

**Financial Statements and
Independent Auditor's Report**

Deposit Insurance Fund

31 December 2022

DRAFT

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Financial statements
31 December 2022

Statement of Comprehensive Income

	Notes	In 000 denars For the year ended 31 December	
		2022	2021
Interest Income	6	124,707	62,679
Other income		36	-
		124,743	62,679
Employee expenses	7	(14,373)	(11,405)
Depreciation and amortization	10	(979)	(938)
Other operating expenses	8	(4,578)	(3,365)
Profit before tax		104,813	46,971
Income tax	9	(10,513)	(4,721)
Profit for the year		94,300	42,250
Other comprehensive income for the year		-	-
Total comprehensive income for the year		94,300	42,250

Accompanying notes are integral part of these financial statements

Financial statements
31 December 2022

Statement of Financial Position

		In 000 denar	
		As of 31 December	
	Notes	2022	2021
Assets			
Non-current assets			
Property and equipment	10	18,122	19,101
Intangible assets	11	-	-
		18,122	19,101
Current assets			
Held to maturity investments	12	17,066,183	14,730,822
Cash and cash equivalents	13	465,632	485,056
Income tax receivables		-	3,060
		17,531,815	15,218,938
Total assets		17,549,937	15,238,039
Equity			
Founder's capital	14	10,300	10,300
Insurance fund		17,066,680	14,768,533
Retained earnings		94,300	42,250
		17,171,280	14,821,083
Liabilities			
Short-term liabilities			
Claims payables	15	372,996	416,884
Income tax liabilities		5,559	-
Other payables	16	102	72
		378,657	416,956
Total equity and liabilities		17,549,937	15,238,039

These financial statements were approved by Fund's Board of Directors on 23 February 2022 and signed on its behalf by:

Amir Shabani
Director

Ardian Grubi
Accountant

Financial statements
31 December 2022

Statement of Changes in Equity

	Founder's capital 000 mkd	Insurance fund 000 mkd	Retained earnings 000 mkd	Total 000 mkd
At 01 January 2022	10,300	13,943,672	70,194	14,024,166
Accrued technical premium	-	757,749	-	757,749
Return of funds for previously paid indemnification	-	-	-	-
Compensation for indemnification (Note 14)	-	(3,082)	-	(3,082)
Transfer to Insurance fund from indemnification obligations	-	-	-	-
Transfer to Insurance fund	-	70,194	(70,194)	-
Transactions with the Founder	10,300	14,768,533	-	14,778,833
Profit for the year	-	-	42,250	42,250
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2022	10,300	14,768,533	42,250	14,821,083
At 01 January 2022	10,300	14,768,533	42,250	14,821,083
Accrued technical premium	-	798,555	-	798,555
Return of funds for previously paid indemnification (Note 14)	-	1,457,422	-	1,457,422
Compensation for indemnification (Note 14)	-	(80)	-	(80)
Transfer to Insurance fund from indemnification obligations	-	-	-	-
Transfer to Insurance fund	-	42,250	(42,250)	-
Transactions with the Founder	10,300	17,066,680	-	17,066,980
Profit for the year	-	-	94,300	94,300
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
At 31 December 2022	10,300	17,066,680	94,300	17,171,280

Accompanying notes are integral part of these financial statements

Financial statements
31 December 2022

Statement of Cash Flows

	Notes	In 000 denar	
		31 December 2022 000 mkd	For the year ended 31 December 2021 000 mkd
Operating activities			
Profit before tax		104,813	46,971
Adjusted for:			
Depreciation and amortization	10,11	979	938
Interest income	6	(124,707)	(62,679)
		(18,915)	(14,770)
<i>Changes in working capital</i>			
Proceeds from insurance premiums		798,555	769,338
Return of funds for previously paid indemnification		1,457,422	-
Paid indemnification for the current year		(43,968)	(207,353)
Other assets		-	-
Other payables		30	4
		2,193,124	547,219
Interest received		124,707	62,686
Income tax paid		(1,893)	(2,756)
Net cash flow from / (used in) operating activities		2,315,938	607,149
Investing activities			
Purchase of property, equipment and intangible assets	10	-	(195)
Purchase of government bills		(17,405,338)	(14,833,215)
Proceeds from government bills sold/matured		15,069,976	14,032,940
Net cash from / (used in) investing activities		(2,335,362)	(800,470)
Net changes in cash and cash equivalents		(19,424)	(193,321)
Cash and cash equivalents at the beginning of the year	13	485,056	678,377
Cash and cash equivalents at the end of the year	13	465,632	485,056

