b>



Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

### 30 Current and deferred tax assets and liabilities

#### 30.1 Current tax assets and current tax liabilities

	2016	2015
Income tax receivables (current)	-	65
Income tax liabilities (current)	11	-
	<b>11</b>	<b>65</b>

#### 30.2 Deferred tax assets and deferred tax liabilities

##### A. Recognized deferred tax assets and deferred tax liabilities

	2016			2015		
	Deferred tax assets	(Deferred tax liabilities)	Net basis	Deferred tax assets	(Deferred tax liabilities)	Net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivable from banks	-	-	-	-	-	-
Loans and receivables from customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Deferred tax assets/liabilities recognized in the Income Statement</b>	-	-	-	-	-	-
Investments in financial assets available – for – sale	-	-	-	-	-	-
Cash flow risk protection	-	-	-	-	-	-
<b>Deferred tax assets/liabilities recognized in equity</b>	-	-	-	-	-	-
<b>Total recognized deferred tax assets/ liabilities</b>	-	-	-	-	-	-

##### B. Unrecognized deferred tax assets

	2016	2015
Tax losses	-	-
Tax credits	-	-
<b>Total unrecognized deferred tax assets</b>	-	-

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

Current and deferred tax assets and liabilities (continued)  
 Deferred tax assets and deferred tax liabilities (continued)

**B. Reconciliation of the movement of deferred tax assets and tax liabilities during the year**  
 Recognized during the year  
 in:

	As of 01 January	Income statement	Equity	At 31 December
<b>2016</b>				
Derivative assets held for risk management	-	-	-	-
Loans and receivable from banks	-	-	-	-
Loans and receivables from customers	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available – for – sale	-	-	-	-
Cash flow risk protection	-	-	-	-
<b>Total recognized deferred tax assets/ liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2015</b>				
Derivative assets held for risk management	-	-	-	-
Loans and receivable from banks	-	-	-	-
Loans and receivables from customers	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available – for – sale	-	-	-	-
Cash flow risk protection	-	-	-	-
<b>Total recognized deferred tax assets/ liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

### 31 Non - current assets held for sale and group for disposal

#### A. Non – current assets held for sale

	2016	2015
<b>Intangible assets</b>	-	-
Property and equipment	-	-
<b>Total non – current assets held for sale</b>	<b>-</b>	<b>-</b>

#### B. Disposal group

	2016	2015
Disposal group of assets		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investment in associates	-	-
Income tax receivables	-	-
Other assets	-	-
<b>Total disposal group of assets</b>	<b>-</b>	<b>-</b>
Liabilities directly related to disposal group		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
<b>Total liabilities directly related to the disposal group</b>	<b>-</b>	<b>-</b>

#### C. Gains / (losses) recognized from the sale of assets held for sale and disposal group

	2016	2015
Gains / (losses) recognized from the sale of assets held for sale and disposal group	-	-
	-	-

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

### 32 Trading liabilities

	2016	2015
<i>Due to banks</i>		
- Current accounts, demand deposits and overnight deposits	-	-
- Term deposits	-	-
- Other deposits	-	-
	-	-
<i>Due to customers</i>		
- Current accounts, demand deposits and overnight deposits	-	-
- Term deposits	-	-
- Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
- Money market instruments	-	-
- Deposit certificates	-	-
- Issued bonds	-	-
- Other	-	-
	-	-
Other financial liabilities	-	-
	-	-
<i>Trade derivatives</i>		
- Contracts dependent on the interest rate change	-	-
- Contracts dependent on the exchange rate change	-	-
- Contracts dependent on the price of securities	-	-
- Other contracts that meet the criteria of IAS 39	-	-
	-	-
<b>Total trading liabilities</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

### 33 Financial liabilities designated at fair value through profit and loss at its / their initial recognition

	2016		2015	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
<i>Due to banks</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Due to customers</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Issued debt securities</i>				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
<i>Subordinated liabilities</i>	-	-	-	-
<i>Other financial liabilities</i>	-	-	-	-
<b>Total financial liabilities through profit and loss at its/ their initial recognition</b>	-	-	-	-

