HALK BANK AD Skopje and subsidiary

Consolidated Financial Statements
for the year ended
December 31 2025 and
Independent auditor's report

This is an English translation of the original Report that was issued in the Macedonian language

CONTENTS

Independent Auditors' Report

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This document is a free translation of the Macedonian original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Macedonian original should be referred to in matters of interpretation.

Independent Auditor's Report

To the shareholders of Halkbank AD Skopje

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Halkbank AD Skopje and its subsidiaries ("the Group"), which comprise:

- the consolidated balance sheet as at 31 December 2025;

and, for the year from 1 January 2025 to 31 December 2025:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity and reserves;
- the consolidated statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information ("the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of the Republic of North Macedonia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), as applicable to audits of financial statements of public interest entities in the Republic of North Macedonia (Code of ethics), together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in the Republic of North Macedonia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the consolidated annual report on the activities and the consolidated annual account prepared by management in accordance with the requirements of the Trading Companies Law, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except and to the extent explicitly stated in the Report on Other Legal and Regulatory Requirements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the regulations prescribed by the National Bank of the Republic of North Macedonia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

As noted in Other information paragraph, management is responsible for the preparation of the consolidated annual report on the activities of the Group for 2025 in accordance with the requirements of the Trading Companies Law. In addition to our responsibilities and reporting in accordance with ISAs, we have a responsibility, in accordance with the requirements of article 34, paragraph 1(d) from the Law on Auditing, to express an opinion on the consistency of the consolidated annual report on the activities with the historical financial information disclosed in the consolidated annual account and the audited consolidated financial statements of the Group as at and for the year ending 31 December 2025.

In our opinion, the historical financial information disclosed in the consolidated annual report on the activities of the Group as at and for the year ended 31 December 2025, is consistent, in all material aspects, with the information disclosed in the consolidated annual account and in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2025.

Skopje, 28 April 2026

Signed on the Macedonian original

Certified auditor
Srdjan Randjelovic

Signed on the Macedonian original

KPMG Audit DOO Skopje
Managing Director
Srdjan Randjelovic

Financial Statements

Consolidated Income Statement for the period from 1 January to 31 December 2025

	Note	*In thousands of Denars*	
		2025	2024
Interest income		5.753.370	5.306.086
Interest expense		(1.339.874)	(1.074.222)
Interest income/(expense), net	6	**4.413.496**	**4.231.864**
Fee and commission income		2.002.683	1.784.029
Fee and commission expense		(1.106.480)	(992.791)
Fee and commission income/(expense), net	7	**896.203**	**791.238**
Net trading income	8	1.708	514
Net income from other financial instruments recorded at fair value	9	-	-
Foreign exchange gains/(losses), net	10	262.196	231.071
Other operating income	11	999.449	842.273
Share of profit from associates	24	-	-
	12		
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	13	(441.732)	(907.029)
Impairment losses of non – financial assets, net	14	(3.872)	-
Personnel expenses	15	(1.229.854)	(1.217.521)
Depreciation and amortization	16	(421.855)	(330.337)
Other operating expenses	24	(1.895.257)	(1.590.031)
Share of loss from associates		-	-
Profit/(Loss) before tax		**2.580.482**	**2.052.042**
Income tax expense	17	(418.854)	(197.581)
Profit/(loss) for the year from continuing operations		**2.161.628**	**1.854.461**
Profit /(loss) from group of assets and liabilities held for sale*		**-**	**-**
Profit / (loss) for the year		**2.161.628**	**1.854.461**
Profit / (loss) for the year, attributable to*:			
Shareholders of the Bank		-	-
Non-controlling interest		-	-
Earnings per share:	41		
basic earnings per share (in Denars)		1.536	1.416
diluted earnings per share (in Denars)		1.536	1.416

The Bank’s consolidated financial statement were approved by the Bank’s Board of Directors on April 28, 2026 and adopted by the Bank’s Supervisory Board on April 28, 2026.

Signed on behalf of Halkbank AD Skopje by

Mrs. Elif Selim
Director of the Department for Financial Management, Planning and Reporting

Mr. Vladimir Davchev
Director of the Division of Financial and Risk Management

Dr. Fatih Shahbaz
Chief Executive Director

Dr. Berkan Imeri
Executive Director

Mr. Aleksandar Iljov
Executive Director

Mr. Muhammed Hadzipazi
Executive Director

Consolidated Statement of Comprehensive Income for the period 1 January to 31 December 2025

	Note	*In thousands of Denars* 2025	2024
Profit/(loss) for the year		2.161.628	1.854.461
		-	-
Other gains/(losses) for the period (before tax)		-	-
Other gains/(losses) for the period not recognized in the Income statement (before tax)		-	-
Revaluation reserve for equity assets available for sale		-	-
- unrealized net- changes in fair value of equity assets available for sale		-	-
- realized net gains/(losses) from equity assets available for sale, reclassified to other reserves		-	-
Changes in the bank's credit worthiness for financial liabilities measured at fair value		-	-
Income tax on other gains/(losses) not recognized in the income statement	17	-	-
Total other gains/(losses) in the period not recognized in the income statement		-	-
		-	-
Other gains/ (losses) in the period which are, or might be reclassified in the income statement (before tax)		-	-
Revaluation reserve for debt assets available for sale		-	-
- unrealized net- changes in fair value of debt assets available for sale		380.582	60.545
- realized net gains/(losses) from debt assets available for sale, reclassified to income statement		-	-
- additional impairment to debt assets available for sale		-	-
- release of impairment to debt assets available for sale		-	-
Revaluation reserve for foreclosed assets on the bases of uncollected receivables		-	-
- revaluation reserve recognized during the year-		45.353	17.001
- reduction of revaluation reserve, reclassified to income statement		-	-
Reserve for hedging instruments for Cash flow risk		-	-
- unrealized net-changes in fair value of hedging instruments of Cash flow risk		-	-
- realized net gains/(losses) on hedging instruments of cash flow, reclassified to Income statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Foreign exchange difference reserve from investments in foreign operations		-	-
Share in other gains/(losses) of associates not recognized in the income statement	24	-	-
Other gains/(losses) not recognized in the income statement – Effect from IFRS 9	17	-	-
Income tax on other gains/(losses) which are or might be reclassified to the income statement		-	-
Total other gains/ (losses) in the period that are or might be reclassified to the Income Statement		425.935	77.546
Total other gains/(losses) in the period		425.935	77.546
Total gains/(losses) for the year		2.587.563	1.932.007
Total comprehensive income for the financial year, attributable to*:			
Shareholders of the Bank		2.587.563	1.932.007
Non-controlling interest		-	-

The Bank's consolidated financial statement were approved by the Bank's Board of Directors on April 28, 2026 and adopted by the Bank's Supervisory Board on April 28, 2026.

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Executive Director

Consolidated Balance Sheet as of 31 December 2025

	Note	*In thousands of Denars*	
		2025	2024
Assets			
Cash and cash equivalents	18	19.229.122	22.642.564
Held-for-trading assets	19	32.846	97.062
Financial assets at fair value through profit or loss upon initial recognition	20	-	-
Derivative assets held for risk management	21		-
Loans and advances to banks	22.1	379.098	340.505
Loans and advances to other customers	22,2	87.431.460	71.755.709
Investments in securities	23	16.614.214	14.595.713
Investments in associates (recorded according to “equity method”)	24	-	-
Income tax receivables (current)	30.1	-	1.464
Other receivables	25	1.950.481	1.778.274
Pledged assets	26	-	-
Foreclosed assets	27	86.365	19.359
Intangible assets	28	313.224	260.552
Property, plant and equipment	29	2.924.986	2.322.284
Deferred tax assets	30.2	2.115	23.281
Non-current assets held for sale and disposal group	31	-	-
Total assets		**128.963.911**	**113.836.767**
Liabilities			
Trading liabilities	32	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-
Derivative liabilities held for risk management	21	-	-
Deposits from banks	34.1	6.540.883	6.785.121
Deposits from other customers	34.2	90.285.021	81.304.364
Debt instruments issued	35	-	-
Borrowings	36	7.072.700	4.246.870
Subordinated debt	37	-	-
Special reserve and provisions	38	1.599.792	1.406.003
Income tax payable (Current)	30,1	239.656	90.688
Deferred tax liabilities	30,2	51.576	-
Other liabilities	39	1.607.593	1.024.593
Liabilities directly related to disposal group	31	-	-
Total liabilities		**107.397.221**	**94.857.639**
Equity and reserves		14.076.910	14.076.910
Share capital	40	325.854	325.854
Share premium		-	-
Treasury shares		-	-
Other equity instruments		487.415	61.480
Revaluation reserves		3.936.796	2.083.698
Other reserves		2.739.715	2.431.186
Retained earnings/ (Accumulated losses)		**21.566.690**	**18.979.128**
Total equity and reserves attributable to the shareholders of the Bank		**-**	**-**
Non-controlling interest*		**21.566.690**	**18.979.128**
Total equity and reserves			
Total liabilities and equity and reserves		**128.963.911**	**113.836.767**
Contingent liabilities	42	18.719.027	18.719.027

The Bank’s consolidated financial statement were approved by the Bank’s Board of Directors on April 28, 2026 and adopted by the Bank’s Supervisory Board on April 28, 2026.

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Consolidated Statement of Changes in Equity and Reserves for the period from 1 January to 31 December 2025

	Equity				Revaluation reserve					Other reserves			Retained earning					
In thousands of Denars	Share capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve from assets available for sale	Revaluation reserve from foreclosed assets	Reserve for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Retained earnings	Limited distribution to shareholders	(Accumulated losses)	**Total equity and reserves, attributable to the shareholders of the Bank**	Non-controlling interest *	**Total equity and reserves**
As of 31 December 2024 (previous year)	12.846.910	325.854	-	-	(18.426)	2.358	-	-	-	1.202.682	-	-	411.802	1.045.938	-	15.817.118	-	15.817.118
Corrections on the opening position	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of 31 December 2024 (previous year), corrected	12.846.910	325.854	-	-	(18.426)	2.358	-	-	-	1.202.682	-	-	411.802	1.045.938	-	15.817.118	-	15.817.118
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	1.854.461	-	-	1.854.461	-	1.854.461
Other profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in the fair value (net)	-	-	-	-	60.545	-	-	-	-	-	-	-	-	-	-	60.545	-	60.545
realized changes in the fair value (net) reclassified in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
additional impairment of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
release of impairments of debt instruments available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
realized changes in the fair value (net), reclassified in Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the credit capability of the bank, for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gain/(losses) not disclosed in the Income statement (Effects from the Decision for Credit risk Methodology-applicable from 1 July 2019)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for foreclosed assets on the basis of uncollected receivables	-	-	-	-	-	17.003	-	-	-	-	-	-	-	-	-	17.003	-	17.003
Total unrealized gains/(losses) recognized in equity and reserves	-	-	-	-	**60.545**	**17.003**	-	-	-	-	-	-	-	-	-	**77.548**	-	**77.548**
Total comprehensive income/(loss) for the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity and Reserves for the period from 1 January to 31 December 2025 (Continued)

	Equity				Revaluation reserve					Other reserves			Retained earning					
In thousands of Denars	Share capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve from foreclosed assets	Reserve for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Revaluation reserve from foreclosed assets	Other reserves	Retained earnings	Limited distribution to shareholders	(Accumulated losses)	**Total equity and reserves, attributable to the shareholders of the Bank**	Non-controlling interest *	**Total equity and reserves**
Transactions with the shareholders, recognized directly in equity and reserves:	1.230.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.230.000	-	1.230.000
Share issued in the period	-	-	-	-	-	-	-	-	-	881.017	-	-	(881.017)	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends as shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specified in details)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid income tax on dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Withholding tax paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal income tax paid	-	-	-	-	-	-	-	-	-	-	-	-	(368.970)	368.970	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	**1.230.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**881.017**	**-**	**-**	**(1.249.987)**	**368.970**	**-**	**1.230.000**		**1.230.000**
As of 31 December 2024 (previous year) /January 1, 2025 (current year)	**14.076.910**	**325.854**	**-**	**-**	**42.119**	**19.361**	**-**	**-**	**-**	**2.083.699**	**-**	**-**	**1.016.276**	**1.414.908**	**-**	**18.979.127**	**-**	**18.979.127**
Corrections on the beginning balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of January 1, 2025 (current year), corrected	**14.076.910**	**325.854**	**-**	**-**	**42.119**	**19.361**	**-**	**-**	**-**	**2.083.699**	**-**	**-**	**1.016.276**	**1.414.908**	**-**	**18.979.127**	**-**	**18.979.127**
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	2.161.628	-	-	2.161.628	-	2.161.628
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	380.582	-	-	-	-	-	-	-	-	-	-	380.582	-	380.582
unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
release of impairment for debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
realized changes in the fair value (net), transferred to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with the shareholders, recognized directly in equity and reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity and Reserves for the period from 1 January to 31 December 2025 (Continued)

	Equity				Revaluation reserve					Other reserve			Retained earning					
In thousands of Denars	Share capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve from assets available for sale	Revaluation reserve from foreclosed assets	Reserve for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Retained earnings	Limited distribution to shareholders	(Accumulated losses)	**Total equity and reserves, attributable to the shareholders of the Bank**	Non-controlling interest *	**Total equity and reserves**
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in credit capability of the bank, for financial liabilities at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement (specified in details)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve from foreclosed assets	-	-	-	-	-	45.353	-	-	-	-	-	-	-	-	-	45.353	-	45.353
Total unrealized gains/(losses) recognized directly in equity and reserves					**380.582**	**45.353**			**-**							**425.935**		**425.935**
Total comprehensive income/(loss) for the year					**380.582**	**45.353**			**-**				**2.161.628**			**2.587.563**		**2.587.563**
Transactions with the shareholders, recognized directly in equity and reserves:																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	1.853.097	-	-	(1.853.097)	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid in form of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specified in details)													-			-		-
Paid income tax for dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid withhold tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid personal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	(368.970)	-	-	-	-	-
As of 31 December 2025 (current year)	**1.230.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.853.097**	**-**	**-**	**(1.853.097)**	**-**	**-**	**-**		**-**
In thousands of Denars	**14.076.910**	**325.854**	**-**	**-**	**422.701**	**64.714**	**-**	**-**	**-**	**3.936.796**	**-**	**-**	**1.324.807**	**1.414.908**	**-**	**21.566.690**	**-**	**21.566.690**

The Bank's consolidated financial statement were approved by the Bank's Board of Directors on April 28, 2026 and adopted by the Bank's Supervisory Board on April 28, 2026.