Accompanying notes are integral part of these financial statements

Notes to the financial statements

1. General

Deposit Insurance Fund Skopje (further referred to as "the Fund") is established pursuant to the Law on Deposit Insurance Fund (Official Gazette of the Republic of Macedonia No. 63/2000, 29/2002, 49/2003, 81/2008, 158/2010, 43/2014, 15/2015, 27/2016 and 83/2018 Official Gazette of the Republic of North Macedonia no. 173/2022). Based on the Decision No. 02-176/1 by the Fund's Managing Board, issued on June 26, 2014, the Statute of the Deposit Insurance Fund (Official Gazette of the Republic of Macedonia no. 46/01, 68/02, 31/03, 69/03, 69/12, 102/14 and 54/15) the word "Skopje" in the title is deleted. The Founder is the Republic of North Macedonia. The address of its registered office is 11 Oktomvri No. 18, Skopje. The total number of Fund's employees as of 31 December 2022 is 14 persons (2021: 13 persons).

The main business activities of the Fund are insurance of Denar and foreign currency deposits and current accounts of individuals in banks, branches of foreign banks and savings houses in the Republic of North Macedonia, certificates of deposit, deposits related to cash cards issued by banks, branches of foreign banks established in the Republic of North Macedonia, and foreign exchange inflows of individuals in banks in the Republic of North Macedonia. According to the Law on Deposit Insurance Fund, the total assets of the Fund shall be at least 4% of the total individuals deposits in the banks, foreign bank branches and savings houses in the Republic of North Macedonia. When the assets of the Fund exceed the fixed level, the Managing Board of the Fund can pass a decision for terminating the obligation of the banks, foreign bank branches and savings houses to pay the premium to the Fund. Fund's assets are sourced from founder's capital, proceeds from insurance premiums on individuals' deposits and revenues from investments. The assets of the Fund might be invested in securities issued by the Republic of North Macedonia and the National Bank of the Republic of North Macedonia with a due date of 12 months from the moment the Fund has purchased them; and debentures issued by foreign countries, central banks or public international financial institutions, rated in at least two internationally acknowledged agencies for credit risk assessment, with one of the two highest grades, up to the level of insured foreign currency deposits.

In a case of occurrence of a risk event, the Fund shall reimburse the insured deposits but not exceeding 30,000 Euros in Denar equivalent for a deposit in one bank, foreign bank branch and savings house calculated by applying the middle exchange rate of the National Bank of the Republic of North Macedonia on the day when the Governor of the National Bank of the Republic of North Macedonia shall adopt a decision on revoking the founding and operating license of a bank, foreign bank branch or saving house. The amount shall comprise the principal of the deposit, the calculated agreed and ascribed interest and the undue interest up to the day the decision on revoking the founding and operating license of a bank, foreign bank branch or saving house becomes final. The deposits deposited in foreign currency shall be converted in Denars by applying the middle exchange rate of the National Bank of the Republic of North Macedonia.

Deposit of an individual implies the total deposits (domestic and foreign currency deposits, transaction accounts, deposits related to payment cards and foreign currency inflows) that an individual has in one bank, foreign bank branch or saving house.

If the Fund doesn't not have enough assets to repay the insured deposits, the Fund provides additional resources through:

- additional payments from the banks, foreign bank branches and saving houses but not exceeding three times higher premium than the premium paid for the month which precedes the month when the Governor of the National Bank of Republic of North Macedonia adopted the decision on revoking the founding and operating license of a bank, foreign branch or saving house:
- borrowing in the country and abroad:
- borrowing from the Budget of Republic of North Macedonia.

Notes to the financial statements (continued)

General (continued)

If the Fund lacks liquid assets for the payment of insured deposits of natural persons, the Ministry of Finance may purchase before the maturity date the securities issued by the Republic of North Macedonia that are owned by the Fund. The redemption will be carried out without announcing a public call.

Following individuals' deposits are not insured by the Fund:

- deposits extended under privileged interest terms, other than the ones published by the bank, foreign bank branch or savings house;
- deposits of the owners of over 5% of the voting shares in the bank, foreign bank branch or savings house;
- deposits of members of Management bodies of the bank, foreign bank branch or savings house;
- deposits of family members of direct lineage of 1st degree of the depositors referred to in the two aforementioned items;
- deposits related to transactions used for money laundering if the perpetrator has been convicted and the sentence is effective.

The day of occurrence of a risk event is considered the day when the Governor of the NBRNM will pass final decision for termination of the permit for establishing and operating of the bank, the foreign banks' branch or the saving house. The Fund is obliged to commence indemnification of the insured deposits within 20 days after the day of occurrence of the risk event. Amounts paid due to risk events are recovered by proceeds from the liquidation or bankruptcy mass of the member over which liquidation or bankruptcy procedure has been raised.