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

### 34 Deposits

#### 34.1 Due to banks

	short-term	2016 long-term	short-term	2015 long-term
Current accounts				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Demand deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Term deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Limited deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Other deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Interest payable on deposits				
- Domestic banks	-	-	-	-
- Foreign banks	-	-	-	-
Current maturity	-	-	-	-
<b>Total due to banks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## Deposits (continued)

**34.2 Due to customers**

	2016		2015	
	short-term	long-term	short-term	long-term
Non-financial companies				
- Current accounts	-	-	-	-
- Demand deposits	-	-	-	-
- Term deposits	-	-	-	-
- Limited deposits	-	-	-	-
- Other deposits	-	-	-	-
- Interest	-	-	-	-
State				
- Current accounts	-	-	-	-
- Demand deposits	-	-	-	-
- Term deposits	-	-	-	-
- Limited deposits	-	-	-	-
- Other deposits	-	-	-	-
- Interest	-	-	-	-
Non-profit institutions providing services to households				
- Current accounts	-	-	-	-
- Demand deposits	-	-	-	-
- Term deposits	-	-	-	-
- Limited deposits	-	-	-	-
- Other deposits	-	-	-	-
- Interest	-	-	-	-
Financial companies, except banks				
- Current accounts	-	-	-	-
- Demand deposits	-	-	-	-
- Term deposits	-	-	-	-
- Limited deposits	-	-	-	-
- Other deposits	-	-	-	-
- Interest	-	-	-	-
Households				
- Current accounts	-	-	-	-
- Demand deposits	3,896	-	3,923	-
- Term deposits	27,143	106,114	30,874	83,754
- Limited deposits	1,818	16,380	2,192	14,387
- Other deposits	-	-	-	-
- Interest	963	-	865	-
	<b>33,820</b>	<b>122,494</b>	<b>37,854</b>	<b>98,141</b>
- Non-residents, except banks				
- Current accounts	-	-	-	-
- Demand deposits	-	-	-	-
- Term deposits	-	-	-	-
- Limited deposits	-	-	-	-
- Other deposits	-	-	-	-
- Interest	-	-	-	-
	-	-	-	-
Current maturity	54,234	(54,234)	45,138	(45,138)
<b>Total due to other customers</b>	<b>88,054</b>	<b>68,260</b>	<b>82,992</b>	<b>53,003</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

**35 Issued debt securities**

	2016	2015
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest on issued securities	-	-
<b>Total issued debt securities</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

### 36 Borrowings

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

	2016		2015	
	short-term	long-term	short-term	long-term
Banks				
- Residents	-	-	-	-
Borrowings	-	11,051	-	12,278
Interest	-	-	-	-
Interest payables	6	-	6	-
- non-residents	-	-	-	-
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
Non-financial companies				
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
State				
Borrowings	-	838	-	1,707
Interest	-	-	-	-
Interest payables	1	-	2	-
Non-profit institutions providing services to households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
- Non-residents, except banks				
Borrowings				
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
- State				
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
- Non-profit institutions providing services to households				
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
- Financial companies, except banks				
Borrowings	-	-	-	-
Interest	-	-	-	-
Interest payables	-	-	-	-
- Households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Current maturity	1,879	(1,879)	2,114	(2,114)
<b>Total borrowings</b>	<b>1,886</b>	<b>10,010</b>	<b>2,122</b>	<b>11,871</b>

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

## Borrowings (continued)

## B. Borrowings according to the borrower

	2016		2015	
	short-term	long-term	short-term	long-term
<i>Domestic sources:</i>				
Macedonian Bank for Development Promotion (MBDP)	1	838	2	1,707
Komercijalna Banka AD Skopje	6	11,051	6	12,278
	7	11,889	8	13,985
<i>Foreign sources:</i>				
	-	-	-	-
	-	-	-	-
Current maturity	1,879	(1,879)	2,114	(2,114)
<b>Total borrowings</b>	<b>1,886</b>	<b>10,010</b>	<b>2,122</b>	<b>11,871</b>

As of 29 December 2003, the Savings House entered into the Framework Commissioned Agreement on the placement of funds from IFAD-2 credit line, for agriculture support in RM, with Sparkasse Bank AD, Skopje in the amount of EUR 200.000. The loan carries an interest rate of 1.3% p.a. and is due according to the cumulative repayments schedule.