Signed on behalf of Halkbank AD Skopje by

Mrs. Elif Selim
Director of the Department for Financial Management, Planning and Reporting
License no. 0109450

Mr. Vladimir Davchev
Director of the Division of Financial and Risk Management

Dr. Fatih Shahbaz
Chief Executive Director

Dr. Berkan Imeri
Executive Director

Mr. Aleksandar Iljov
Executive Director

Mr. Muhammed Hadzipazi
Executive Director

Consolidated Statement of Cash Flows for the period from 1 January to 31 December 2025

	Note	*In thousands of Denars* Current year 2025	Previous year 2024
Operating cash flows			
Profit/(Loss) before taxation		2.580.482	2.052.042
Adjusted for:			
Non-controlling interest, included in the consolidated income statement*			
Depreciation of:			
Intangible assets		118.082	117.169
Property plant and equipment		198.729	213.168
Capital gain from:			
Sale of intangible assets		-	-
Sale of property, plant and equipment		(38.584)	(13.460)
Sale of foreclosed assets		(1.450)	
Capital loss from:			(8.553)
Sale of intangible assets		-	-
Sale of property, plant and equipment		-	-
Sale of foreclosed assets		-	-
Interest income		(5.753.370)	(5.306.086)
Interest expense		1.339.874	1.074.222
Trading income, net		(1.708)	(514)
Impairment losses of financial assets and special reserve, net			
Additional impairment losses and special reserve		2.913.089	7.900.287
Release of impairment losses and special reserve		(2.471.357)	(6.993.258)
Impairment losses of non-financial assets, net			
Additional impairment losses		3.872	-
Release of impairment losses		-	-
Special reserve:			
Additional provisions		616.291	713.303
Release of provisions		(417.898)	(337.776)
Dividend income		(2.778)	-
Share of profit /(loss) of associates		-	-
Other adjustments		-	-
Interest received		5.698.406	5.079.969
Interest paid		(1.157.499)	(890.141)
Profit/(loss) from operations before changes in operating assets		**3.624.181**	**3.600.372**
(Increase)/decrease of operating assets:			
Trading assets		65.924	(34.957)
Derivative assets held for risk management		-	-
Loans and advances to banks		(38.593)	32.300
Loans and advances to other customers		(16.145.998)	(10.525.755)
Pledged assets			
Foreclosed assets		(69.428)	(10.806)
Obligatory deposit in foreign currency		(1.588.836)	(628.560)
Obligatory deposit held with NBRNM according to special regulations		14.994	356.342
Other receivables		(175.993)	(14.465)
Deferred tax assets		72.742	-
Non-current assets held-for-sale and disposal group		-	-

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

Statement of Cash Flows for the period from 1 January to 31 December 2025 (Continued)

		In thousands of Denars	
	Note	Current year 2025	Previous year 2024
Increase/(decrease) in operating liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks		(244.574)	(1.812.942)
Deposits from other customers		8.787.857	14.585.290
Other liabilities		53.233	(543.316)
Liabilities directly related with disposal group		-	-
Net cash flow from operating activities before tax		**(5.644.491)**	**5.003.502**
(Paid)/received income tax		(268.422)	(168.557)
Net cash flow from operating activities		**(5.912.913)**	**4.834.945**
Cash flow from investing activities			
(Investment in securities)		(5.599.566)	(9.910.419)
Inflows from sale of investment in securities		4.053.192	5.602.965
(Outflows from investment in associates and investment in subsidiaries)		-	-
Inflows from disposal of investment in associates and subsidiaries		-	-
(Purchase of intangible assets)		(170.754)	(186.796)
Inflows from sale of intangible assets		-	-
(Purchase of property, plant and equipment)		(257.215)	(184.123)
Inflows from sale of property, plant and equipment		69.268	-
(Outflow for non-current assets held for sale)		-	-
Inflows from non-current assets held for sale		-	-
(Other outflows from investing activities)		-	-
Other inflows from investing activities		2.778	-
Net cash flow from investing activities		**(1.902.297)**	**(4.678.373)**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Inflow from issued debt securities		-	-
(Repayment of borrowings)		(2.753.764)	(2.417.217)
Increase of borrowings		5.576.503	2.126.605
(Repayment of subordinated liabilities)		-	-
Proceeds from subordinated liabilities		-	-
Inflows from issued shares/equity instruments during the period		-	1.230.000
(Purchase of treasury shares)		-	-
Disposal of treasury shares		-	-
(Dividend paid)		-	1
(Other outflows from financing activities)		-	-
Other inflows from financing activities		-	-
Cash from consolidation of HALK INSURANCE AD Skopje		**2.822.739**	**939.388**
Net cash flow from financing activities			
		5.186	(4.400)
Effect from allowance for impairment of cash and cash equivalents		-	-
Effect from foreign exchange differences of cash and cash equivalents			
Net increase/(decrease) of cash and cash equivalents		**(4.987.285)**	**1.091.560**
Cash and cash equivalents as at 1 January		17.482.230	16.390.670
Cash and cash equivalents as at 31 December	**18**	**12.494.946**	**17.482.230**

* Only for consolidated financial statements

The Bank's consolidated financial statement was approved by the Bank's Board of Directors on April 28, 2026 and adopted by the Bank's Supervisory Board on April 28, 2026.

Signed on behalf of Halkbank AD Skopje by

Mrs. Elif Selim
Director of the Department for Financial Management,

Mr. Vladimir Davchev
Director of the Division of Financial and

Dr. Fatih Shahbaz
Chief Executive Director

Dr. Berkan Imeri
Executive Director

Mr. Aleksandar Iljov
Executive Director

Mr. Muhammed Hadzipazi
Executive Director

INTRODUCTION

Note

INTRODUCTION

(a) General Information

HALK BANK AD Skopje ("the Bank") is a joint stock company incorporated and domiciled in the Republic of North Macedonia.

The address of the registered office of the Bank is:
Blvd. Sv. “Kiril i Metodij“ No.54
1000 Skopje
Republic of North Macedonia

The Bank was established in 1993. During 2011, the Bank has changed its name from Izvozno Kreditna Bank AD Skopje to Halk Bank AD Skopje, as a result of a change in the ownership structure of the Bank. Turkiye Halk Bankasi a.s. Istanbul, Turkey is the main shareholder of Halk Bank AD Skopje with participation of 99.66% (2024: 99.63%). Subscribed capital consists of 1,407,691 ordinary shares (2024: 1,407,691 ordinary shares) with nominal value of MKD 10,000.

The Bank's shares, with ticker IKB and ISIN CODE (MKIKBA101015) are not listed on the Macedonian Stock Exchange.

The Bank’s main activities include retail and corporate lending, receiving deposits, performing payment operations in the country and abroad and providing mediation in foreign currency for its customers.

Based on the Decision took by the Government of the Republic of North Macedonia on December 7, 2020, Ministry of Finance Opinion expressed to the Government of the Republic of North Macedonia, Secretariat Law Department Opinion expressed to the Government of the Republic of Macedonia, Permission obtained by the Supervisory Board of AD “Posta na Severna Makedonija” and Decision reached by the Board of Directors of AD “Posta na Severna Makedonija” a Cooperation Agreement on rendering services by “Posta na Severna Makedonija” on behalf and for the account of the Bank was concluded between AD “Posta na Severna Makedonija” and Halk Bank AD Skopje. The agreement relates to services rendered in the cash payment operations. The realization of the transactions started from March 1, 2021.

The Bank become the sole (100%) owner of the Insurance Company NOVA OSIGURUVANJE AD Skopje, which was entered into the Central Securities Depositary on January 9, 2019. The Bank realized two block transactions and bought the company’s capital of 198.893 thousand denars (EUR 3,212,000). On February 25, 2019, the subsidiary’s name was changed to HALK OSIGURUVANJE AD Skopje. During 2019, the Bank’s investments in subsidiary have been increased by Denar 430,470 thousand and as of December 31, 2020, amounts to Denar 629,363 thousand and during 2021, in two transactions increase of the share capital was performed by issuing new shares through private offer for 123,242 thousand denars (2,000,000 euros) and 184,954 thousand denars (3,000,000 euros) and on 31.12.2022 investment in the Subsidiary is 937,559 thousand denars (Note 24). As of December 31, 2022, the investment in the Subsidiary remains unchanged, i.e., 937,559 thousand denars.

In January 2023, the Supervisory Board of the Bank passed a Decision on Recapitalization of the Branch for a new 4 million euros. The Supervisory Board of Halk Insurance made a Decision on borrowing through subordinated debt in the amount of 4 million euros, which was realized by reaching a Subordinated Debt Agreement with Halk Bank AD Skopje on 03.02.2023. The recapitalization of the subsidiary was carried out in April 2023, after the previous transformation of the subordinated debt of 4 million euros into equity. As of June 2023, the total stake amounts to MKD 1,184,338 thousand.

In the same year, another recapitalization was carried out through the issuance of the 9th issue of shares in the amount of MKD 184,504,800 (EUR 3 million). The transformation of the recapitalization into a stake was carried out on 11.12.2023. As of 31.12.2023, the total contribution amounts to Denar 1,368,843 thousand.

During 2024 and 2025, there were no changes in the total contribution of Halk Insurance AD Skopje.

INTRODUCTION (Continued)

(a) General Information (Continued)

These consolidated financial statements include the Bank and its subsidiary HALK OSIGURUVANJE AD Skopje (collectively referred to as the "Group").

The number of employees in the Group on December 31, 2025 is 1.011 (2024: 975).

The operation of the Bank's Management Board in 2025 began with the following composition:

1. D-r. Bilal Sucubasi – Chief Executive Officer
2. D-r. Berkan Imeri – Executive Director
3. Mr. Aleksandar Iljov – Executive Director

By the Supervisory Board on November 22, 2024, Mr. Berkan Imeri and Mr. Aleksandar Iljov were reappointed as members of the Board of Directors, the consents were issued by the National Bank of the Republic of Macedonia on February 6, 2025 (received at the Bank on February 6, 2025) and the entry in the Central Register of the Republic of Macedonia was made on February 12, 2025.

On September 25, 2024, the Supervisory Board adopted decision to appoint Mr. Muhammed Hadzhi-Pazi for a new member of the Board of Directors, whereby after the issuance of the consent by the National Bank of the Republic of Macedonia on March 20, 2025 (received in the Bank on March 21, 2025) and the entry of the change in the Central Register of the Republic of Macedonia on March 26, 2025, the Board of Directors of the Bank continued to operate with the following composition:

Members Board of Directors

1. Dr. Bilal Sucubasi – Chief Executive Officer
2. Dr. Berkan Imeri – Executive Director
3. Mr. Aleksandar Iljov – Executive Director
4. Mr. Muhammed Hadzhi-Pazi – Executive Director

On August 26, 2025, the Supervisory Board made a decision to terminate the mandate of Mr. Bilal Sucubasi due to the performance of another management function within the Group, whereby after the entry of the changes in the Central Register of RSM on September 5, 2025, the Board of Directors of the Bank continued to operate with the following composition:

Members Board of Directors

1. Dr. Berkan Imeri – Executive Officer
2. Mr. Aleksandar Iljov – Executive Director
3. Mr. Muhammed Hadzhi-Pazi – Executive Director

On August 26, 2025, the Supervisory Board adopted a decision to appoint Mr. Fatih Shahbaz as a new member of the Board of Directors, Chief Executive Officer, whereby after the issuance of the consent by the National Bank of the Republic of Macedonia on December 12, 2025 (received by the Bank on December 15, 2025) and the entry of the change in the Central Register of the Republic of Macedonia on December 16, 2025, the Board of Directors of the Bank continued to operate with the following composition:

Members Board of Directors

1. Dr. Fatih Shahbaz – Chief Executive Officer
2. Dr. Berkan Imeri – Executive Director
3. Mr. Aleksandar Iljov – Executive Director
4. Mr. Muhammed Hadzhi-Pazi – Executive Director

INTRODUCTION (Continued)

(a) General Information (continued)

On October 30, 2025, the Supervisory Board reappointed Mr. Berkan Imeri, Mr. Aleksandar Iljov and Mr. Muhammed Hadzhi-Pazi as members of the Board of Directors. The Bank submitted a request to the National Bank for prior approval for the renaming of the members of the Board of Directors of Halk Bank A.D. Skopje, and as of 31.12.2025, the procedure is still ongoing.

The members of the Supervisory Board during 2025 and until the date of these consolidated financial statements are shown below:

The operation of the Supervisory Board of the Bank in 2025 began with the following composition:

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Recep Süleyman Özdil, Member of the Supervisory Board
- Mr. Ilhan Bolukbaş, Member of the Supervisory Board
- Mr. Olcay Atlioğlu, Member of the Supervisory Board
- Mr. Fatih Şahbaz, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board
- Mrs. Seydefa Xafçe, Independent Member of the Supervisory Board

The Shareholders' Meeting on October 20, 2024 adopted a decision to appoint Mr. Mirach Tash as a new member of the Supervisory Board, whereby after the issuance of the consents by the National Bank of the Republic of Macedonia on December 31, 2024 (received by the Bank on January 8, 2025) and the entry of the changes in the Central Register of the Republic of Macedonia on January 16, 2025, the Supervisory Board of the Bank continued to operate with the following composition:

- Mr. Osman Arslan, Chairman of the Supervisory Board
- Mr. Recep Süleyman Özdil, Member of the Supervisory Board
- Mr. Ilhan Bolukbaş, Member of the Supervisory Board
- Mr. Olcay Atlioğlu, Member of the Supervisory Board
- Mr. Fatih Şahbaz, Member of the Supervisory Board
- Mr. Mirach Tash, Member of the Supervisory Board
- Ms. Biljana Angelova, Independent Member of the Supervisory Board
- Ms. Seydefa Xafçe, Independent Member of the Supervisory Board

Following the resignation of Mr. Fatih Shahbaz as a member of the Supervisory Board on August 26, 2025 (effective in the Bank on August 27, 2025) and the entry of the change in the Central Register of the RSM on September 4, 2025, the Supervisory Board of the Bank continued to operate with the following composition:

- Mr. Osman Arslan, Chairman of the Supervisory Board
- Mr. Recep Süleyman Özdıl, member of the Supervisory Board
- Mr. Ilhan Bolukbaş, member of the Supervisory Board
- Mr. Olcay Atlioğlu, member of the Supervisory Board
- Mr. Mirach Tash, member of the Supervisory Board
- Ms. Biljana Angelova, Independent member of the Supervisory Board
- Ms. Seydefa Xafçe, Independent member of the Supervisory Board

Following the resignation of Mr. Ilhan Bolukbaş as a member of the Supervisory Board on September 25, 2025 (effective in the Bank on September 25, 2025) and the entry of the change in the Central Register of the RSM on October 3, 2025, the Supervisory Board of the Bank continued to operate with the following composition:

INTRODUCTION (Continued)

(b) General Information (continued)

- Mr. Osman Arslan, Chairman of the Supervisory Board
- Mr. Recep Süleyman Özdıl, member of the Supervisory Board
- Mr. Olcay Atlioğlu, member of the Supervisory Board
- Mr. Mirach Tash, member of the Supervisory Board
- Ms. Biljana Angelova, Independent member of the Supervisory Board
- Ms. Seydefa Xafçe, Independent member of the Supervisory Board

The Shareholders' Meeting on October 17, 2025 adopted a decision to appoint Mr. Bilal Sucubasi and Mr. Seyit Mehmet Yajdemir as new members of the Supervisory Board, whereby after the issuance of the consents by the National Bank of the Republic of Macedonia on January 26, 2026 (received by the Bank on January 27, 2026), the Supervisory Board of the Bank continued to operate with the following composition:

− Mr. Osman Arslan, Chairman of the Supervisory Board
− Mr. Recep Suleyman Ozdil, member of the Supervisory Board
− Mr. Seyit Mehmet Yaydemir, member of the Supervisory Board
− Mr. Olcay Atlioğlu, member of the Supervisory Board
− Mr. Mirach Taş, member of the Supervisory Board
− Ms. Biljana Angelova, Independent Member of the Supervisory Board
− Ms. Sejdefa Xhafce, Independent Member of the Supervisory Board.