According to the last case of risk event in the banking system of the Republic of North Macedonia, from 12 August 2020, when the Governor of the NBRNM made a decision to revoke the license for establishment and operation of Eurostandard Bank AD Skopje, a total claim in the amount of 4,178,537 thousand denars was calculated, out of which 4,177,253 thousand denars represent accrued compensation to the depositors of "Eurostandard Bank AD Skopje", as well as the amount of 1,284 thousand denars, which is the overdue deposit insurance premium. Additionally, with the Decision of the Board of Directors No. 02-389 dated 19.07.2021, and at the request of the NBRNM, the final list with additional 4 depositors was corrected, with a total amount of 2,354 thousand denars, after which the Fund's claim to "Eurostandard Bank AD Skopje" amounts to 4,180,891 thousand denars.

Additionally, on 25 May 2021, the Constitutional Court of the Republic of North Macedonia, based on Articles 110 and 112 of the Constitution of the Republic of North Macedonia and Article 70 of the Rules of Procedure of the Constitutional Court of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 70 / 1992 and "Official Gazette of the Republic of North Macedonia" no. 202/2019, 256/2020 and 65/2021) adopted a Decision repealing Article 163 paragraph 3 of the Law on Banks ("Official Gazette of the Republic of Macedonia" no. 67/ 2007, 90/2009, 67/2010, 26/2013, 15/2015, 153/2015, 190/2016, 7/2019 and "Official Gazette of the Republic of North Macedonia" No. 101/2019)

With this Decision of the Constitutional Court, the Deposit Insurance Fund lost the right to priority collection of its claim from the bankruptcy estate of the bank or savings house for which a bankruptcy or liquidation procedure has been opened.

Notes to the financial statements (continued)

General (continued)

In addition, on 7 July 2021, the Constitutional Court of the Republic of North Macedonia, based on Article 110 of the Constitution of the Republic of North Macedonia, Article 28 lines 2 and 3 and Article 71 of the Rules of Procedure of the Constitutional Court of the Republic of North Macedonia ("Official Gazette of the Republic of Macedonia" no. 70/1992 and "Official Gazette of the Republic of North Macedonia" no. 202/2019, 256/2020 and 65/2021) at the session held on 7 July 2021, adopted a Decision rejecting the initiative for assessment of the constitutionality of Article 163 paragraph 3 of the Law on Banks ("Official Gazette of the Republic of Macedonia" no. 67/2007, 90/2009, 67/2010, 26/2013, 15/2015, 153/2015, 190/2016 , 7/2019 and 101/2019) because it has already been acted upon, as well as a Decision not to initiate a procedure for assessment of the constitutionality and legality of Article 17 of the Statute of the Deposit Insurance Fund ("Official Gazette of the Republic of Macedonia" no. .46 / 2001, 68/2002, 31/2003 and 69/2003) and Decisions on amendments to the Statute of the Fund for deposit insurance, number 02-312 / 1-2011 from 22.12.2011, number 02-176/1 from 26.06.2014 and no.02-94/1 from 10.02.2015.

With this Decision of the Constitutional Court, the Deposit Insurance Fund cannot be denied the status of a creditor, but it is indisputable that the Fund is in an equal capacity with the other creditors in the bankruptcy or liquidation procedure of a bank or savings house.

On August 25, 2022, the Deposit Insurance Fund collected part of its receivables from "Eurostandard Bank" in bankruptcy in the amount of 1,457,422 thousand denars, which represents 35% of the total claim the Fund has against Eurostandard Bank AD Skopje in bankruptcy.

Until the conclusion of the bankruptcy proceedings of Eurostandard Bank AD Skopje in bankruptcy, we expect collection of the rest of the claim of the Deposit Insurance Fund from Eurostandard Bank AD Skopje in bankruptcy.

2. Accounting policies

The principal accounting policies that were adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of the financial statements

These financial statements are prepared in accordance with the Rulebook on Accounting ("Official Gazette of RM" no. 159 from 29 December 2009, no. 164 from 2010 and 107 from 2011). This Rulebook prescribes accounting in accordance with the International Financial Reporting Standards (IFRS), including Standing Interpretation Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) issued by International Accounting Standards Board (IASB) on 1 January 2009.

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss, which are measured at fair value; and
- available-for-sale financial assets measured at fair value.

The measurement bases are further explained within this Note.

The preparation of these financial statements in accordance with the accounting standards accepted in the Republic of North Macedonia requires the use of certain critical accounting estimates. It also requires the Fund's management to use its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

The financial statements have been prepared as of and for the years ended on 31 December 2022 and 2021. Current and comparative data stated in these financial statements is expressed in Denar thousand, unless otherwise stated. Functional and presentation currency of the Fund is Macedonian denar.