On 29 December 2015, the Savings House entered into a long-term loan in the amount of 12,340 thousands with Komercijalna Banka AD Skopje with repayment period of 120 months, interest rate set as the reference rate of NBRM + 2.25 p.p. annually.

## 37 Subordinated liabilities

	2016	2015
<i>Subordinated deposit liabilities</i>		
Interest payables	-	-
	-	-
<i>Subordinated credit liabilities</i>		
First Investment Bank AD Sofia	-	-
Interest payables	-	-
	-	-
Subordinated debt on securities issued	-	-
Interest payables	-	-
	-	-
Redeemable preference shares	-	-
<b>Total subordinated debt</b>	<b>-</b>	<b>-</b>



Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

### 38 Special reserve and provisions

	Special reserve and off-balance credit exposure	Provisions for potential liabilities based on litigations	Provisions for pensions and other employee benefits	Restructuring provisions	Provisions for adverse contracts	Other provisions	Total
At 1 January 2015	-	-	-	-	-	-	-
Additional provisions during the year	-	-	-	-	-	-	-
(used provisions during the year)	-	-	-	-	-	-	-
(release of provisions during the year)	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	-	-	-
At 1 January 2016	-	-	-	-	-	-	-
Additional provisions during the year	-	-	-	-	-	-	-
(used provisions during the year)	-	-	-	-	-	-	-
(release of provisions during the year)	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	-	-	-

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

**39 Other liabilities**

	2016	2015
Trade payables	265	970
Received advances	-	-
Fee and commission liabilities	30	71
Accrued expenses	-	-
Deferred income from the previous year	75	37
Short – term liabilities to employees	-	-
Short – term liabilities for employee benefits	-	-
Others:		
- payments from litigated loans	5,987	-
- grants	1,837	21
- payments of loans in litigation	28	15
- other	19	22
<b>Total other liabilities</b>	<b>8,241</b>	<b>1,136</b>

On 12 April 2016, the Savings House undertakes loans receivables according to Agreement for undertaking loans receivables and regulating the repayment of undertaken loans receivables (loan portfolio) number 03-326/1 in amount of 15,880 thousand Denar, and created a liability in amount of 15,880 thousand Denar for using a monetary claim with 3% fee of the amount of undertaken receivables based on principal on the date of signing the Contract. Till the balance sheet day, the Savings House reduced the liability for the amount of 10,052 thousand Denar. The amount of liabilities on the balance sheet day is 159 thousand Denar based on the fee for using the monetary claim and 5,828 thousand Denar based on principal.

On 20 January 2016, the Savings House sign a Contract for sub-project implementation support number 03-96/1 with the Association of microfinance organizations from Skopje (AMO), for the purposes of the project “Inclusion and innovation in microfinance”( the Savings House acts an role as sub-implementer), for which AMO has signed a Cooperative agreement with USAID number AID-165-A-15-00001 dated 28 September 2015 with project number 07/12-15/2743, registered in the Secretariat for European Affairs. Based on the respective contractual provisions AMO for the savings House provided 172, 771 USD.

The activities of the Savings House (acts an role as sub-implementer) are funded by the Project. During 2016 for the purposes of the Project, the Savings House request and use 73,644 USD and made a purchase of tangible and intangible assets (software licenses, small inventory) and other expenses. In accordance with the contractual provisions, tangible and intangible assets purchased for the Project are owned by the sub-implementer. On 28 September 2016 the Savings House sign a Contact for implementation of software number 03-518/1 with ASPEKT DOO Skopje, and use part of the funds in amount of 537 thousand Denar for preparation of intangible primary asset for the purpose of the operating activities.

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

## Other liabilities (continued)

From the project funds the Savings House purchased intangible assets-software licenses in amount of 1,384 thousand Denar, for which during the 2016 has been calculated amortization in amount of 104 thousand Denar, and is recognized as other operating income in the income statement for the current year. Received funds for the purchase of fixed assets are treated as deferred income in the accompanying financial statements. On every last balance sheet day, deferred income will be recognized as income for the year.

Remaining funds from the Project are recognized as income at the moment of purchase or service delivery.



Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

## Subscribed capital (continued)

**B. Dividends****B1. Announced dividends and paid dividends by the Savings House**

	2016	2015
Announced dividends and paid dividends for the year	-	-

	2016	2015
Ordinary share dividend (In Denars)	-	-
Preference share dividend	-	-

**B2. Announced dividends after the balance sheet date (the liabilities for dividends are not shown in the balance sheet)**

	2016	2015
Issued dividends after 31 December	-	-

	2016	2015
Ordinary share dividend	-	-
Preference share dividend	-	-

**B. Shareholders with more than 5% voting share**

<b>Shareholder's name</b>	2016	2015	2016	<i>in %</i> 2015
	Subscribed capital (Nominal value)	Subscribed capital (Nominal value)	Voting right	Voting right
ZG FULM Skopje	75,607	75,607	100%	100%
	<b>75,607</b>	<b>75,607</b>	<b>100%</b>	<b>100%</b>

In accordance with the local regulations, the Savings House is required to set aside 5% of its net profit for the year in a statutory reserve until the level of reserve reaches 1/10 of the subscribed capital. Until the minimum required level is reached, the statutory reserve could be used only for loss covering.

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

#### 41 Earnings per share

##### A. Basic earnings per share

	2016	2015
<i>Net - profit attributable to holders of ordinary shares</i>	-	-
Net - profit for the year	-	-
Dividends for preference shares not for sale	-	-
Changes of net-profit attributable to holders of ordinary shares	-	-
<b>Net profit/(loss) attributable to holders of ordinary shares</b>	<b>-</b>	<b>-</b>

	<i>Number of shares</i>	
	2016	2015
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares as of 1 January	-	-
Effects from changes in the number of ordinary shares during the year	-	-
<i>Weighted average number of ordinary shares as of 31 December</i>	-	-
<b>Basic earnings per share (in Denars)</b>	<b>-</b>	<b>-</b>

##### B. Diluted earnings per share

	2016	2015
<i>Net - profit attributable to holders of ordinary shares (diluted)</i>	-	-
Net profit attributable to holders of ordinary shares	-	-
Adjustments of net-profit attributable to holders of ordinary shares about the effect of all issued potentially ordinary shares	-	-
<b>Net - profit attributable to holders of ordinary shares (diluted)</b>	<b>-</b>	<b>-</b>

	<i>Number of shares</i>	
	2016	2015
<i>Weighted average number of ordinary shares (diluted)</i>		
Issued ordinary shares as of 1 January	-	-
Effects of issuing potential ordinary shares	-	-
<i>Weighted average number of ordinary shares (diluted) as of 31 December</i>	-	-
<b>Diluted earnings per share (in Denars)</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

**42 Commitments and contingencies****42.1 Contingent liabilities**

	2016	2015
Unsecured payment guarantees		
- in Denar	-	-
- in foreign currency	-	-
- in Denar with foreign clause	-	-
Uncovered performance guarantees	-	-
- in Denar	-	-
- in foreign currency	-	-
- in Denar with foreign clause	-	-
Uncovered letter of credit	-	-
- in Denar	-	-
- in foreign currency	-	-
- in Denar with foreign clause	-	-
Unused overdraft for current accounts	-	-
Unused credit card limits	-	-
Foreclosed liabilities for crediting and unused credit limits	-	-
Issued covered collateral	-	-
Covered letter of credit	-	-
Other commitments	-	-
<b>Total commitments before the special reserve</b>	<b>-</b>	<b>-</b>
(Special reserves)	-	-
<b>Total commitments less special reserve</b>	<b>-</b>	<b>-</b>

*Taxation risk*

The Savings House's financial statements and accounting records are subject to tax control by the tax authorities in the period for 5 years after the tax report for the financial year is submitted and can cause additional tax liabilities. According to the estimates of the Savings House's management there are no additional conditions that can bring forth potential materially significant liabilities on these grounds.

*Commitments*

As at 31 December 2016, the Savings House had no commitments for capital purchases.

*Litigation proceedings*

As at 31 December 2016, legal proceedings against the Savings House amount to Denar 40 thousand in total (2015: none). The provision as of the balance sheet date has not been recorded because the professional legal advice indicates that there is no possibility of significant losses. In addition, various legal actions and claims may be asserted in the future against the Saving House from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, the Management of the Saving House believes that no material liabilities are likely to occur.





Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

#### 44 Related party transactions

Related parties include persons with special rights and responsibilities at the Savings House and related parties thereof, the founder of the Savings House. All related party transactions take place during the regular operation of the Savings House and their value does not differ materially from the conditions under which other entities' transactions take place.

##### A. Balance sheet

	Parent Company	Subsidiaries	Associates	Management of the Savings House	Other related parties	Total
<b>At 31 December 2016</b>						
<b>Assets</b>						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and advances						
- Mortgage loans	-	-	-	-	-	-
- Consumer loans	-	-	-	-	-	-
- Financial leasing receivables	-	-	-	-	-	-
- Factoring and forfeiting receivables	-	-	-	-	-	-
- Other loans and advances	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	-	991	-	991
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	7	7
<b>Total</b>	-	-	-	<b>991</b>	<b>7</b>	<b>998</b>
<b>Contingent liabilities</b>						
Issued guarantees	-	-	-	-	-	-
Issued letter of credit	-	-	-	-	-	-
Other commitments	-	-	-	-	-	-
(Special reserves)	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Contingent assets</b>						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-



## Notes to the financial statements (continued)

As at and for the year ended 31 December 2016

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

## Related party transactions (continued)

## B. Income and expenses from other related party transactions

	Parent Company	Subsidiarie s Associates	Manageme nt of the Savings House	Other related parties	Total
<b>2016</b>					
<b>Income</b>					
Interest income	-	-	-	-	-
Fee and commission income	-	-	-	400	400
Net income from trading	-	-	-	-	-
Dividend income	-	-	-	-	-
Capital gain from the sale of non - current assets	-	-	-	-	-
Other income	-	-	-	-	-
Transfers between entities	-	-	-	-	-
<b>Total</b>	-	-	-	<b>400</b>	<b>400</b>
<b>Expenses</b>					
Interest expense	-	-	35	-	35
Fee and commission expense	-	-	-	-	-
Net losses from trading	-	-	-	-	-
Expenses from purchase of non - current assets	-	-	-	-	-
Allowance for impairment of financial assets, net	-	-	-	-	-
Other expenses	-	-	-	-	-
Transfers between entities	-	-	-	-	-
<b>Total</b>	-	-	<b>35</b>	-	<b>35</b>
<b>2015</b>					
<b>Income</b>					
Interest income	-	-	-	-	-
Fee and commission income	-	-	-	200	200
Net income from trading	-	-	-	-	-
Dividend income	-	-	-	-	-
Capital gain from the sale of non - current assets	-	-	-	-	-
Other income	-	-	-	-	-
Transfers between entities	-	-	-	-	-
<b>Total</b>	-	-	-	<b>200</b>	<b>200</b>
<b>Expenses</b>					
Interest expense	-	-	40	-	40
Fee and commission expense	-	-	-	-	-
Net losses from trading	-	-	-	-	-
Expenses from purchase of non - current assets	-	-	-	-	-
Allowance for impairment of financial assets, net	-	-	-	-	-
Other expenses	-	-	-	-	-
Transfers between entities	-	-	-	-	-
<b>Total</b>	-	-	<b>40</b>	-	<b>40</b>

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

Related party transactions (continued)

*C. Expenses for the Savings House's Management*

	2016	2015
Short - term employee benefits	5,676	5,588
Benefits after employment	-	-
Benefits due to termination of employment	-	-
Employee payment based on shares, settled with equity instruments	-	-
Employee payment based on shares, settled in cash	-	-
Others		
Compensation for a member of Sole owner	719	604
<b>Total</b>	<b>6,395</b>	<b>6,192</b>

According to the Banking Law, related parties are considered: persons with special rights and responsibilities in the Savings House and persons related to them; shareholders with a qualified contribution to the Savings House (direct or indirect ownership of at least 5 % of the total number of shares, or voting right shares or that enable a significant influence on the Savings House's managing), affiliates and entities, as well as the responsible persons of these shareholders - legal entities, Savings House's subsidiaries and other persons related to the Savings House. In other related parties, the transactions with the Founder of the Savings House are revealed.