The consolidated financial statements of the Group for the year ended 31 December 2025 have been approved by the Board of Directors and adopted by the Supervisory Board of the Bank on 28 April 2026.

INTRODUCTION (continued)

(b) Basis for preparing the consolidated financial statements

Basics of Consolidation

The consolidated financial statements of the Group include the financial statements of the Bank and the Subsidiary, which is 100% owned by the Bank.

i) Business combinations

Business combinations are accounted for using the purchase method at the date of acquisition ie. on the date when control is acquired by the Group. The amount transferred on acquisition is measured at fair value, as are the identified net assets being acquired.

Transaction costs are recognized as an expense immediately, unless they relate to the issuance of debt or equity instruments. The amount transferred on acquisition does not include amounts relating to the settlement of any pre-existing relationships. Such amounts are generally recognized in the income statement.

ii) Non-controlling interests

Non-controlling interests are measured according to their proportional participation in the net assets of the acquired entity. Changes in the Group's participation in subsidiaries that do not lead to a loss of control are recorded as equity transactions.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or entitled to, variable returns from its involvement with the entity and has the ability to influence the amount of these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until the time control ceases.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as the related non-controlling interest and other components of equity. Any gain or loss resulting from the cessation of control is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value at the time control is lost.

v) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains and losses arising from intra-Group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Standards on the basis of which the consolidated financial statements have been prepared

The data in the attached consolidated financial statements of the Bank have been prepared in accordance with the Law on Trading Companies, the Law on Banks, regulations prescribed by the NBRSM, including the Methodology for Recording and Valuation of Accounting Items and for Preparing Financial Statements (hereinafter, “the Methodology”) (“Official Gazette of RM” no. 83/17 and 275/2024), and the Decision on the Types and Content of Banks' Financial Statements (“Official Gazette of RM” no. 83/17, 149/18 and 275/2024), prescribed by the NBRSM.

Presentation of the consolidated financial statements

The accompanying financial statements represent the consolidated financial statements of the Group.

The accompanying consolidated financial statements of the Group are presented in accordance with the form and content of the balance sheets published in the Decision on the types and content of financial statements of banks ("Official Gazette of the Republic of North Macedonia" " no. 83/17, 149/18 and 275/2024), (hereinafter text "The Decision").

INTRODUCTION (continued)

(b) Basis for preparing the consolidated financial statements (continued)

Presentation of the consolidated financial statements (continued)

In accordance with the Methodology for recording and valuation of accounting items and for the preparation of financial statements, from 2019 the Bank also prepares consolidated financial statements because it has a 100% investment in the subsidiary HALK INSURANCE AD Skopje.

Notifying and functional currency

The consolidated financial statements are presented in Macedonian denars ("MKD" or "denars"). The Denar is the functional and reporting currency of the Group. Except where indicated, financial information is presented in thousands of Macedonian denars.

Using judgments and judgments

The presentation of the consolidated financial statements in accordance with the accounting standards applied in the Republic of North Macedonia, requires the use of the best possible estimates and reasonable assumptions by the management of the Group, which have effects on the presented values of assets and liabilities, as well as on income and expenses incurred during the reporting period. These estimates and assumptions are based on past experience and other factors believed to be reasonable in the circumstances and the results of which form the basis for estimating the carrying amount of assets and liabilities for which data are not available from other sources. Actual results in subsequent reporting periods may differ from estimated amounts.

Estimates and assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the period in which the estimate is revised if it has an impact only on that period, or in the assessment period and future periods if the revised estimate affects both periods - the current and the future period.

Information regarding judgments made by management and critical judgments in the application of accounting standards that have a significant impact on the consolidated financial statements is presented in Note 1(d).

(c) Significant Accounting Policies

The accounting policies shown below have been applied consistently for all periods presented in these consolidated financial statements.

(i) Foreign Currency Transactions

Business changes in foreign currency are expressed in denars according to the exchange rate valid on the day of the transactions. Monetary assets and liabilities expressed in foreign currency on the day of the notification are revalued in Denars according to the average exchange rate valid on the day of the balance sheet. Exchange rate gains and losses on monetary assets are the difference between the amortized purchase value in denars at the beginning of the period, adjusted for the effective interest rate and payments during the period, and the amortized purchase value in foreign currency valued at the exchange rate valid at the end of the period. Exchange rate differences resulting from revaluation are recognized in the income statement.

The foreign currencies with which the Group operates are mostly Euros (EUR) and American Dollars (USD).

The official exchange rates in effect on December 31, 2025 and 2024 were as follows:

	2025 MKD	2024 MKD
1 EUR	61.4950	61.4950
1 USD	52.3050	58.8807
1 CHF	66.1735	65.1775

INTRODUCTION (Continued)

(c) Significant Accounting Policies (continued)

(ii) Interest income and expenses

Interest income and interest expense are recognized in the income statement for all interest-bearing instruments on an accrual basis, at amortized cost using the effective interest method.

The effective interest rate is the rate that accurately discounts the expected future cash payments and inflows over the expected life of the financial asset or liability (or where appropriate, a shorter period) to the present value of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows taking into account the contractual terms of the financial instrument, but not future losses due to impairment. The effective interest rate is determined upon initial recognition of a financial asset or liability and is not revised subsequently.

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

Interest income and expenses shown in the income statement include:

• interest from financial assets and liabilities at amortized cost using the effective interest method;

• interest from financial assets and liabilities that are measured at fair value through other comprehensive income using the effective interest method.

(iii) Fee and Commissions

Income and expenses from commissions and fees that are an integral part of the effective interest rate of financial assets and liabilities are included in the calculation of the effective interest rate.

Other revenues from commissions and fees, including financial services provided by the Group in terms of exchange operations, domestic and foreign payments, guarantees, letters of credit and other services are recognized when the respective service is performed. When a credit commitment is not expected to result in a credit drawdown, the credit commitment fee is recognized proportionately over the term of the commitment.

Other expenses from fees and commissions refer to financial services received by the Group and are recognized as an expense when the respective service is received.

(iv) Dividend income

Dividend income is recognized when the right to receive payment is established. Dividends are shown as part of net trading income or dividend income depending on the appropriate classification of the instrument.

(v) Rent Expenses

Payments made under an operating lease are recognized in the income statement using the proportional method over the duration of the lease. Rental incentives are recognized as an integral part of the total rental costs, for the duration of the rental agreement.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vi) Insurance income and expenses

Premiums

Gross premiums written reflect the performance during the year and do not include taxes or liabilities on the basis of premiums.

The earned part of the premiums is recognized as income. Premiums are earned from the date of conclusion of the insurance contract to the end of the reporting period, based on the pro rata temportis method. The premium transferred to the reinsurer is recognized as an expense in accordance with the pro rata temporis method in the same accounting period as the directly related premium for the respective insurance.

The unearned premium reserve consists of the portion of gross policy premiums estimated to be earned in the following year, calculated for each separate insurance contract, using the daily pro-rata method and, if necessary, adjusted to reflect the change in the occurrence of the risk for the period covered by the contract.

Claims

Incurred, reported and paid claims include the costs of settlement and settlement of paid and outstanding claims arising from events that occurred in the current financial year together with adjustments to the claims reserve from the previous year.

Damages paid are recognized at the time of processing the damages and in the amount that will be paid when the damage is settled. The amount of the claim paid in non-life insurance is increased by the cost of processing the claim.

Outstanding claims include provisions for the estimated final settlement costs of all incurred but outstanding claims at the balance sheet date, regardless of whether the claims are reported or not, and the related internal claims settlement costs, as well as the appropriate margin for prudence. Outstanding claims are estimated by reviewing individual claims and determining a separate reserve for incurred but unreported claims, the effect of internal and external foreseeable events, such as changes in claims settlement procedures, inflation, litigation trends, changes in legislation, as well as past experiences and trends. Reserves for outstanding claims are not discounted.

While Management believes that the gross claims reserves and related reinsurer claims are objectively presented based on data currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the reserve amount. Adjustments to provisions for claims made in previous years are reflected in the financial statements for the period in which the adjustments were made and are separately disclosed, if they are material. The methods applied and the assessments made are checked regularly.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Income tax (current and deferred)

Income tax consists of current and deferred tax. Income tax is recognized in profit or loss, except when it relates to items that are taken directly to equity and the corresponding income tax is recognized in equity.

The current income tax is the expected tax liability from the profit before taxation for the year, applying the applicable tax rate of 10% on the date of the statement of financial position and corrections to the tax liability relating to previous years.

Deferred tax results from the time differences between the accounting value of assets and liabilities for the purposes of financial reporting and their value for tax purposes. Deferred tax is measured by applying the tax rates that are expected to be applied when the timing differences are realized based on laws that have been enacted or substantially enacted on the reporting date.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible timing differences to the extent that it is probable that future taxable income will be available against which the asset will be utilised. A deferred tax asset is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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

On January 3, 2025, the Law on a minimum global corporate tax was adopted, with effect from the fiscal year starting on January 1, 2024. This law aligns with Council Directive (EU) 2022/2523 of December 14, 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large domestic groups in the Union. The Bank has calculated a minimum global tax and it is shown in the position "Income tax".

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) *Financial Assets and Liabilities*

Recognition and initial measurement

Financial assets and liabilities are recognized on the settlement date, which is the date when the asset is delivered by/to the Bank.
A financial asset or financial liability is initially measured at fair value adjusted, for items not measured at fair value through the income statement, for transaction costs that are directly related to the acquisition or issuance.

Classification

A financial asset is an asset that is:
- monetary asset,
- ownership instrument issued by another legal entity,
- contractual right to receive money or other financial asset from another person;
- contractual right to exchange financial instruments with another person under conditions that are potentially favorable for the Group; or
- a contract that can be settled or will be settled with proprietary instruments of the Group and is:
  a) a non-derivative for which the Group is or may be obligated to receive a variable number of its equity instruments, or
  b) a derivative that can be or will be settled in another way, and not by exchanging a certain amount of money or another financial asset for a fixed number of its ownership instruments.

Financial liabilities are classified in accordance with the content of the contractual arrangement and consist of: deposits with banks, financial institutions and clients, liabilities based on loans and other liabilities.

The Group classifies financial assets upon their initial recognition. Financial assets are classified in one of the following categories:
- financial assets that are measured at amortized cost;
- financial assets that are measured at fair value through other comprehensive income;
- financial assets that are measured at fair value through the Income Statement.

The classification of financial assets is carried out based on:
- the business model of the Group for managing financial assets; and
- the characteristics of the contractual cash flows of the financial asset.

In the category of financial assets measured at amortized cost, the Group classifies financial assets that meet the following criteria:
- The group manages financial assets in order to collect contractual cash flows; and
- in accordance with the contractual conditions of the asset, the condition of "only repayment of principal and interest" has been met - SPPI.

In this category of financial assets, the group also classifies cash, receivables from customers, receivables for rent, receivables for commissions and fees and all other financial assets that represent exposure to credit risk in accordance with the Decision on credit risk management, and for which the condition of SPPI is inapplicable. These funds do not require the fulfillment of the SPPI requirement.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) Financial Assets and Liabilities (Continued)

Classification (continued)

In the category of financial assets that are measured at fair value through other comprehensive income, the Group classifies financial assets that meet the following criteria:

- The group manages the financial asset in order to collect contractual cash flows and/or for sale; and
- in accordance with the contractual conditions of the asset, the condition of "only repayment of principal and interest" has been met - SPPI.

In the category of financial assets that are measured at fair value through the Income Statement, the Group classifies the financial assets that it manages for the purpose of trading and making a profit from changes in the fair value of the asset. This is also a residual category, that is, the Group classifies in this category all those financial assets that do not meet the criteria of the other two categories.

Assessment of the Group's business model

The evaluation of the Group's business model is performed at the level of the business process, and not by separate instrument. A group may have multiple business processes for managing financial instruments. The Group may use and manage a particular type of financial instrument in different ways, so that one type of financial instrument may appear in different business processes of the Group for the management of financial instruments.

The assessment of the business model is carried out exclusively by the key management of the Group, taking into account all relevant and available data on the way of managing the financial instruments, especially how the performance/performance of the business model is monitored and how it is reported to the management of the Group, what are the risks that affect the realization of that business model and how those risks are managed.

Depending on the method of managing financial assets, three business models are identified:

- **financial assets that are measured at amortized cost value**, that is, financial assets are kept for the purpose of collecting contractual cash flows (principal and interest). If certain financial instruments from this category are sold before their contractual maturity (early sales), this is not a direct indication of the change in the Group's business model. In case of premature sales of these assets, the Group should analyze whether there has been a change in the Group's business model for these financial assets, taking into account the data on the frequency, periods and volume of sales; the reasons for the sales (eg worsening credit risk, sales due to liquidity management, etc.)

- **financial assets that are measured at fair value through other comprehensive income**, that is, financial assets are kept for collection of contractual cash flows (principal and interest) and/or for sale; Bearing in mind that the Group holds these financial assets for the purpose of liquidity management, maintenance of a certain interest profit, for the purpose of harmonizing the maturity (duration) of the financial assets with the maturity (duration) of the financial obligations that are the source of those financial assets, etc.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) ***Financial Assets and Liabilities*** *(Continued)*

- **financial assets that are measured at fair value through the Income Statement**, that is, financial assets that are held for the purpose of trading and making a profit from changes in the fair value of the asset. This is also a residual category, that is, the Group classifies in this category all those financial assets that do not meet the criteria of the other two categories. Bearing in mind that the Group would hold these financial assets for the purpose of active and frequent trading in order to realize a profit from the changes in the fair value of the assets, the Group manages these assets with the aim of realizing their market/objective value and makes management decisions based on basis of their market/fair value.

SPPI test

Debt financial assets that, according to the Group's business model, should be classified in the categories of financial assets that are measured at amortized cost or financial assets that are measured at fair value through other comprehensive income, should fulfill one more condition - according to the contractual conditions of the asset, the Group expects cash flows on certain dates "solely on the basis of repayment of principal and interest" - SPPI. Within contractual cash flows, the "principal" element includes the amount at initial approval, less any repayments; and the "interest" element represents compensation for the time value of money, credit risk, liquidity risk, administrative or service costs, and profit margin.