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

2.2 Foreign currency transactions

Transactions denominated in foreign currencies have been translated into Denar at rates set by the National Bank of the Republic of North Macedonia at the dates when they occurred

Assets and liabilities denominated in foreign currencies are translated into Denar at the reporting date using official rates of exchange prevailing on that date, and any foreign exchange gains or losses, resulting from foreign currency translation, are included in the gains and losses for the period in which they occurred. The middle exchange rates used for conversion of the Statement of financial position items denominated in foreign currencies are as follows:

	31 December 2022	31 December 2021
1 EYP	61.4932	61.6270

2.3 Offsetting

Financial assets and liabilities are offset and reported in the Statement of financial position on the net basis, if they exist, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

2.4 Interest income and expenses

Interest income and expense are recognized in the Statement of comprehensive income for all interest bearing financial assets and liabilities using the effective interest method

Effective interest method is the method of calculating amortized cost of a financial asset or financial liability over the relevant period. Effective interest rate exactly discounts the expected proceeds during the estimated useful life of the financial asset, or, when appropriate, a shorter period to net carrying amount of the financial asset or financial liability. When calculating the effective interest method, the Fund estimates the cash flow considering all contractual terms of the financial instruments, but does not consider future losses. The calculation includes all amounts paid or received from both contractual parties which are integral part of the effective interest rate, transaction costs, and other premiums or discounts.

2.5 Fees and commissions expenses

Fee and commission expenses are recognized on an accrual basis when the service has been provided.

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

2.6 Financial assets

The financial assets are classified in the following categories: loans and receivables, financial assets at fair value through profit or loss, financial assets available for sale and financial assets held to maturity. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturity within 12 months as of the Statement of financial position date, which are included in non-current assets. The Fund's loans and receivables at the Statement of financial position date comprise of cash and cash equivalents.

Financial assets at fair value through profit or loss

This category of financial assets consists of securities held-for-trading and securities at fair value through profit or loss determined as such at initial recognition. A financial asset is classified as held for trading if acquired or incurred principally for the purpose of generating profit through short-term fluctuations in the price or if it is included in the portfolio for which a short term actual form of profit gain exists. The Fund has no assets classified in this category at the Statement of financial position date.

Financial assets available for sales

Financial assets available for sale are non-derivatives that are either classified in this category or not classified in any of the other categories. Financial assets available for sale are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or share prices. The Fund has no assets classified in this category at the Statement of financial position date.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's Management has the positive intention and ability to hold to maturity. If the Fund sells a significant amount of the financial assets held to maturity before they reach the maturity date, then the entire category of these assets will be reclassified in financial assets available for sale. The Fund classifies in this category the short term securities - government bills with maturity period of 12 months.

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

Financial assets (continued)

Initial recognition and derecognition

Purchases and sales of financial assets available for sale and financial assets held to maturity are recognized on trade date - the date on which the Fund commits to purchase or sell the asset. Loans are recognized when cash is advanced to borrowers. All financial assets other than assets at fair value through profit or loss are initially recognized at fair value plus transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

Subsequent measurement

After initial recognition, the Fund measures financial assets carried at fair value through profit or loss, or as available for sale, at fair values without any deduction for transaction costs that may incur on their sale.

The fair value of financial assets quoted on the active market is based on their purchase price at the Statement of financial position date.

If the market for a financial asset is not active, the Fund establishes fair value by using valuation techniques. Valuation techniques include the use of recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the value of equity instruments cannot be reliably measured, they are measured at cost.

Investments held to maturity and loans and receivables are measured at amortized cost using the effective interest method, less impairment losses.

Realized gains and losses, and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss, are included in the profit or loss in the period in which they arise.

Net changes in the fair value of financial assets classified as of fair value through profit and loss include interest income.

Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized directly in comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognized in profit or loss.

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

Financial Assets (continued)

When financial assets available for sale are sold or impaired, the cumulative gains or losses previously recognized in comprehensive income are recognized in the profit or loss. Where financial assets available for sale are interest bearing, interest calculated using the effective interest method is recognized in profit or loss.

2.7 Impairment of financial assets

Assets carried at amortized cost

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

The Fund assesses the existence of objective evidence for impairment on individual basis for individually significant financial assets and individually or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by an allowance for impairment and the amount of the impairment loss is recognized in the current Statement of comprehensive income.

2.8 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and impairment losses, if any. The cost includes expenses directly referring to the asset acquisition. Depreciation is charged on a straight - line basis in order to allocate the deemed cost of property and equipment over their useful lives. The estimated useful life of significant items of property and equipment is as follows:

Buildings	40 years
Computers	4 years
Furniture and equipment	4 to 5 years
Vehicles	4 years

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged as expenses in the Statement of comprehensive income in the period when incurred.

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

Property and equipment (continued)

The residual amounts and the estimated useful life of the assets should be examined and adjusted for each reporting date. If the asset's carrying amount is higher than the estimated recoverable amount, a write off of the difference should occur.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the current gains or losses in the period when incurred.

2.9 Intangible assets

Intangible assets are carried at cost, less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight-line method over a period of four years. The estimated useful life and method of amortization are reviewed at the end of each annual period of reporting thus any change in the assessment is taken into consideration for the next periods.