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016

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

## 45 Leases

### A. Lessor

#### A1. Finance lease receivables

	Total financial lease receivables	Maturity period for financial lease receivables		
		up to 1 year	From 1 to 5 years	Over 5 years
<b>At 31 December 2016</b>	-	-	-	-
Current value of minimum lease payments	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-
Current value of minimum lease payments	-	-	-	-
<b>Total</b>	-	-	-	-

#### A2. Побарувања по неотповикливи оперативни наеми

	Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
		up to 1 year	From 1 to 5 years	Over 5 years
<b>At 31 December 2016</b>	-	-	-	-
Current value of minimum lease payments	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-
Current value of minimum lease payments	-	-	-	-
<b>Total</b>	-	-	-	-

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of property under operational lease:							
At 31 December 2016	-	-	-	-	-	-	-
At 31 December 2015	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

### B. Lessee

#### B1. Financial lease liabilities

	Total financial lease liabilities	Maturity period for financial lease liabilities		
		up to 1 year	From 1 to 5 years	Over 5 years
<b>At 31 December 2016</b>	-	-	-	-
Current value of minimum lease payments	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-
Current value of minimum lease payments	-	-	-	-
<b>Total</b>	-	-	-	-

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016

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

Leases (continued)

*B. Lessee (continued)*

*B.1 Financial lease liabilities (continued)*

*Value of property under financial lease:*

<b>Cost</b>	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
At 1 January 2015	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	-	-	-
At 1 January 2016	-	-	-	-	-	-	-
- additions	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	-	-	-
<b>Accumulated depreciation and impairment</b>							
At 1 January 2015	-	-	-	-	-	-	-
- depreciation for the year	-	-	-	-	-	-	-
- impairment loss during the year	-	-	-	-	-	-	-
- (release of impairment loss during the year)	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	-	-	-
At 1 January 2016	-	-	-	-	-	-	-
- depreciation for the year	-	-	-	-	-	-	-
- impairment loss during the year	-	-	-	-	-	-	-
- (release of impairment loss during the year)	-	-	-	-	-	-	-
- (disposal and write offs)	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	-	-	-

Notes to the financial statements (continued)  
As at and for the year ended 31 December 2016  
(All the amounts are expressed in Denar thousand, unless otherwise stated)

*Leases (continued)*

*B. Lessee (continued)*

*B1. B.1 Financial lease liabilities (continued)*

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
<b>Current carrying value</b>							
At 1 January 2015	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	-	-	-	-	-	-	-
<b>At 31 December 2016</b>	-	-	-	-	-	-	-

*B2. Irrevocable operating lease liabilities*

	Total irrevocable leases liabilities	Maturity period for irrevocable operational leases liabilities up to 1 year	From 1 to 5 years	Over 5 years
At 31 December 2016	-	-	-	-
Current value of minimum lease payments	235	235	-	-
<b>Total</b>	<b>235</b>	<b>235</b>	-	-
At 31 December 2015	-	-	-	-
Current value of minimum lease payments	236	236	-	-
<b>Total</b>	<b>236</b>	<b>236</b>	-	-

Notes to the financial statements (continued)  
 As at and for the year ended 31 December 2016  
 (All the amounts are expressed in Denar thousand, unless otherwise stated)

#### 46 Share based payments

	2016	2015
Date of giving option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Share price on the date the option is given	-	-
Variance	-	-
Expected dividend return	-	-
Interest rate	-	-
Fair value on the date the option is given	-	-

	2016		2015	
	Number of share options	Weighted average price of share options	Number of share options	Weighted average price of share options
<b>At 1 January</b>				
Changes during the year:				
- options given to the Supervisory Board members	-	-	-	-
- options given to the Board of Directors members	-	-	-	-
- Other given options	-	-	-	-
- Forfeited options	-	-	-	-
- Realized options	-	-	-	-
- Options with expired deadline	-	-	-	-
<b>At 31 December</b>	-	-	-	-

#### 47 Events after the reporting date

As of the balance sheet date to the date when these financial statements have been approved, there have been no events which should be disclosed in these financial statements.

Starting from 1 march 2017, the Decision for amending the Decision on the Methodology for determining the capital adequacy will be effective. The effects will be measured after the finalization of the bylaws.





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