To meet the SPPI requirement, the contractual cash flows should not include any exposure to risks or volatility that do not constitute a normal credit arrangement (for example, exposure to the risk of changes in stock or commodity prices). The assessment of whether the SPPI condition is met is made in the currency in which the asset is denominated. The SPPI requirement can only be considered for debt financial assets. The Group will classify those debt financial assets that are assessed as not meeting the requirements of the SPPI as financial assets that are measured at fair value through the Income Statement and will measure their fair value.

The analysis of whether the condition of SPPI is met is done during the initial recognition of each debt financial asset.

The analysis of whether the condition of SPPI is met is done on the basis of the contractual conditions of the instrument and all cash flows determined in the contract are taken into account. For those debt financial assets that arise from a certain product for which the Group has a typed contract (or contractual terms) that applies to all separate claims for that product, the Group analyzes whether the condition of SPPI is met at the product level, and not at an individual financial asset.

When analyzing whether the condition of SPPI is met, the Group also takes into account the following

- for financial assets that have a different interest rate from the one that is usually applied to the same or similar financial instruments, the Group makes a comparison between the undiscounted cash flows of the analyzed financial asset and the undiscounted cash flows of a financial asset with the same credit quality and with the same contractual conditions, except the interest rate (the so-called "benchmark" instrument). If the difference between the cash flows of the two instruments is significant, the analyzed instrument does not meet the SPPI requirement and is classified and measured at fair value through the Income Statement;
- for the financial assets for which the regulator prescribes a maximum value of the interest rate that must not be exceeded, it is considered that it fulfills the requirement of SPPI;

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) *Financial Assets and Liabilities (Continued)*

SPPI test (continued)

- for the financial assets for which, in accordance with the contractual conditions, a minimum/maximum value below/above which the interest rate cannot fall/exceed is foreseen, it is considered that they fulfill the requirement of the SPPI;
- for financial instruments whose interest rate is periodically adjusted for the inflation rate, it is considered that they meet the SPPI requirement;
- for financial assets for which the contractual conditions stipulate a change in the interest rate if there is a change in the customer's creditworthiness (it is regulated in the contract that it is monitored through any indicator of the customer's creditworthiness, such as: non-payment of contractual obligations in a certain deadline, deterioration/improvement of the internal or regulatory risk category, exceeding a certain value of a certain financial indicator/s for the client's operation, etc.), are considered to meet the condition of SPPI;
- for financial instruments approved in denars with a currency clause, they are considered to fulfill the SPPI condition (if the other characteristics of the instrument point to the fulfillment of the SPPI condition);
- if the financial instrument contains a certain feature due to which the SPPI condition is not met, but that feature has an insignificant impact on the contractual cash flows of the asset ("de minimis feature"), the Group considers that the SPPI condition is met;
- if the financial instrument contains a certain feature that would change the contractual cash flows of the asset only if a certain extremely rare event occurs with a low probability of happening, the Group considers that the condition of SPPI is met;
- if the contractual conditions of the financial instrument provide for the possibility of early repayment and if the amount that would be charged in case of early repayment represents the amount of the unpaid principal and the due unpaid interest, as well as reasonable compensation for the early termination of the contract (up to 5% of the early the repaid amount), the Group considers that the SPPI condition has been met;
- if the contractual terms of the financial instrument provide for the possibility of extending the maturity period and if the cash flows in the extended maturity period also meet the condition of SPPI (may include a reasonable compensation for the extension of the maturity period), the Group considers that the SPPI condition is fulfilled.

In the case of a change in the contractual cash flows of an existing financial asset, the Group on the date of the change re-evaluates/checks whether the requirement of the SPPI is met with the new changed contractual terms and classifies the financial asset accordingly.

Reclassification

Reclassification of debt financial assets from one category to another is possible only if there is a change in the business model of the Group for managing those assets. Reclassifications are made in rare cases when the change in the business model has a significant impact on the Group's business operations, when the change is due to a change in external or internal factors that have a significant impact on the Group's activities, etc. The decision to change the business model is made by the management of the Group. If there is a change in the business model, the Group must reclassify all financial assets from one category to another. In such cases, the reclassified assets continue to be measured accordingly with the principles of the new category from that date prospectively, that is, no correction is made to all previously recognized gains or losses.

Reclassification of proprietary financial assets from one category to another is not allowed.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) *Financial Assets and Liabilities* (Continued)

Principles of value measurement

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

- principle of measurement by amortized purchase value and
- principle of fair value measurement.

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

- the amount at initial recognition;
- reduced for principal repayments;
- reduced or increased by the amount of accumulated depreciation using the effective interest rate method, for any difference between the amount at initial recognition and the amount at maturity and
- reduced by the value correction due to impairment or collectability.

The effective interest rate is equal to the rate that discounts the expected future cash inflows and outflows from the instrument to the final maturity date of the instrument or for a shorter period of time, if appropriate. Measurement using the effective interest rate method allows amortization of the purchase value of the financial instrument and of the income/expense from the interest during the period of the expected maturity of the instrument. When calculating the effective interest rate, the following are taken into account:

- all expected future cash flows;
- all paid and/or collected commissions and fees that represent an integral part of the effective interest of the financial asset or liability (fees for evaluating the financial situation of the client, for mediation in negotiating the terms of the financial instrument, fees for submitting a request and processing the request for credit approval, fees for withdrawing funds from the financial instrument, regular monthly fee for credit management until the final maturity of the credit, which is borrowed and collected at the same time as the borrowing and collection of the regular contractual interest, etc.);
- transaction costs that are directly related to the transaction (fees and commissions paid to sales agents, advisors, brokers, dealers, fees to regulatory bodies, taxes and customs duties paid, etc.) and
- premiums and/or discounts approved on the financial instrument.
- When calculating the effective interest rate, the Group does not take into account the value correction (losses due to impairment) of the financial instrument.

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

Fair value measurement assumes that the asset or liability is exchanged between market participants, in an ordinary transaction, under current market conditions at the measurement date. Fair value is determined in different ways, depending on whether the asset or liability is traded in an active market or not.

INTRODUCTION (Continued)

(в) Significant Accounting Policies (Continued)

(viii) *Financial Assets and Liabilities (Continued)*

Principles of Value Measurement (continued)

An active market is a market in which the asset or liability is transacted with sufficient frequency and volume to provide price information for the asset or liability. The appropriate quoted market price for the asset or liability is that which is within the range between the purchase price and the sale price, and which best represents the fair value under the relevant conditions. The current one is usually used: purchase price for the asset that is kept or for the obligation that is to be issued, that is, selling/offered price for the asset that will be acquired or for the obligation that is kept; the average market price or other price in accordance with usual, accepted market practice.

If there is no active market for the financial asset or liability, the Group, in order to determine the fair value of the asset or liability, applies valuation techniques for which it has the most available data, giving preference to data that can be confirmed in the market. Common valuation techniques in the Group are: market approach (using quoted prices or other relevant information from market transactions with the same or similar assets or liabilities) and income approach (discounted value of current market expectations for future amounts (cash inflows or income and expenses) of the asset or liability). In applying valuation techniques, the Group:

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

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

Impairment

The Group, at least on a monthly basis, assesses whether there is objective evidence of impairment of financial assets that are not measured at fair value through the income statement or of a group of financial assets. Financial assets are impaired when there is objective evidence that the impairment occurred after the initial recognition of the asset, and it has an impact on future cash flows that can be reliably estimated.

The Group allocates losses due to impairment in accordance with the NBRNM's Decision on credit risk management.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) Financial Assets and Liabilities (Continued)

Principles of Value Measurement (continued)

Impairment (continued)

The Group analyzes evidence of impairment for loans and receivables and securities on an individual basis.

Objective evidence that financial assets (including equity securities) are impaired may include late payment or default by the debtor, restructuring of the loan by the Group under more favorable terms that the Group does not otherwise approve, indications that the debtor or the issuer of the securities have gone bankrupt, the disappearance of an active market for the securities, or other observable information about a group of assets such as adverse changes in the payment status of the obligor or issuer of the securities in the group, or economic conditions consistent with default of the group.

An impairment loss on assets recorded at amortized cost is measured as the difference between the carrying amount of the financial assets and the present value of the expected cash flows, discounted at the original effective interest rate of the assets. Impairment losses are recognized in the income statement and are reflected in the allowance account for loans and advances. Interest on impaired assets continues to be recognized through amortization of the discount. If in the following period the amount of the loss due to impairment decreases, the loss is canceled through the income statement.

Impairment losses on available-for-sale investments are recognized by transferring the cumulative loss recognized directly from equity to the income statement. The cumulative loss transferred from the principal to the income statement is the difference between the purchase price, less any value adjustments previously recognized in the income statement. Changes in the special reserve as a result of the time value of money are recognized as a component of interest income.

If in a subsequent period, the fair value of impaired available-for-sale debt instruments increases and the increase can be objectively related to an event that occurred after the impairment loss was recognized in the income statement, the loss is reversed through the income statement. However, any subsequent increase in the fair value of impaired available-for-sale equity securities is recognized directly in equity.

Derecognition

The Group derecognizes financial assets when it loses the contractual rights to the cash flows from the asset, or when it transfers the rights to the cash flows from the asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred to another party. Any remainder of transferred financial assets that are created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes financial liabilities when the obligations specified in the contracts are settled, canceled or expired.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) *Financial Assets and Liabilities (Continued)*

Netting

Financial assets and liabilities are netted and the net amount presented in the balance sheet only when the Group has a legal right to net the recognized amounts and intends to settle the transactions on a net basis or realize the payments simultaneously.

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

Cash and cash equivalents

Cash and cash equivalents consist of cash in the treasury, deposits kept at the National Bank of the Republic of North Macedonia ("NBRNM"), demand deposits with banks, as well as highly liquid financial assets with an original maturity of three months or less, which are subject to an insignificant risk of change in their fair value.

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

Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires mainly for the purpose of selling or repurchasing in the near future, or that it holds as part of a portfolio for realizing profit in the short term.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the balance sheet, and transaction costs at initial recognition are directly recognized in the income statement. Any changes in fair value are recognized as part of net trading income in the income statement. Trading assets and liabilities are not subsequently reclassified after their initial recognition

Loans and receivables

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

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

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) Financial assets and liabilities - (continued)

Investments

Investments are initially stated at their fair value plus, in the case of securities not measured at fair value through profit or loss, incremental direct transaction costs and are subsequently measured depending on their classification.

Held-to-maturity investments

Held-to-maturity assets are financial assets with fixed or specific repayment periods and with a fixed maturity that the Group intends and has the ability to hold until the maturity period.

Held-to-maturity assets are valued at amortized cost, using the effective interest method. A sale or reclassification of a significant amount of held-to-maturity assets far beyond their maturity period will cause all held-to-maturity assets to be reclassified as available-for-sale, and the Group will not be able to classify investments as held-to-maturity in the current and next two years.

There are some exceptions to this rule, namely:

- Prematurely sold or reclassified assets are close to their final maturity, so changes in market interest rates have an insignificant effect on the fair value of financial assets.
- The group has collected almost all of the original principal of the financial asset through repayments, in accordance with the amortization plan, or prepayments or
- Refer to an isolated event that does not repeat and is beyond the Group's control

Available-for-sale investments

Available-for-sale investments are financial assets not held for trading, not approved by the Group, nor held to maturity. Available-for-sale instruments include government bills, government-issued bonds and equity investments.

Available-for-sale investments are presented according to their fair value, with the exception of financial assets that do not have a quoted market price and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

Interest income is recognized in the income statement using the effective interest rate method. Dividend income is recognized when the Group's right to receive the payment is established. Gains or losses from exchange differences on available-for-sale debt instruments are recognized in the income statement.

Changes in the fair value of available-for-sale investments are recorded in equity until the investments are sold or impaired, with cumulative capital gains or losses recognized in the income statement. For the investments in equity instruments that are classified by the Bank in this category, the cumulative gains or losses for the respective equity instrument (instrument-by-instrument principle) are recorded to retained earnings/accumulated losses. The Bank does not calculate an allowance for impairment for the investments in equity instruments.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(ix) Foreclosed assets based on uncollected receivables

Foreclosed assets include real estate and equipment acquired through a foreclosure procedure in order to fulfill the obligees' obligations, in whole or in part, for the respective loan and are shown in the item foreclosed assets based on unpaid claims (foreclosed assets). Foreclosed assets are initially recognized at the lower of the estimated value, less the expected sales costs that will be borne by the Group and the value of the foreclosed asset specified in the act adopted by the Executor in the procedure for forced recovery, from which the legal basis for acquisition derives of the right to property. The appraised value is determined by an authorized appraiser.

On the date of the initial recognition of the asset, the Group is obliged, in accordance with the Decision on the accounting and regulatory treatment of the assets assumed on the basis of unpaid claims in the balance sheet, to reduce the value of the assumed asset as an impairment in the amount of at least 20% of the value at which the assets are initially recognized.

If the amount of the closed value adjustment/special reserve is greater than the impairment from the previous paragraph, the Group recognizes this difference as a revaluation reserve on the date of foreclosure of the asset.

After the initial recognition, at least once in a period of twelve months, the Group performs an assessment of the foreclosed asset and determines the difference with the carrying amount. At the same time the Group calculates 20% of the net value of the foreclosed asset and compares it with the difference between the estimated and the carrying amount. It recognizes the larger amount in the income statement as an impairment loss.

In the case of the conversion of a taken asset into a fixed asset that serves the Group in its operations, the value at which the fixed asset will be recorded is the lower of the last valid assessment performed by an authorized appraiser and of the carrying amount of the asset on the foreclosure date (according to with the Decision on the accounting and regulatory treatment of assets foreclosed on the basis of unpaid claims).

(x) Property and Equipment

Recognition and measurement

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

The purchase price includes the costs that are directly related to the acquisition of the asset. The purchased software that is necessary for the functioning of the corresponding equipment is recognized as part of that equipment.

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

Subsequent expenditures

Expenditures incurred for the replacement of part of the real estate and equipment are added to the carrying amount of the asset when it is probable that there will be future economic benefits for the Group and the costs thereof can be reliably measured. The costs of daily maintenance of real estate and equipment are recognized in the income statement as expenses as incurred.

INTRODUCTION (Continued)

(в) Significant Accounting Policies (Continued)

(x) Property and equipment (continued)

Depreciation

Depreciation of real estate and equipment is calculated using the proportional method in order to write off the purchase value of the assets over their useful life.

The annual depreciation rates, based on their useful lives, for the current and prior periods are as follows:

	%
Construction building	2,5
Equipment	10 – 25

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

The depreciation method, useful life and residual value are reassessed at each reporting date.

(xi) Intangible assets

Measurement and recognition

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

Subsequent expenditures

Subsequent expenditures on intangible assets are capitalized only when they increase the future economic utility embodied in the specific asset to which they relate. All other expenses are recognized in the income statement as expenses as incurred.

Amortization

Amortization is recognized by using the proportional method in order to write off the purchase value of the assets over their useful life.

The annual amortization rates, based on their useful lives, for the current and prior periods are as follows:

	%
Software	25
Licenses	25

The amortization method, useful life and residual value are reassessed at each reporting date. Intangible assets under construction are not amortized.