2.10 Impairment of non-financial assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the asset's carrying amount exceeds its recoverable amount, a loss from impairment is recognized in the Statement of Comprehensive Income. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

2.11 Cash and cash equivalents

For the purposes of the Statement of cash flow, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with the National Bank and in commercial banks

2.12 Deposits insurance premiums

The deposit insurance premium which is paid by the members is not the Fund's income, but proceeds in the insurance fund according to the Fund's Statute. The premium is calculated monthly on the balance of deposits at the end of the previous month. Based on Board of Directors decision No. 02-381 from the meeting held on 07 November 2017 the premium rate of 0.5 % per year (up to 31 October 2017) is decreased to 0.25% per year (from 01 November 2017) and is applicable from the date of the decision to the date of issuance of these financial statements.

2.13 Paid capital and retained earnings

Paid capital

The owner's equity represents the fair value of the paid assets.

Retained earnings

The net profit realized from the operation of the Fund is distributed for:

- covering losses from operations in the previous year and
- reserves of the Fund

A decision for allocation of the Fund's net profit is adopted by the Board of Directors of the Fund, which is submitted for confirmation to the Government of the Republic of North Macedonia.

2.14 Insurance Fund

The Insurance Fund is a reserves' fund, which are formed from deposit insurance premiums, incoming premiums and distribution of profit for the current year and previous years.

2.15 Financial liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement. Financial liabilities at their amortized cost consist of claims and other liabilities.

Claims and other liabilities

Claims and other liabilities are recognized at their fair value and consequently are measured at their amortized cost using the effective interest method. Other liabilities are derecognized at the moment when they are settled, cancelled or matured.

2.16 Employee benefits

The Fund pays pension insurance contributions to its employee as prescribed by the local social security legislation. Contributions, based on the salaries, are made to the national Pension Fund and the obligatory private pension funds. There is no additional liability regarding these contributions. In addition, all employers in the Republic of North Macedonia are obligated to pay their employees a separate minimum amount on retirement as defined by the legislative. The Fund has not made reservations for a calculated a minimal amount for employee pensions, because this amount has no material effect on the financial statements.

The Fund does not operate with pension benefits or contributions plans, thus does not have additional liabilities for pensions. The Fund does not have any liability to provide additional contributions for its present and former employees.

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

2.17 Income tax

Current and deferred tax

The tax expense for the reporting period represents the sum of the current and deferred income tax.

Current income tax

The current tax expense at a rate of 10% is calculated on the profit for the period determined as the difference between total revenue and total expenditure increased by non-deductible expenses for tax purposes corrected for tax credit and understated revenues.

Deferred tax expense is recognized in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred tax expense. Deferred tax is debited or credited in the statement of comprehensive income, except when it relates to items debited or credited directly to equity, in which case deferred tax is also dealt with in equity.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

The Fund has not recognized any deferred tax assets or liability at 31 December 2022 and 2021, as there are no temporary differences existing at that date.

2.18 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed when the possibility of an outflow of resources embodying economic benefits is probable. In addition, a contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm existence of a liability on the reporting date and when a reasonable estimate of the amount of the resulting loss can be made.

2.19 Related party transactions

Related parties are considered those where one entity controls the other or has significant influence in making financial and operating decisions of the other entity. These transactions are carried out during the regular course of business activities.

2.20 Events after the reporting date

Events after the reporting date that provide additional information about the Fund's position on the reporting date (adjusting events) are reflected in the financial statements. Those events after the reporting date that are not adjusting events are disclosed in the notes if they are material.

Notes to the financial statements (continued)

3 Financial risk management

The Fund's activities are exposed to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of risks. The Fund's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects to the Fund's financial performance.

The Fund's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and the adherence to limits through reliable and up-to-date information systems. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

3.1 Capital risk management

The Fund manages its own capital in order to ensure future operations based on going concern principle.

The structure of the Fund's equity is comprised of Founder's Capital, Insurance Fund and Retained earnings.

3.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counter party will not be able to fulfil its liabilities when maturing. As of 31 December, 2022 and 2021, the Fund invests its available assets in debt securities issued by the Republic of North Macedonia with maturity period of 12 months from their acquisition by the Fund.

Considering the character of these placements, the Fund's Management does not expect that any of the contractual parties will not fulfill its liabilities.

The maximum exposure to credit risk is presented by the carrying amount of each financial assets in the Statement of financial position as follows:

	(000 mkd)	
	2022	2021
Financial assets-carrying amount		
Held-to-maturity investments	17,066,183	14,730,822
Cash and cash equivalents	465,632	485,056
Receivables for insurance premium	-	-
	17,521,815	15,215,878

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

3.3 Market risk

Market risk consists of foreign currency and interest rate risk.