(xii) Assets taken on lease – lessee

The date on which the lessee is entitled to exercise its rights to use the leased asset is the date of initial recognition of the lease and the lessee should recognise a right-of-use asset and a lease liability.

The lessee presents the right-of-use assets in the balance sheet, under the line item “Property and equipment”. Right-of-use assets are initially recognized at their cost at the inception date of the lease, which is equal to the initial value of the lease liabilities, increased by lease payments made before or on the inception date of the lease and any directly attributable lease costs.

Subsequently, right-of-use assets are measured at their initial carrying amount, less accumulated depreciation and impairment losses, and adjusted for certain lease liability adjustments. The assets are depreciated in accordance with the normal depreciation policy applied to other property, equipment and intangible assets and depreciation is recognized as an expense in the income statement. A right-of-use asset is depreciated over the shorter of the lease term and the useful life of the asset.

The lessee presents the liability arising from the lease in the balance sheet, within the position "Other" as a separately allocated/presented liability. The lease liability is recognized at the lease commencement date, in the amount of the present value of the lease payments discounted using the contractual lease rate. If it is not determined in the contract, an incremental rate is used.

Subsequently, the lease liability is measured at amortized cost using the effective interest method, i.e. increased by the interest expense on the lease, reduced by the payments made on the lease liability and adjusted when the amount expected to be paid is reassessed or when future lease payments change. The interest expense on the lease liability is allocated and recognized in the income statement over the lease term.

INTRODUCTION (Continued)

(d) Significant accounting policies (continued)

(xiii) Losses due to impairment of non-financial assets

The Group's non-financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If there is such an indication, the amount of the asset that would be recoverable is estimated.

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

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

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

An impairment loss on an asset is reversed if there is an indication that an impairment loss recognized for the asset may no longer exist and there have been changes in the estimates used to determine the recoverable amount.

The increased book value of a given asset, as a result of the reversal of an impairment loss, should not exceed the book value that would have been determined (net of depreciation) if no impairment loss had been recognized for the asset in previous years.

(xiv) Deposits, borrowings

Deposits and borrowings are sources of funding for the Group.

Deposits and borrowings are initially stated at their purchase value, which represents the fair value of the received compensation, increased by transaction costs. They are subsequently measured at amortized cost using the effective interest method.

(xv) Provisions

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

INTRODUCTION (Continued)

(e) Significant accounting policies (continued)

(xv) Provisions (continued)

A provision for onerous contracts is recognized when the expected benefits of the contract for the Group are lower than the unavoidable costs of fulfilling the obligations under the contract. The provision is determined at the present value of the lower of the expected costs of canceling the contract and the present value of the expected net costs of continuing the contract. Before establishing a provision, the Group recognizes a loss due to impairment of assets related to the contract.

(xvi) Employee benefits

Defined contribution plans

The Group pays contributions to the pension funds in accordance with the requirements of the Macedonian laws. The contributions, which are determined on the basis of the salary of the employees, are paid into the pension funds, which are responsible for the payment of the pensions. The Group has no additional payment obligation under these plans. Obligations to pay contributions to defined contribution plans are recognized as an expense in the income statement when accrued.

Short-term benefits for employees

Short-term employee benefits are measured on an undiscounted basis and recognized when the related service is received.
The Group recognizes a liability and an expense for the amount that is expected to be paid as a bonus or as a share of profits and if the Group has a present legal or constructive obligation to make such payments as a result of services rendered in the past period and if the obligation can be estimated reliably.

The group recognizes liability and expense on the basis of private health insurance on an annual basis.

Other long-term benefits for employees

In accordance with Macedonian legislation, the Group pays two average monthly net salaries per employee, paid in the Republic of North Macedonia in the previous three months to employees at the time of retirement. Long-term employee benefits are discounted to determine their net present value. The Group has no additional obligation to pay on this basis.

Other long-term employee benefits are jubilee awards. The jubilee awards group recognizes a liability in the position “Special reserve and provisions” and an expense in “Other operating expenses” in the item “Provisions for pension and other employee benefits, on a net basis”.

(xvii) Share Capital

Common shares

Common stock is classified as equity. Incremental costs directly related to the issuance of common stock and stock options are recognized as a reduction of equity.

Repurchase of own shares

When the Group buys back its own shares, the amount of consideration paid, including direct dependent costs, is recognized as a reduction in equity. Repurchased shares are classified as treasury shares and represent a negative item in the total capital. When treasury shares are subsequently sold, the amount received is recognized as an increase in equity, and the excess or shortfall from the transaction is transferred to/from share premiums.

Dividends

Dividends are recognized as liabilities in the period in which they are declared.

INTRODUCTION (Continued)

(c) Significant accounting policies (continued)

(xviii) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to the owners of ordinary shares of the Group by the weighted average number of ordinary shares in the period. Diluted earnings per share are calculated by adjusting the gain or loss attributable to holders of common stock and the weighted average number of shares outstanding during the period for the effect of all dilutive potential common stock.

(xix) Reporting by Segments

An operating segment is a separable component of the Group that is engaged either in the provision of products or services (business segment), or in the provision of products or services in specific economic areas (geographic segments) and is subject to risks and rewards different from those of other segments. The results of operations are regularly reviewed by the Supervisory Board of the Group in order to evaluate the achievements and make a decision on future business activities and for which discrete financial information is available.

The Group primarily reports by business segment. The following main segments have been identified: retail, corporate banking, securities and unallocated. The basic information by segments is based on an internally developed reporting structure by business segments.

(xx) Off-Balance sheet exposure

The Group keeps off-balance sheet records of executed transactions that currently do not meet the criteria for recognition as an asset or liability, and which may create future inflows and outflows of assets and which represent a source of information about the operation, for the determination of the risk of the operation and possible future obligations. This record includes the following items: issued uncovered payment and performance guarantees, opened uncovered letters of credit, endorsements, acceptances, undertaken irrevocable credit commitments, unused part of approved framework loans, unused credit card limits, unused current account overdrafts, and other forms of a guarantee on the basis of which payment obligations and claims may arise on the part of the Group, as well as other bookkeeping records that do not represent a particular risk for it (records of written-off claims, covered letters of credit, covered guarantees, etc.). The off-balance sheet exposures are recorded on the day of the event.

INTRODUCTION (continued)

(d) Use of Ratings and Assessments

Significant judgments in the application of accounting policies

Significant accounting judgments in the application of accounting policies are presented below:

Fair value of financial instruments

The fair value of financial instruments that are not listed on active markets is determined using internal valuation techniques. These include using present value methods, models based on available parameters. All valuation models are first validated before they are used as a basis for financial reporting and are periodically reviewed by qualified personnel who are independent of the area for which the model was created. Where possible, the Group compares the valuations obtained from the various models with those quoted in active markets of similar instruments, and with the actual values when they are realized, in order to further validate and standardize the models. A number of different factors are included in the models, including actual or estimated market prices and rates, such as time value and volatility, market conditions and liquidity. The Group applies the models consistently from period to period, ensuring comparability and continuity of valuations across periods, but fair value measurement inherently involves a significant degree of judgment.
In the Republic of North Macedonia, there is not enough market experience, stability and liquidity for buying and selling receivables and other financial assets and liabilities, for which there are no officially published market prices.
The management performs an assessment of the total risk exposure so that when it is estimated that there are indications that the recorded accounting value will not be realized, in that case a provision is recognized. In management's opinion, the stated carrying amounts of assets not quoted in an active market actually represent the most valid and useful reporting values applicable under current market circumstances.

Allowance for impairment on loans

The Group performs a monthly analysis of credit exposure in order to assess whether there are indications of credit impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes an assessment as to whether there are any observable indicators that indicate a reduction in future cash flows from the loan portfolio before the impairment is identified on the individual loan in that portfolio. This evidence may include visible indicators that indicate that there are negative changes in the borrower's ability to pay the loan or the inability to pay is the result of unfavorable economic conditions in the country that directly affect the borrower's ability to pay his obligations within the stipulated period. The Group uses estimates based on historical loss experience relating to assets that have credit risk characteristics and the existence of objective evidence of impairment that are similar to those in the portfolio when planning future cash flows. The methodology and assumptions used to estimate the amount and timing of future cash flows are analyzed on a regular basis in order to reduce the differences between estimated loss and actual loss experience.

INTRODUCTION (continued)

(d) Use of Ratings and Assessments (continued)

Significant judgments in the application of accounting policies(continued)

Useful life of tangible and intangible assets

The Group's management determines the estimated useful life and the corresponding amortization expense of tangible and intangible assets. The appropriateness of the estimated useful life is analyzed on an annual basis or whenever there are indications of significant changes in the assumptions used, such as anticipated technological developments, factors affecting the economy in the wider environment and the industry.

Actuarial assumptions for defined benefit plans for employees

The eventual costs that the Group would have on the basis of the defined plans depend primarily on the actual expected future experiences and especially on the change in the discount rate and the increase in salaries. Other factors may also change the total liability on this basis such as the number of employees who leave the Group early in relation to retirement and the number of new employees.

Reserves under insurance contracts

Assumptions affecting the reported amounts of insurance assets and liabilities are used to determine the provision for insurance contracts, which is sufficient to cover the liabilities that may arise from the insurance contracts, if they can be foreseen. However, given the uncertainty in determining the provision for outstanding claims, it is possible that the final result will differ from the originally determined liability.
Provisions are made on the reporting date for the expected final costs of settling all claims incurred up to that date, whether reported or not, including claims settlement costs, less amounts already paid.

Claims reserves are not discounted.

The sources of data used as input information for building the assumptions are typical and internal to the Subsidiary, while applying detailed analyzes that are done at least once a year. Assumptions are tested to determine whether they are consistent with market or other published information.

The Subsidiary pays special attention to current trends. In the initial years of the Subsidiary's operation, in the absence of information for making realistic assessments of the development of damages, it uses more careful assumptions.

The assessment of incurred but not reported claims ("IBNR") is generally subject to a higher degree of uncertainty in relation to the assessments of reported claims, for which the Subsidiary has more information. IBNR claims can very often become visible to the Subsidiary only after several years after the occurrence of the event that caused that claim. Each reported claim is assessed individually, taking into account the conditions in which the claim occurred, information available from claim assessors and past experience of the magnitude of similar claims. Subject assessments are regularly reviewed and updated with new information.

INTRODUCTION (continued)

(f) Use of Ratings and Assessments (continued)

Significant judgments in the application of accounting policies (continued)

Reserves under insurance contracts (continued)

The difficulty in estimating reserves varies among different classes of insurance for a number of reasons, including the following:

- Differences in the terms of insurance contracts;
- Different complexity of claims;
- Differences in the severity of each claim;
- Differences in the period between the occurrence and reporting of claims.

With certain classes of insurance, there can be significant delays from the moment of reporting the claim to the moment of its resolution, so that it is not possible to know with certainty the final costs on the date of notification.
Assessment methods vary depending on conditions. The reasons may be:

- Economic, legal, political and social trends (which result in, for example, differences in the expected level of inflation);
- Change in the portfolio of insurance contracts;
- The impact of large losses.

Claims from general insurance contracts are paid after the claim occurs. Contracts are concluded for short periods, usually for a period of one year, whereby the Subsidiary has obligations for all insured events that occur during the duration of the contract.
The shorter term of resolution of these claims allows the Subsidiary to have greater certainty in the assessment of claims costs and to calculate a lower level of reserves for incurred but not yet reported claims.
A key assumption in the Subsidiary's assessments is the experience with the development of claims in the past. This includes assumptions about average claim costs, claim settlement costs, an inflation factor, and the number of claims in each year. Judgment is used in determining the extent to which external factors, such as court decisions and legislation, influence assessments.

(e) Change in accounting policies, accounting estimates and correction of errors

There are no changes in accounting policies, accounting estimates and correction of errors in the attached financial statements.
The Decision on Amendments to the Decision on Methodology for Recording and Valuation of Accounting Items and for Preparation of Financial Statements, adopted on December 26, 2024 by the NBRSM and published in the Official Gazette of the Republic of North Macedonia No. 275/2024, introduces the application of IFRS 16 – Leases.

According to the NBRSM regulation, the Bank is required to initially apply IFRS 16 on January 1 2025, using the modified retrospective approach. Under this approach, comparative information is not restated, i.e. it is presented as previously published in accordance with IAS 17 and related interpretations, and the cumulative effect of the initial application of IFRS 16 is recognized in retained earnings at the date of initial application.

INTRODUCTION (continued)

(e) Change in accounting policies, accounting estimates and correction of errors (continued)

Details of the changes in accounting policies are disclosed in 1 (c) (xi) Assets held under leases. For the impact of IFRS 16 on the financial performance and financial position of the Bank, see notes: 15 Depreciation, 28 Intangible assets, 29 Property and equipment, 39 Other liabilities and 45 Leases.

In 2024, the total operating lease payments of the Bank as a lessee during the lease term were recognised in the Income Statement as lease expenses on a straight-line basis over the lease term.

INTRODUCTION (continued)

(g) Compliance with laws and regulations

The Group carries out its activities in accordance with the legal regulations in the Republic of North Macedonia as well as the by-laws prescribed by the National Bank of the Republic of North Macedonia and other regulators.

The text will continue with the submitted and implemented activities.

- Field monitoring conducted by the Directorate for Consumer Protection and Financial Education at the NBRSM, through a notification submitted via email on 24.02.2025, registered in the Bank with number 17-7649/1 of 24.02.2025. The control covered the application of the provisions of the Law on Payment Services and Payment Systems in the section on ensuring transparency and providing information (providing or making available) to users of financial services. To date, no Minutes have been submitted by the NBRSM regarding this control;
- Direct field control conducted by the NBRSM through the submitted Notification for conducting field control with Letter No. 11-6195/11 dated 24.02.2025, received and registered in the Bank on 26.02.2025 with number 12-8113/1. The control covered the compliance of the Bank's internal acts and procedures with the legal and by-laws in the area of cash operations, as well as their appropriate application in the Bank's operations.Upon completion of the control, the NBRSM submitted a Minutes of the conducted direct field control NB D.No. 11-6195/5 dated 27.03.2025, received and registered in the Bank on 04.04.2025 with number 12-13007/1. Given that the Bank did not object to the submitted Minutes, the direct field control by the NBRSM was completed and the Minutes became final;
- Thematic control conducted by the NBRSM through the submitted Notification for conducting a field control with Letter NBD No. 17-16759/1 dated 12.05.2025, received and registered at the Bank on 20.05.2025, with number 02-18496/1. The control was conducted with the aim of assessing the content of the framework agreements and previous information on payment services concluded with legal entities. As of the date of this report, no Minutes have been submitted by the NBRSM regarding this control;
- Direct field control conducted by NBRSM on the process of determining the internal capital for 2023 and 2024, as well as the stress test according to the "bottom-up" approach for 2024. For the control conducted by NBRSM, a Minute of the Direct Field Control NBD No. 17-31652/1 dated 29.09.2025 was submitted, received and registered in the Bank on 02.10.2025, with number 02-36355/1. Given that the Bank did not object to the submitted Minutes, the direct field control by NBRSM was completed, and the Minutes became final;
- Partial field control conducted by the NBRSM through the submitted Notification for conducting a partial field control with Letter No. 17-27215/1 dated 11.08.2025, received and registered in the Bank on 12.08.2025 with number 02-29618/1. The control covered the strategy and business plans, organizational structure, general framework for managing individual risks and processes, reporting system, stress testing, new product and IT applications, internal and external audit, credit risk, corporate governance, the system for preventing money laundering and terrorist financing and the activities undertaken in relation to the measures imposed. The field part of the control in the Bank began on 01.09.2025. For the control conducted by the NBRSM, a Minute of the conducted direct field control No. 17-6102/1 dated 19.02.2026 was submitted, received and registered in the Bank on 23.02.2026, with number 02-7888/1. In connection with the submitted Minutes by the Bank, an Objection was submitted, whereby with the submission of a response from the NBRSM to the Objection, the direct field control by the NBRSM was completed, and the Minutes became final.
- During 2025, questionnaires, letters, requests and other communication were submitted to the Bank by the NBRSM, to which the responsible organizational units submitted their responses in a timely manner.