Foreign currency risk

As of 31 December 2022 and 2021, the Fund is not exposed to foreign currency risk, due to the fact that financial assets of the Fond are denominated in Denars.

Interest rate risk

Interest rate risk is risk of fluctuations of interest rates due to mismatch of interest bearing assets and liabilities in respect of their maturing or changes in interest rates in different periods and for different amounts.

As of 31 December, 2022 and 2021, the Fund has no interest bearing receivables or liabilities. The cash is held in accounts with NBRNM and minimal funds in local banks. Interest income earning debt instruments are with maturity period of 12 month and fixed interest rate.

Accordingly, the Fund is not exposed to adverse consequences arising from fluctuations in the market interest rates.

3.4 Liquidity risk

Liquidity risk occurs in course of financing the Fund's activities and managing its financial position. It includes risk of inability to obtain funds with adequate maturity and risk of inability to liquidate an asset at reasonable price and within adequate period.

The Fund manages its liquidity risk by holding its cash in accounts with NBRNM and local banks, and investing in highly liquid securities. The Fund's policy limits these placements up to 99% of the total of its cash, cash equivalents and investments. In case of a risk event, these assets can be used for indemnification of the depositors.

As of 31 December, 2022 and 2021, the Fund's liabilities have a contractual maturity (including interest payments, if appropriate), as follows:

	Current		Non-current	
	1 to 12 months	1 to 5 years	Over 5 years	
	(000 mkd)	(000 mkd)	(000 mkd)	
31 December 2022				
Claims payables	372.996	-	-	
Other payables	102	-	-	
	373.098	-	-	
31 December 2021				
Claims payables	416,884	-	-	
Other payables	72	-	-	
	416,956	-	-	

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

3.5 Fair value estimation

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

3.5.1 Financial instruments recognized at fair value

In accordance with IFRS 7, the Fund groups its financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets. The hierarchy according to the fair value is determined as follows:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: input data, other than quoted prices included in Level 1 that are available for asset or liability observing, directly (i.e., as prices), or indirectly (i.e., made of prices) and
- Level 3: unobservable inputs of the assets or liabilities that are not based on data available for market observing.

As of 31 December, 2022 and 2021, the Fund has no financial instruments recognized at fair value in the Statement of financial position.

3.5.2 Financial instruments that are not recognized at fair value

The difference between the carrying value and the fair value for the financial assets which are not recorded in the Statement of financial position at fair value, is given in the table below:

	Carrying Values		Fair Value (000 mkd)	
	2022	2021	2022	2021
Financial assets				
Held to maturity investments	17,066,183	14,730,822	17,066,183	14,730,822
Cash and cash equivalents	465,632	485,056	465,632	485,056
Receivables for insurance premium	-	-	-	-
Other receivables	-	-	-	-
	17,521,815	15,215,878	17,521,815	15,215,878
Financial liabilities				
Claims payables	372,996	416,884	372,996	416,884
Other payables	102	72	102	72
	373,098	416,956	373,098	416,956

Investments in securities

Fair value of held to maturity investments in their carrying value due to their short-term maturity.

Cash and cash equivalents

Carrying value of cash and cash equivalents is considered to approximate their fair value, considering they include cash, bank accounts and deposits in banks with short-term maturity.

Interest and other receivables

Fair value of interest and other receivables corresponds to their accounting value due to their short-term maturity.

Liabilities for claims and other liabilities

Fair value of claims payables and other payables is considered to be approximate to their carrying value due to their short-term maturity.

Notes to the financial statements (continued)

4 Significant accounting estimates and judgements

In the application of the Fund's accounting policies, which are described in Note 2 in these financial statements, Management is required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not rapidly apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors are considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

*Uncertainty in estimates**Impairment of non-financial assets*

Impairment losses are recognized in the amount by which the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. In determining the recoverable amount, Management estimates the expected prices, cash flow from each cash-generating unit and determines the appropriate interest rate when calculating the present value of those cash flows.

Useful time of depreciable assets

The management regularly checks the useful life of the assets that are depreciated on December 31, 2022. Management estimates that the determined useful life of the assets represents the expected usability (usefulness) of the assets. The recorded values of these assets are analyzed in Notes 10 and 11. The actual results, however, may differ due to technological obsolescence.

Impairment of held to maturity investments

The Fund determines that there is impairment of the securities held to maturity when there is objective evidence of impairment. In the estimation, among other factors, the Fund estimates the inconsistency in the price of the securities. Additionally, the impairment may be appropriate when there is evidence of deterioration in the financial position of the investor, the success of the industry sector, changes in technology, as well as operating and financial cash flows.