INTRODUCTION (continued)

(g) Compliance with laws and regulations (continued)

As of the date of the separate financial statements, there is no non-compliance with the regulations prescribed by the NBRSM regarding solvency and capital adequacy, the Bank's exposure limits, the Bank's investments, the Bank's liquidity and the open foreign exchange position.

According to the capital calculation (form KS) as of December 31, 2025, the capital of the Subsidiary amounts to 414,009,027 denars, i.e. the Subsidiary has a surplus of funds in relation to the Guarantee Fund in the amount of 229,524,027 denars (December 31, 2024: surplus 230,609,567 denars).

According to the same form, the Subsidiary ascertains a surplus of Capital (for non-life insurance) in relation to the Required level of solvency margin (for non-life insurance companies) in the amount of 215,951,274 denars. Based on the form (VTR) Investments of funds covering technical reserves, a surplus of funds of the Subsidiary for covering technical reserves in the amount of 41,092,242 denars was recorded.

As of the date of the consolidated financial statements, there is no non-compliance with the regulations prescribed by the NBRSM regarding solvency and capital adequacy, the Bank's exposure limits, the Bank's investments, the Bank's liquidity and the open foreign exchange position.

(h) Risk Management Disclosures

The description, qualitative and quantitative information about individual risks are disclosed in detail in note 2. Risk management.

(i) Events after the Balance Sheet Date

Events after the balance sheet date are the events, favorable and unfavorable, that occur between the balance sheet date and the date the consolidated financial statements are authorized for issue. If there is evidence of conditions that existed at the balance sheet date, the Group corrects the consolidated financial statements. The Group does not adjust the consolidated financial statements for events after the balance sheet date, for which conditions occurred after the balance sheet date.

1. Classification of financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

	at fair value through profit or loss		**at fair value through other comprehensive income**			
In thousands of Denars	Held for trading	At fair value upon initial recognition	Debt instruments	Equity instruments	**At amortized cost value**	**Total**
2025 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	19.229.122	19.229.122
Held-for-trading assets	32.846	-	-	-	-	32.846
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	379.098	379.098
Loans and advances to other customers	-	-	-	-	87.431.460	87.431.460
Investments in securities	-	-	16.076.789	46.652	490.773	16.614.214
Other receivables	-	-	-	-	1.409.967	1.409.967
Total financial assets	**32.846**	**-**	**16.076.789**	**46.652**	**108.940.420**	**125.096.707**
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	6.540.883	6.540.883
Deposits from other customers	-	-	-	-	90.285.021	90.285.021
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	7.072.700	7.072.700
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	766.292	766.292
Total financial liabilities	**-**	**-**	**-**	**-**	**104.664.896**	**104.664.896**

	at fair value through profit or loss		**at fair value through other comprehensive income**			
In thousands of Denars	Held for trading	At fair value upon initial recognition	Debt instruments	Equity instruments	**At amortized cost value**	**Total**
2024 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	22.642.564	22.642.564
Held-for-trading assets	97.062	-	-	-	-	97.062
	-	-	-	-	-	-
Financial assets at fair value through profit and loss upon initial recognition						
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	340.505	340.505
Loans and advances to other customers	-	-	-	-	71.755.709	71.755.709
Investments in securities	-	-	14.172.369	47.245	376.099	14.595.713
Other receivables	-	-	-	-	1.350.760	1.350.760
Total financial assets	**97.062**	**-**	**14.172.369**	**47.245**	**96.465.636**	**110.782.312**
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	6.785.121	6.785.121
Deposits from other customers	-	-	-	-	81.304.364	81.304.364
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	4.246.870	4.246.870
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	772.664	772.664
Total financial liabilities	**-**	**-**	**-**	**-**	**93.109.018**	**93.109.018**

2. Risk Management

The Republic of North Macedonia is a small and open economy and, due to its high trade and financial openness, any change in the global economy – energy crisis, financial turbulence, geopolitical conflicts – quickly spills over into the domestic economy and financial sector.

Positive signals of slowing inflation have contributed to a gradual easing of monetary policy and a reduction in the reference interest rate. In 2025, the reference interest rate ranged between 5.35% and 4.00%, with a clear easing trend. The latest assessments of global economic growth are unchanged in terms of a moderate slowdown in growth in 2025 and 2026. Risks remain on the downside, again linked to uncertainty over future trade policies, which could further disrupt supply chains, raise prices and reduce long-term economic efficiency. In contrast, agreements to reduce tariffs, reduce inflationary pressures, potentially make firms more resilient to shocks and uncertainty, and the benefits of new productivity-enhancing technologies are seen as positive risks to growth.

According to the latest macroeconomic context, GDP growth in North Macedonia in 2025 is around 3.4–3.5%, and forecasts for 2026 are projected at around 4%. GDP growth is entirely driven by the positive contribution of domestic demand, which is mainly a result of the growth of gross investments, and to a lesser extent by the growth of personal and public consumption. Inflation in 2025 is higher than previous expectations and is around 3.9%, with projections that it will see a downward movement and a return to the historical average, i.e. it will be reduced to 2.5% in 2026.

Inflation in North Macedonia is largely due to the decline in world food and energy prices, as well as the effects of the previous tightening of monetary policy, which always appear with a time lag. The expected decrease in inflation is the result of a further decline in stock market prices of food and oil. However, risks to future inflation developments remain significant and are linked to global price developments, particularly in food and energy, geopolitical tensions and domestic aggregate demand. In other words, inflation is a combination of external factors (primary product prices and global crises) and internal factors (demand in the economy and the effects of monetary policy). Although there are expectations of a stabilization of inflation, uncertainty remains high and depends on global markets and domestic economic policies.

The bank is mainly exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risks

This Note presents information about the Bank's exposure to each of these risks, the objectives, policies and ways of measuring and managing the Bank's risks.

2. Risk Management (Continued)

Framework of Risk Management

The key objective of risk management in Halk Bank Skopje is comprehensive management, assessment and monitoring of risks within the Group. The Group is focused on development activities, knowledge and competencies in risk management and on the continuous upgrading of the culture of risk and awareness in the entire organization. In order to improve the comprehensive approach to risk management, a sustainable risk profile is defined, an appropriate organizational structure is established, while the work procedures, models and tools for risk management are constantly revised and upgraded. The Group continuously upgrades and modernizes procedures and processes for risk management, and at the same time conducts appropriate and regular risk training and education courses for employees from business and other organizational units.

In general, risk management in the Group includes the following activities:

- to regularly identify, assess and evaluate risks through a risk identification process;
- manages, monitors and controls the risks to which it is exposed;
- defines strategic orientations for risk management within the risk strategy and sets limits in the Group's risk appetite and includes them in ILAAP, ICAAP, Recovery Plan and Business Strategy;
- constantly develops and upgrades its risk management models and methodologies, including stress testing systems, backward stress testing and early warning systems;
- has an appropriate structure for decision-making, lines of defense and capabilities for the same;
- manages restructuring and workout activities in a professional, efficient manner to maximize value.

The risk appetite statement of Halk Bank Skopje is its umbrella strategic document. Risk appetite represents the aggregate level and types of risk that the Group, as a financial institution, is ready to undertake or avoid within its risk-taking capacity, in order to achieve the strategic goals defined in the Business Strategy.

Risk appetite is a main and important element of the strategic decision-making process within the Group. Therefore, the Risk Appetite is related to the other strategic documents of the Group such as the Risk Management Strategy, ICAAP, ILAAP, Recovery Plan, Capital Management Policy and the Group's Business Plan.

The risk appetite framework sets the Group's risk profile and is part of the process of implementing the strategy and determining the risks taken in relation to the total risk capacity. In this regard, the framework is fully linked to the business strategy and basis for risk management, finance and capital management, processes and internal policies in the Group.

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

2. Risk Management (Continued)

Risk Management Framework (continued)

Risk appetite is included in the ICAAP and ILAAP and their results are used in the setting, revision and monitoring of the Risk Appetite. The ICAAP and ILAAP framework are the main points for testing the limits related to capital requirements, liquidity and stress scenarios.

Furthermore, the medium-term operational, financial and capital plans of the Group are determined within the defined Risk Appetite Statement. However, the determination of available capital, capital structure and dividend rules in the Group are covered in the ICAAP and the Capital Management Policy, which are aligned with the Risk Appetite.

The recovery plan has been prepared in order to ensure the financial viability of the Group. For this purpose, the Recovery Plan defines several possible serious scenarios, indicators, procedures and recovery measures that ensure the Management Board to promptly anticipate threats to financial stability in the event of various types of problems and use the available recovery measures in order to restore the Group's financial stability.

The limits specified in the Risk Appetite are regularly presented in the detailed table to the relevant decision-making bodies of the Group. The risk appetite statement, together with the Risk Management Strategy and other relevant strategic documents of the Group are reviewed and approved by the Supervisory Board on an annual basis, as part of the regular revision of the risk management framework. The Supervisory Board has established a Credit Board and a Risk Management Board, which are responsible for developing and monitoring the Bank's risk management policies in their respective areas.

On the other hand, the Group's Audit Committee is responsible for monitoring compliance with risk management policies and procedures, for monitoring the adequacy of the risk management policy in relation to the risks faced by the Group. The audit committee is assisted in the performance of these functions by the internal audit. The Directorate for Internal Audit performs regular and periodic audits of controls and risk management procedures in accordance with the Annual Work Plan of the Directorate for Internal Audit, and these results are presented to the Audit Committee.

2. Risk Management (Continued)

2.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and banks, guarantees and letters of credit and investments in securities. In order to manage the risk, the Group considers and consolidates all elements considering the credit risk exposure (such as individual risk of default of borrower, country risk and sector risk).

Credit Risk Management

The Supervisory Board has delegated responsibility for the management of credit risk to its Credit Committee, which approves credit exposures to EUR 5.000.000 per client and his related parties, in accordance with the delegated decision-making powers up to the specified amount. The Credit Committee approves credit exposures over this amount and maximum to 10% of Bank’s own assets, only if that credit exposure is covered with a deposit. All credit exposures over delegated decision-making powers of the Bank’s Credit Committee, and up to 25% of Bank’s own assets that are not covered by deposit are approved by the Supervisory Board.

Beyond the delegated decision-making powers granted to the credit committees of the branches, credit exposures to legal entities and individuals are approved by the Sectoral Credit Committee up to EUR 750,000 for legal entities and EUR 200,000 for individuals, total credit exposure to the client and its related parties, and within the framework of the delegated decision-making powers in the specified amounts. The credit committees of the branches decide on credit exposures to legal entities and individuals within the framework of the delegated decision-making limit up to EUR 350,000 for legal entities and EUR 150,000 for individuals, total credit exposure to the client and its related parties, and within the framework of the delegated decision-making powers in the specified amounts.The Group’s credit risk control includes:

- *Formulating credit policies* including coverage requirements for collateral assess the creditworthiness of the applicant's credit risk grading and reporting, documentation and legal procedures, and compliance with legal requirements.
- *Reviewing and assessing credit risk*. Competent Divisions/Departments monitor credit exposures in relation of established limits, credit policies and procedures applied to lending.
- *Monitoring concentrations of exposure* geographically and by industries (for loans and advances), and by issuer, credit rating institutions, market liquidity and country (for investment).
- *Classification of the credit exposure of the Bank* by the degree of risk of financial loss faced and focusing on risk management. Classification system is used in the determination if impairment loss is required.
- *Monitoring of compliance* to set limits, including those for industries, country risk and product types. Regular reports on credit exposure, classification and impairment / allowance are submitted to the Risk Management Board and appropriate corrective action is taken.

Controls are performed by individual organizational units of the Bank, as Credit Department, branches of the Bank and the Directorate of Risk Management Department.

All organizational units of the Bank involve in the process of crediting and credit risk management are obliged to implement the Bank’s credit policies and procedures. They are responsible for the quality of the loan portfolio, as well as for monitoring and controlling all credit risks. The Internal Audit Department and Internal Control Department, during regular audits of the activities of branches, also control the credit operations.

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

2. 1 A Analysis of total exposure to credit risk

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents	
In thousands of Denars	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Exposure to Credit Risk, classified in Group 1										
Carrying amount before the allowance for impairment/special reserve	379.098	340.505	78.284.760	65.452.927	16.077.656	14.185.830	490.774	376.099	9.832.357	12.468.234
(Allowance for impairment/ special reserve)	-	-	(357.216)	(239.958)	(867)	(925)	-	-	(93)	(5.279)
Carrying amount, reduced by allowance for impairment and the special reserve	**379.098**	**340.505**	**77.927.544**	**65.212.969**	**16.076.789**	**14.184.905**	**490.774**	**376.099**	**9.832.264**	**12.462.955**
Exposure to Credit Risk, classified in Group 2										
Carrying amount before the allowance for impairment/special reserve	-	-	9.884.250	6.602.953	-	-	-	-	-	-
(Allowance for impairment/ special reserve)	-	-	(775.760)	(614.733)	-	-	-	-	-	-
Carrying amount, reduced by allowance for impairment and the special reserve	**-**	**-**	***9.108.490***	**5.988.220**	**-**	**-**	**-**	**-**	**-**	**-**
Exposure to Credit Risk, classified in Group 3										
Carrying amount before the allowance for impairment/special reserve	-	-	1.867.387	2.189.461	-	-	-	-	-	-
(Allowance for impairment/ special reserve)	-	-	(1.213.466)	(1.401.522)	-	-	-	-	-	-
Carrying amount, reduced by allowance for impairment and the special reserve	**-**	**-**	***653.921***	**787.939**	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-	-	-	-
Total carrying amount of the credit risk receivables before the allowance for impairment and special reserve	**379.098**	**340.505**	**90.036.397**	**74.245.341**	**16.077.656**	**14.185.830**	**490.774**	**376.099**	**9.832.357**	**12.468.234**
(Total allowance for impairment and special reserve)	**-**	**-**	**(2.346.442)**	**(2.256.213)**	**(867)**	**(925)**	**-**	**-**	**(93)**	**(5.279)**
Total Carrying amount of the credit risk receivables less the allowance for impairment and special reserve	**379.098**	**340.505**	**87.689.955**	**71.989.128**	**16.076.789**	**14.184.905**	**490.774**	**376.099**	**9.832.264**	**12.462.955**

	Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total	
In thousands of Denars	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Exposure to Credit Risk, classified in Group 1								
Carrying amount before the allowance for impairment/special reserve	20.801	16.758	857.552	916.484	19.501.106	17.958.021	125.444.104	111.714.858
(Allowance for impairment/ special reserve)	(324)	(251)	(368)	(335)	(56.368)	(34.496)	(415.236)	(281.244)
Carrying amount, reduced by allowance for impairment and the special reserve	**20.477**	**16.507**	**857.184**	**916.149**	**19.444.738**	**17.923.525**	**125.028.868**	**111.433.614**
Exposure to Credit Risk, classified in Group 2								
Carrying amount before the allowance for impairment/special reserve	9.481	7.292	22.102	16.378	259.296	243.438	10.175.129	6.870.061
(Allowance for impairment/ special reserve)	(1.729)	(1.331)	(13.367)	(12.430)	(21.539)	(18.729)	(812.395)	(647.223)
Carrying amount, reduced by allowance for impairment and the special reserve	***7.752***	**5.961**	**8.735**	**3.948**	**237.757**	**224.709**	**9.362.734**	**6.222.838**
Exposure to Credit Risk, classified in Group 3								
Carrying amount before the allowance for impairment/special reserve	27.798	29.644	202.112	198.184	106.751	97.325	2.204.048	2.514.614
(Allowance for impairment/ special reserve)	(27.038)	(28.996)	(129.142)	(121.084)	(54.117)	(73.936)	(1.423.763)	(1.625.538)
Carrying amount, reduced by allowance for impairment and the special reserve	***760***	**648**	**72.970**	**77.100**	**52.634**	**23.389**	**780.285**	**889.076**
	-	-	-	-	-	-	-	-
Total carrying amount of the credit risk receivables before the allowance for impairment and special reserve	**58.080**	**53.694**	**1.081.766**	**1.131.046**	**19.867.153**	**18.298.784**	**137.823.281**	**121.099.533**
(Total allowance for impairment and special reserve)	**(29.091)**	**(30.578)**	**(142.877)**	**(133.849)**	**(132.024)**	**(127.161)**	**(2.651.394)**	**(2.554.005)**
Total Carrying amount of the credit risk receivables less the allowance for impairment and special reserve	**28.989**	**23.116**	**938.889**	**997.197**	**19.735.129**	**18.171.623**	**135.171.887**	**118.545.528**

Restructured Loans

As of December 31, 2025, the Group has restructured loans included in loans and advances to customers with a total net booked value of MKD 510.793 thousand (on December 31, 2024: MKD 316.701 thousand).

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Credit Exposure for which the Bank Determines Expected Credit Loss

In accordance with the provisions of the Decision on the Methodology for Credit Risk Management by the National Bank of the Republic of North Macedonia ("Official Gazette of the Republic of North Macedonia" no. 27/24), the Bank determines the expected credit loss for credit exposure on a monthly basis.

Credit risk exposure is classified from category A to D, depending on criteria such as assessment of creditworthiness and regularity in fulfilling obligations to the Group.

Credit Exposure for which the Group Does Not Determine Expected Credit Loss

The Group does not determine expected credit loss for receivables that are:

- Secured by a cash deposit in an amount exceeding 99.90% of the exposure, provided that the deposit is activated within 90 days of the due date of the credit exposure;

- Assigned with a 0% risk weight according to the Methodology for Determining Capital Adequacy.

Impairment/Specific Provision

The Group determines the expected credit loss on an individual basis as the difference between the carrying amount of the credit exposure and the present value of expected cash flows from that credit exposure.

Expected credit loss on a group basis is determined for separate credit portfolios (segments) as the product of the probability of default, the loss given default, and the amount of the credit exposure.

According to NBRNM regulations and internal acts, the Group may take into account the value of collateral when determining the present value of expected cash inflows for the client, provided that the client's credit exposures are non-performing and the Group expects to recover the exposures through the activation of collateral.

Impairments for financial reporting purposes are recognized only for losses that were realized as of the balance sheet date based on objective evidence of impairment. Table 2.1 A shows the Group's total credit risk exposure, by credit risk stages.

Determination of Objective Evidence of Impairment is Based on the Following Criteria Prescribed by the Group:

- Failure to make contractual payments of principal or interest;
- Deterioration in economic performance;
- Initiation of bankruptcy proceedings;
- Breach of contractual terms and conditions;
- Specific information about the client's business indicating cash flow difficulties;
- Deterioration in the debtor's competitive position;
- Decline in the value of collateral;
- The general economic situation.

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

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

According to the internal classification of exposure to credit risk, which is in accordance with the Decision on credit risk management of NBRNM, the Group classifies credit exposures as follows:

Regulatory framework (according to the Decision for credit risk)	Internal procedure	GROUP
- The credit exposure to a client whose financial condition and cash flows enable smooth operations and the ability to meet current and future obligations to the bank; - The credit exposure for which it has not been determined that there has been an increase in credit risk; - The credit exposure whose obligations, as of the classification date, are being repaid in accordance with the contractual terms, i.e., the current days of delay do not exceed 31 days, or, by exception, if the total amount unpaid for more than 31 days is less than MKD 1,000 and the delay does not exceed 60 days. - The credit exposure whose obligations during the previous six-month period were repaid in accordance with the contractual terms, with a delay not exceeding 31 days or, by exception, up to 60 days, provided that the delay occurred no more than twice within the 32 to 60-day interval.	Credit exposures whose obligations, as of the classification date, are being repaid with a delay of no more than 31 days, or, by exception, exceed 31 days, provided that the total unpaid amount for more than 31 days is less than MKD 1,000 and the delay does not exceed 60 days; Credit exposures which, during the previous six-month period, were repaid with delays not exceeding 31 days, or by exception, up to 60 days, provided that such delays occurred no more than twice within the 32 to 60-day interval;.	**Group 1**
- A credit exposure that is in the last year of the probation period, or a restructured credit exposure that has not been classified as a non-performing restructured credit exposure for at least 24 months, is classified into category A of risk.	- A credit exposure that is in the last year of the probation period, or a restructured credit exposure that has not been treated as a non-performing restructured credit exposure for at least 24 months, is classified into category A of risk.	**Group 1**
- the creditworthiness of the client assessed by applying an internal risk category, if the bank has developed internal risk categories	into account are taken ratings for following segments: - legal entities (rating from CORP 1 to CORP 6) - Individuals with revolving products (ROT) and other credit products (NROT) (ratings from ROT 1 to ROT 11 and NROT 1 to NROT 11)	**Group 1**
- credit exposure to a client/project that has financial weaknesses, but whose financial condition allows for its smooth operation; - credit exposure to a client/project whose cash inflows are inadequate for regular settlement of obligations; - credit exposure to a client/project with an inappropriate maturity structure of its funding sources and its inflows; - credit exposure to a client/project whose debt is high compared to its capital and/or, a client who has significant debt to creditors	- newly approved exposures, based on project financing, are assessed in accordance with point 7 of the Decision on credit risk of the NBRSM and in accordance with the internal acts. Credit exposures that, according to the performed PDR analysis, have a rating of CC and lower, are treated as candidates with increased credit risk upon approval and if increased credit risk is determined, they will be classified at least in the B risk category. - credit exposures approved with a low equity participation of less than 15%, in project financing, until the start of generating income from the projects themselves, are classified at least in the B risk category; - credit exposures approved on the basis of project financing, where, based on an analysis performed in accordance with item 7 of the regulation, the Bank has determined a deviation from the initially projected indicators and deadlines for project completion and, accordingly, an increased credit risk has been determined, are classified at least in risk category B; - non-financial legal entities and individuals who, according to the classification calculated by the Early Warning System, belong to a list of clients for monitoring;	**Group 2**

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

	- WL2, are classified at least in risk category B; - non-financial legal entities and individuals who, according to the classification calculated by the Early Warning System, belong to the Intensive Care Client List – ICL, are classified at least in risk category B.	

Regulatory framework (according to the Decision for credit risk)	**Internal procedure**	**GROUP**
- the credit exposure whose obligations are performed with a delay of up to 60 days, or with the exception of up to 90 days, if the delay is at most twice in the interval from 61 to 90 days in the previous period of six months - the credit exposure whose obligations are performed with a delay of up to 120 days, or with an exception up to 180 days, if 8 the delay is at most twice in the interval from 121 to 180 days in the previous period of six months	- If the days of delay, on the reporting date, do not exceed 60 days and those that in the previous period of six months are executed with a delay that does not exceed 60 days or with an exception up to 90 days, if the delay is at most twice in the interval from 61 to 90 days are classified in B risk category; - If the exposure is on regular accounts and they have current days of delay in the range of 61 to 120 days in the previous period of six months, they are executed with a delay that does not exceed 120 days or, with an exception, up to 180 days, if the delay is at most twice in the interval of 121 to 180 days are classified in the C risk category	**Group 2**
- the credit exposure that has the treatment of restructured credit exposure; - the credit exposure that has not been treated as a restructured non-functional credit exposure for at least one year.	- restructured receivables that do not meet the conditions of the Credit Risk Decision of NBRNM for exclusion from the category of restructured credit exposures are taken into account	**Group 2**
- the customer's creditworthiness assessed using an internal risk category, if the bank has developed internal risk categories	the ratings determined for the following segments are taken into account: - legal entities (ratings CORP 7 and CORP 8) - natural persons with revolving products (ROT) and other credit products (NROT) (ratings from ROT 12 to ROT 16 and NROT 12 to NROT13) are classified at least in B risk category	**Group 2**
- the credit exposure whose obligations are performed with a delay of 90 to 240 days, or with the exception of up to 300 days, if the delay is at most twice in the interval from 241 to 300 days in the previous period of six months; - the credit exposure whose obligations are performed with a delay of more than 241 days, i.e. more than 600 days for the credit exposure from point 23 of this decision	the current and historical days of delay on the reporting date are taken into account, - which have current days of delay in the range of 91 to 120 days and which in the previous period of six months are executed with a delay that does not exceed 120 days or with an exception up to 180 days, if the delay is at most twice in the interval from 121 to 180 days , are classified in the C risk category; - which have current days of delay in the range of 121 to 240 days and which in the previous period of six months were executed with a delay that does not exceed 240 days or with an exception up to 300 days, if the delay is at most twice in the interval from 241 to 300 days , are classified in G risk category; - which have current days of delay over 240 days are classified in risk category D	**Group 3**
- the credit exposure to a client who is insolvent	- non-financial legal entities and natural persons who, according to the classification calculated by the Early Warning System, belong to a list of clients for whom there is no possibility of collection - Unlikely to Pay (UTP)	**Group 3**
- restructured non-performing credit exposure for which the client is overdue for more than 60 days or for which a new restructuring has been approved	- restructured non-performing claims are classified at least in G risk category	**Group 3**
- the credit exposure to a client over whom bankruptcy proceedings have been initiated, except in the case where a reorganization plan has been adopted for the client in accordance with the law	- to clients against whom bankruptcy proceedings have been initiated, they are classified in the D risk category	**Group 3**

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

The percentage of expected credit loss for credit exposures to which a 12-month probability of default rate is applied (Group 1) cannot be lower than 0.01% of the credit exposure, while for credit exposures to which a probability of default rate is applied non-payment for the entire lifetime (Group 2 and 3), the correction of the value, that is, the set aside special reserve cannot be lower than 5.1% of the amount of the credit exposure.

The rate of probability of non-payment (PD) for non-performing credit exposures is 100%, while the rate of loss due to non-payment (LGD) should be at least 30%.

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

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

For regulatory and reporting needs, the Bank, based on the determined expected credit loss, distributes the portfolio exposures in risk categories, whereas the amount of credit loss for each risk category is within the following limits (according to the current regulations) i.e.:

- from 0,01% to 5% for risk category “A “;
- over 5% to 20% for risk category “B“;
- over 20% to 45% for risk category “V“;
- over 45% to 70% for risk category “G“;
- over 70% to 100% for risk category “D“

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

The subsidiary classifies its receivables based on insurance premiums, as well as receivables based on recourse, depending on the delay in fulfilling obligations by the debtor, calculated from the due date of the receivable, and other receivables. Based on this classification, the subsidiary determines the appropriate value adjustment – Special reserve for receivables in the following manner:

Collection group	**Period of delay in the payment of the obligation by the debtor**	**Adjustment for value (as a % of the total value of the individual claim)**
A	Up to 30 days	0%
B	From 31 to 60 days	10% - 30%
V	From 61 to 120 days	31% - 50%
G	From 121 to 270 days	51% - 70%
D	From 271 to 365 days	71% - 90%
G	Over 365 days	100%

Write-Off Policy

The Group writes off a loan / security (and any related allowances for impairment) when the Supervisory Board determines that the loans / securities are uncollectible. The decision is made after considering information such as the occurrence of significant changes in the financial position of the borrower / issuer of the securities, that the borrower / issuer is unable to meet its obligations, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The Group also writes off a loan / security balance (and any related allowance) on the basis of a court decision that all possibilities of recovering the receivable are exhausted.

According to the amendments of the Decision on Credit Risk Management, starting from 2019, the Bank performs a complete write-off of the credit exposure if one year has passed since the date when the Group was obliged to make correction of value, that is, to set aside a special reserve of 100%.

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Collateral for Credit Exposures

The Group has security for loans and advances to customers in the form of mortgage, pledge of movable object, pledge of securities, cash deposit, pledge of shares, guarantees, administrative prohibitions and consents, other registered pledges and guarantees. The fair value estimate is based on the value of the collateral at the time of borrowing. For pledged movable and immovable property for credit exposures, monitoring is done at least once a year and includes: an assessment by an authorized appraiser and an insurance policy bound in favor of the bank. In general, the Group does not take security for placements in banks. The Group does not take collateral for the securities and has no such collateral as of December 31, 2025 (2024: none).
Overdrafts and credit cards issued to individuals and legal entities are usually secured by promissory notes, that is, security provided for in the approved credit limit of the legal entity, which cover the entire amount of credit exposure. Furthermore, in order to reduce the potential loss from exposure to credit risk, the Bank will be provided with additional security from the borrowers at the moment when early warning indicators for potential damage are observed in the relevant individual loans and invested assets.

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Collateral for Credit Exposures (Continued)

Guarantees and letters of credit carry the same credit risk as loans and are secured by the same type of collateral as other credit risk exposures. Concentration by location for loans and advances is measured by the location of the borrower. Concentration by investment location is measured by the location of the issuer of the securities.