Notes to the financial statements (continued)

5 Financial instruments by categories

The carrying amounts of the Fund's financial assets and liabilities recognized at the reporting date for the disclosed period may be categorized as follow:

31 December 2022

(000 mkd)

Assets according to the Statement of financial position

	Held-to-maturity investments	Loans and receivables	Total
Government bills	17,066,183	-	17,066,183
Receivables for insurance premium	-	-	-
Other receivables	-	-	-
Cash and cash equivalents	-	465,632	465,632
Total	17,066,183	465,632	17,531,815

Liabilities according to the Statement of financial position

	Other financial liabilities at amortized cost	Total
Claims payables	372,996	372,996
Other payables	102	102
Total	373,098	373,098

31 December 2021**Assets according to the Statement of financial position**

	Held-to-maturity investments	Loans and receivables	Total
Government bills	14,730,822	-	14,730,822
Receivables for insurance premium	-	-	-
Other receivables	-	-	-
Cash and cash equivalents	-	485,056	485,056
Total	14,730,822	485,056	15,215,878

Liabilities according to the Statement of financial position

	Other financial liabilities at amortized cost	Total
Claims payables	416,884	416,884
Other payables	72	72
Total	416,956	416,956

Notes to the financial statements (continued)
As of and for the year ended 31 December 2022
(All amounts expressed in Denar thousand unless otherwise stated)

6 Interest income

	2022	(000 mkd) 2021
Government bills (Note 12)	124,701	62,641
Penalty interest for insurance premiums	6	38
	124,707	62,679

7 Employee expenses

	2022	(000 mkd) 2021
Net salaries	9,048	7,183
Personal tax and mandatory contributions	4,701	3,735
Employee recognition	52	190
Retirement	242	105
Holiday allowance	252	192
Unused annual leave	78	-
	14,373	11,405

During 2022 and 2021, in accordance with the collective agreement, the employees of the Deposit Insurance Fund were paid a salary for business success.

8 Other operating expenses

	2022	(000 mkd) 2021
Fees and commission	70	71
Remuneration for the members of the Board of Directors	693	693
Utilities expenses	594	372
Business trip expenses	216	50
Costs for professional services and membership fees	682	617
Telecommunication services	223	162
Administrative and marketing expenses	341	179
Vehicle expenses	77	117
Insurance premiums	24	45
Maintenance services	391	201
Government bills amortized acquisition costs	523	529
Services from individuals	133	109
Legal services	341	-
Other	270	220
	4,578	3,365

Notes to the financial statements (continued)
As of and for the year ended 31 December 2022
(All amounts expressed in Denar thousand unless otherwise stated)

9 Income tax

The reconciliation of the income tax with the tax balance for the years ended as of 31 December 2022 and 2021 is as follows:

	2022	(000 mkd) 2021
Profit before tax	104,813	46,971
Non-deductible expenses for tax purposes from the current year	315	241
Tax base	105,128	47,212
Tax deduction	-	-
Tax base after the deduction	105,128	47,212
Tax rate	10%	10%
Income tax	10,513	4,721
Effective tax rate	10.03%	10.05%

10 Property and equipment

	Buildings	Computers	Vehicles	Furniture and equipment	(000 mkd) Total
Purchase value					
At 01 January 2021	32,350	1,878	1,814	3,242	39,284
Additions during the year	-	119	-	76	195
Write-off	-	(625)	-	(111)	(736)
At 31 December 2021/01 January 2022	32,350	1,372	1,814	3,207	38,743
Additions during the year	-	-	-	-	-
At 31 December 2022	32,350	1,372	1,814	3,207	38,743
Accumulated depreciation					
At 01 January 2021	12,897	1,556	1,814	3,174	19,441
Depreciation for the year	808	107	-	22	937
Write-off	-	(625)	-	(111)	(736)
At 31 December 2021/01 January 2022	13,705	1,038	1,814	3,085	19,642
Depreciation for the year	809	137	-	33	979
At 31 December 2022	14,514	1,175	1,814	3,118	20,621
Net carrying value					
At 01 January 2021	19,453	322	-	68	19,843
At 31 December 2021	18,645	334	-	122	19,101
At 31 December 2022	17,836	197	-	89	18,122

December 2022 and 2021, all property and equipment are owned by the Fund. The Fund has no mortgages or other encumbrances over its property and equipment.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2022
(All amounts expressed in Denar thousand unless otherwise stated)

11 Intangible assets

	(000 mkd) Software
Purchase value	
At 01 January 2021	923
At 31 December 2021	923
At 01 January 2022	923
At 31 December 2022	923
Accumulated depreciation	
At 01 January 2021	923
Depreciation for the year	-
At 31 December 2021	923
At 01 January 2022	923
Depreciation for the year	-
At 31 December 2022	923
Net carrying value	
At 01 January 2021	-
At 31 December 2021	-
At 31 December 2022	-

12 Held to maturity

	2022	(000 mkd) 2021
- Government bills	17,066,183	14,730,822
	17,066,183	14,730,822

Government bills, with a twelve months maturity period, have fixed interest rate from 0.60% to 3.50% p.a. (2021: 0.40% to 0.70% p.a.).

Income earned from held to maturity investments are recognized as interest income. During 2022 the Fund has realized interest income from held to maturity investments in amount of Denar 124,701 thousand (2021: Denar 62,641 thousand) (Note 6).

13 Cash and cash equivalents

	2022	(000 mkd) 2021
Current account with NBRNM	92,873	68,572
Current accounts with local banks	372,735	416,463
Cash in hand	24	21
	465,632	485,056

Current accounts with domestic banks as of 31 December 2022 in the amount of 372,735 thousand denars refer to designated funds transferred by the Fund for compensation of the deponents of Eurostandard Bank AD, Skopje in bankruptcy (see Note 15). For the current account with NBRNM, the Fund does not earn interest income. Current accounts with local banks does not earn interest income (2021: 0.00% p.a.).

Notes to the financial statements (continued)
As of and for the year ended 31 December 2022
(All amounts expressed in Denar thousand unless otherwise stated)

14 Equity

Paid capital

The founder's capital of the Fund is owned by the Republic of North Macedonia and as of 31 December 2022 is in amount of Denar 10,300 thousand (2021: Denar 10,300 thousand).

Insurance Fond

As of December 31, 2022, the investments and cash of the Fund amount to 5.22% (2021:4.80%) of the total deposits of individuals in banks, branches of foreign banks and savings houses in the Republic of North Macedonia, members of the Fund.

During 2022, the Security Fund paid compensation to depositors in a total amount of 80 thousand denars, and it refers to compensation paid to depositors by Makedonska banka Skopje - in bankruptcy, (2021: 3,082 thousand denars, of which 3,011 thousand denars refer to compensation paid to depositors by Eurostandard Bank AD Skopje, while 71 thousand denars refer to compensation to depositors from Makedonska Banka Skopje - in liquidation).

During 2022, total amount of 1,457,422 thousand denars were paid from the bankruptcy fund of Eurostandard Bank - Skopje in bankruptcy.

15 Claims payables

	2022	(000 mkd) 2021
Claims payables	372,996	416,884
	372,996	416,884

Claims payables in amount of 372,996 thousand denars as of 31 December 2022 refer to liabilities for compensation of the depositors of Eurostandard Bank AD, Skopje in bankruptcy (2021: Denar 416,884 thousand) for which, for the most part, funds have been transferred to designated accounts in four banks - payers (see Note 13).

16 Other payables

	2022	(000 mkd) 2021
Trade payables	102	72
	102	72

17 Related party transactions

According to the Law and the Fund's Statute, the managing bodies are Managing Board and Director, appointed by the Government of the Republic of North Macedonia. The Managing Board operates with five members (2021: five members). The Government of the Republic of Macedonia has appointed five members, of whom the Minister of Finance has proposed three, one has been proposed by the Governor of NBRNM, and the Banking Association has proposed one.

The Fund places deposits, purchases securities from domestic financial institutions, receives interest and pays commission from / to parties with significant influence and control over the financial and operating decisions of the Fund.

The table below presents the position and scope of related party transactions as of and for the years ended 31 December 2022 and 2021:

	2022	(000 mkd) 2021
Held-to-maturity investments issued by the Ministry of Finance (Note 12)	17,066,183	14,730,822
Current account with NBRNM (Note 13)	92,873	68,572
Interest income from government bills issued to the Ministry of Finance (Note 6)	124,701	62,641
Fee and commission expenses from the current account in NBRNM	23	22

Notes to the financial statements (continued)
 As of and for the year ended 31 December 2022
 (All amounts expressed in Denar thousand unless otherwise stated)

Related party transactions (continued)

Transactions with key management personnel

The total remuneration to key Management personnel of the Fund, included in the employees' changes and other expenditures are as follows:

	2022	(000 mkd) 2021
Remuneration to management personnel	1,833	1,344
	1,833	1,344

18 Commitments and contingencies

Litigations

As of 31 December 2022, and 2021, there are no legal proceedings initiated against the Fund and no provisions have been recorded against potential losses on the basis of litigation. The management of the Fund regularly analyzes the possible risks of losses on the basis of legal disputes and possible claims against the Fund that could appear in the future.

Taxation

The tax authorities may at any time inspect the books and records up to 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. According to the estimates of the Fund's Management and on the date of these reports, there are no additional conditions from which potential potentially material obligations may arise on this basis.

Capital commitments

As of the reporting date, there are no capital commitments that have been recognized in the financial statements.

19 Events after the reporting date

After 31 December 2022, the date of the notification, until the date of approval of these financial statements, there are no events that would cause correction of the financial statements, nor events that are materially significant for publication in these financial statements.