2.1 B Collateral value (fair value) for credit risk hedging

Estimates of fair value of collateral and other increases of collateral, taken as security for the financial assets, is shown in the following table:

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off-balance sheet exposures		Total	
In thousands of Denars	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Value of collateral for credit exposures which are assessed for impairment on an individual basis																
First class security instruments																
cash deposits (the depot and / or limited to bank accounts)	-	-	2.035.763	1.841.625	-	-	-	-	-	-	319	263	139.296	208.525	2.175.378	2.050.413
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unconditional state guarantee	-	-	3.950.000	1.250.000	-	-	-	-	-	-	-	-	-	-	3.950.000	1.250.000
bank guarantees	-	-	2.267.013	2.825.858	-	-	-	-	-	-	112	32	2.369.664	2.755.214	4.636.789	5.581.104
Guarantees of insurance companies and insurance policies	-	-	10.413.527	9.763.110	-	-	-	-	-	-	4.282	3.325	140	40	10.417.948	9.766.475
Corporate guarantees (except banking and insurance companies)	-	-	3.736.436	3.382.225	-	-	-	-	-	-	-	-	54.000	-	3.790.436	3.382.225
Guarantees of individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Private property (apartments, houses)	-	-	55.947.995	50.628.730	-	-	-	-	-	-	850.107	117.868	2.304.708	2.042.201	59.102.811	52.788.799
Business premises	-	-	44.872.978	42.792.940	-	-	-	-	-	-	246.146	6.152	6.661.264	6.173.129	51.780.388	48.972.221
Pledge of movables	-	-	7.980.264	7.431.095	-	-	-	-	-	-	62.762	1.053	722.239	413.408	8.765.265	7.845.556
Other types of collateral	-	-	6.927.988	8.058.168	-	-	-	-	-	-	246	57	2.459.580	2.271.502	9.387.814	10.329.727
Total value of collateral for credit exposures which are assessed for impairment on an individual basis	**-**	**-**	**138.131.965**	**127.973.751**	**-**	**-**	**-**	**-**	**-**	**-**	**1.163.974**	**128.750**	**14.710.891**	**13.864.019**	***154.006.829***	**141.966.520**

Collateral value (fair value) presented in note 2.1.B is determined by local certified appraisers and presents real value for the legal owners of the collateral.

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

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

C Concentration of credit risk by sector and activity

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total	
In thousands of Denars	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Non-residents	-	-	2.146.273	44.882	865.884	909.482	-	-	-	-	29	443	-	-	1,900,355	2.845.224	4.912.541	3.800.031
Agriculture, Forestry and Fisheries	-	-	1.288.935	1.139.297	-	-	-	-	-	-	158	95	-	-	95,861	34.264	1.384.954	1.173.656
Mining and quarrying	-	-	61.579	25.022	-	-	-	-	-	-	45	21	-	-	15,873	4.709	77.497	29.752
Food industry	-	-	2.014.787	1.466.251	-	-	-	-	-	-	447	116	-	22	84,251	64.632	2.099.485	1.531.021
Textile Industry and production of clothing and footwear	-	-	383.959	351.432	-	-	-	-	-	-	182	89	-	5	61,686	46.774	445.827	398.300
Chemical industry, production of building materials, production and processing of fuels, pharmaceutical industry	-	-	485.778	460.371	-	-	-	-	-	-	165	382	-	1	205,771	187.632	691.714	648.386
Production of metals, machinery, tools and equipment	-	-	1.163.063	976.475	-	-	-	-	-	-	302	105	1	-	209,254	306.238	1.372.620	1.282.818
Other Manufacturing	-	-	1.421.191	1.140.375	-	-	-	-	-	-	165	132	63	65	236,284	376.277	1.657.703	1.516.849
Electricity, gas, steam and air conditioning	-	-	12.396.860	9.719.860	-	-	-	-	-	-	127	125	19	11	1,544,806	730.392	13.941.812	10.450.388
Water supply, sewage disposal, waste management and remediation activities on the environment	-	-	34.994	22.962	-	-	-	-	-	-	1,250	1.241	26	39	5,467	7.969	41.737	32.211
Civil Engineering	-	-	7.440.367	6.733.032	-	-	-	-	-	-	2,351	1.340	68	28.471	5,367,208	4.571.126	12.809.994	11.333.969
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	10.826.733	9.203.678	-	-	-	-	-	-	2,717	2.038	2,715	415	3,931,052	2.848.003	14.763.217	12.054.134
Transport and storage	-	-	3.292.863	3.261.094	-	-	-	-	-	-	715	532	76	213	1,104,547	1.053.916	4.398.201	4.315.755
Accommodation and food service activities	-	-	2.307.867	1.779.894	-	-	-	-	-	-	625	550	457	436	54,199	32.514	2.363.148	1.813.394

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

C Concentration of credit risk by sector and activity (Continued)

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total	
In thousands of Denars	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Information and Communications	-	-	262.982	266.130	-	-	-	-	-	-	193	146	70	381	63.572	14.359	326.817	281.016
Financial and insurance activities	379.098	340.505	159.728	3.113	-	12.537	-	-	9.832.264	12.462.955	436	379	923.941	951.075	2.309.688	2.624.133	13.605.155	16.394.697
Activities related to real estate	-	-	3.989.978	2.951.440	-	-	-	-	-	-	68	40	9	35	7.414	46.272	3.997.469	2.997.787
Professional, scientific and technical activities	-	-	512.417	383.684	-	-	-	-	-	-	305	237	4	325	257.386	222.314	770.112	606.560
Administrative and support service activities	-	-	681.483	528.362	-	-	-	-	-	-	786	340	6.796	3.933	411.926	383.962	1.100.991	916.597
Public administration and defense; compulsory social insurance	-	-	-	-	15.210.905	13.262.886	490.774	376.099	-	-	2	-	9	9	-	-	15.701.690	13.638.994
Education	-	-	474.284	562.332	-	-	-	-	-	-	27	38	-	-	175.543	165.126	649.854	727.496
Activities of health and social care	-	-	683.847	490.495	-	-	-	-	-	-	84	61	8	-	22.791	22.535	706.730	513.091
Arts, entertainment and recreation	-	-	52.975	16.980	-	-	-	-	-	-	326	190	6	1	1.443	10.859	54.750	28.030
Other service activities	-	-	210.387	10.191	-	-	-	-	-	-	397	248	3.003	303	2.723	1.801	216.510	12.543
Activities of households as employers; household activities that produce different goods and perform various services for own needs	-	-	-				-	-	-	-	-		-		-		-	-
Activities of extra-territorial organizations and bodies	-	-	-				-	-	-	-	-		-		-		-	-
Individuals	-	-	35.255.395	30.350.225	-	-	-	-	-	-	16.665	13.856	1.124	1.352	1.661.467	1.565.406	36.934.651	31.930.839
Sole proprietors and individuals who are not considered dealers	-	-	141.230	101.551	-	-	-	-	-	-	422	372	494	10.105	4.562	5.186	146.708	117.214
Total	**379.098**	**340.505**	**87.689.955**	**71.989.128**	**16.076.789**	**14.184.905**	**490,774**	**376.099**	**9.832.264**	**12.462.955**	**28.989**	**23.116**	**938.889**	**997.197**	**19.735.129**	**18.171.623**	**135.171.887**	**118.545.528**

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

D Concentration of credit risk by geographical location

In thousands of Denars	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Receivables for fees and commissions		Other receivables		Off-balance sheet exposures		Total	
	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Geographical location																		
Republic of North Macedonia	379.098	340.505	85.450.478	71.871.744	15.210.905	13.275.423	490.774	376.099	9.068.748	9.887.478	28.798	22.580	443.153	526.811	15.585.963	12.766.839	126,657,917	109,067,617
European Union countries	-	-	153.517	5.075	-	-	-	-	692.207	1.884.475	35	6	166.706	166.537	31.331	6.318	1.043.796	2.062.411
Europe (rest)	-	-	2.082.347	98.831	865.884	909.482	-	-	71.309	690.864	155	530	329.030	303.849	2.843.138	4.277.480	6.191.863	6.281.036
Member countries of the OECD (excluding European members of the OECD)	-	-	3.364	-	-	-	-	-	-	-	-		-		-	-	3.364	-
Other (specify separately the exposure that is more than 10% of total credit exposure)	-	-	249	13.478	-	-	-	-	-	-	1	-	-	-	1.274.697	1.120.986	1.274.947	1.134.464
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**379.098**	**340.505**	**87.689.955**	**71.989.128**	**16.076.789**	**14.184.905**	**490.774**	**376.099**	**9.832.264**	**12.462.955**	**28.989**	**23.116**	**938.889**	**997.197**	**19.735.129**	**18.171.623**	**135.171.887**	**118.545.528**

2. Risk Management (Continued)
2.1 Credit Risk (Continued)
D Analysis of the credit risk of assets that are measured at fair value through the income statement

	Trading assets				Financial assets at fair value designated as such at initial recognition, through profit and loss statement									
	Debt securities for trading		Equity securities for trading		Debt securities		Equity securities		Loans and advances to banks		Loans and advances to other customers		Total	
In thousands of Denars	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Carrying amount of financial assets measured at fair value														
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carrying amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2. Risk Management (Continued)

2.2 Liquidity risk

Liquidity risk is the risk that the Group cannot provide sufficient funds to cover its short-term obligations when they come due, or to cover them with much higher costs.

Liquidity risk can appear on the side of funding sources (funding risk) and on the side of liquid assets (market liquidity risk). Funding risk represents the risk that the Group will not be able to meet the demands of depositors for the outflow of deposits, whereby it is forced to provide the necessary funds at higher costs. Therefore, monitoring the funding sources is very important for the Group. The most significant source of funding for the Group is the deposit base of customers; additionally, the Bank can provide liquidity on the interbank market or directly from the NBRNM. The market liquidity risk is related to the market value of the items that are part of the Bank's liquid assets. This risk occurs in conditions of a significant decrease in the market value of a certain financial instrument, whereby the Bank will not have enough liquid assets to meet its liquidity needs.

Management of Liquidity Risk

The Group strives to maintain an adequate liquidity position, that is, to maintain an adequate level of liquid assets and stable funding sources at all times, in order to support the Group's business strategy and activities.

Department for asset management, liquidity and trading, monitors liquidity on a daily basis based on information from the relevant departments regarding the liquidity profile of their financial assets and liabilities and details of projected cash flows arising from the planned activities. Department for asset management, liquidity and trading maintains a portfolio of short-term liquid assets, mainly made up of short-term marketable securities, in order to ensure an adequate level of liquidity to the Group.

All policies and procedures for liquidity risk are subject to review and approval by the Risk Management Board and Supervisory Board. Liquidity Reports show the Bank's liquidity position on a daily basis and are submitted to the NBRNM on a monthly basis.

Exposure to Liquidity Risk

The Group has access to diverse funding sources. Funds are raised through a wide range of instruments including deposits, credit lines and equity. This enhances funding flexibility, limits dependence on any one source of funding and reduces costs. The Group strives to maintain adequate funding sources that are diversified according to product, counterparty and maturity and have high stability. In this regard, the main source of funding for the Bank is the deposits of customers, which represent one of the most stable sources of funding. The Group continuously assesses the liquidity risk by identifying and monitoring the changes in funding that are needed to meet the operational goals set in the Group's strategy.

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

2. Risk Management (Continued)

2.2 Liquidity risk (Continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

In thousands of Denars	Up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
2025 (Current year)							
Financial Assets							
Cash and cash equivalents	12.682.820		-	6.546.394	-	-	19.229.214
Trading assets	32.846	-	-	-	-	-	32.846
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	-		230.353	148.745		-	379.098
Loans and advances to customers	1.450.863	3.155.819	17.741.378	12.978.591	24.087.035	30.590.661	90.004.347
Investments in securities	533.524	298.783	3.006.682	1.934.439	2.858.020	7.971.690	16.603.138
Investments in associates	-	-	-	-	-	0	0
Receivables for income tax (current)		-	-	-	-	-	
Other receivables	1.829.323	-	-	-	-	-	1.829.323
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	2.115	-	-	-	-	-	2.115
Total financial assets	***16.531.491***	***3.454.602***	***20.978.413***	***21.608.169***	***26.945.055***	***38.562.351***	***128.080.081***
Financial Liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	4.387.769	2.152.504	610	-	-	-	6.540.883
Deposits from customers	49.768.456	5.108.666	24.429.392	7.926.188	2.341.204	711.110	90.285.016
Debt Securities issued	-	-	-	-	-	-	-
Borrowings	142.424	731	1.681.946	1.075.044	2.132.873	2.047.535	7.080.553
Subordinated liabilities	-	-	-	-	-	-	-
Income tax liability (current)	239.656	-	-	-	-	-	239.656
Deferred tax liabilities	51.576	-	-	-	-	-	51.576
Other liabilities	934.406	15.690	66.809	82.775	198.277	172.331	1.470.288
Total financial liabilities	***55.524.287***	***7.277.591***	***26.178.757***	***9.084.007***	***4.672.354***	***2.930.976***	***105.667.972***
Off balance sheet items							
Off balance sheet assets	1.557.630	507.721	2.878.680	409.786	2.135.016	305.507	7.794.340
Off balance sheet liabilities	1.941.461	2.032.439	7.831.153	3.775.231	5.620.900	94.273	21.295.457
Liquidity gap	***(39.376.627)***	***(5.347.707)***	***(10.152.817)***	***9.158.717***	***18.786.817***	***35.842.609***	***8.910.992***

2. Risk Management (Continued)

2.2 Liquidity Risk (Continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (Continued)

In thousands of Denars	*Financial Assets*	*Financial Assets*	*Financial Assets*	*Financial Assets*	*Financial Assets*	*Financial Assets*	Total
2024 (Previous year)							
Financial Assets							
Cash and cash equivalents	16.330.816	1.359.470	-	4.957.558	-	-	22.647.844
Trading assets	97.062	-	-	-	-	-	97.062
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	-	30.072	6.084	224.223	80.126	-	340.505
Loans and advances to customers	1.340.231	2.893.778	14.638.809	10.633.125	18.499.577	26.272.961	74.278.481
Investments in securities	1.297.736	869.610	1.141.916	981.557	4.400.947	5.892.335	14.584.101
Investments in associates	-	-	-	-	-	-	-
Receivables for income tax (current)	1.464	-	-	-	-	-	1.464
Other receivables	1.737.126	-	-	-	-	-	1.737.126
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	***20.804.435***	***5.152.930***	***15.786.809***	***16.796.463***	***22.980.650***	***32.165.296***	***113.686.583***
Financial Liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	6.784.511	-	610	-	-	-	6.785.121
Deposits from customers	45.459.986	2.975.244	18.909.378	8.947.441	3.530.247	1.482.067	81.304.363
Debt Securities issued	-	-	-	-	-	-	-
Borrowings	141.074	786	598.106	783.950	1.936.176	787.977	4.248.069
Subordinated liabilities	-	-	-	-	-	-	-
Income tax liability (current)	90.688	-	-	-	-	-	90.688
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	865.700	129	196	401	841	77	867.346
Total financial liabilities	***53.341.960***	***2.976.159***	***19.508.290***	***9.731.792***	***5.467.264***	***2.270.121***	***93.295.587***
Off balance sheet items							
Off balance sheet assets	1.139.012	671.207	3.446.579	284.832	2.329.948	397.750	8.269.328
Off balance sheet liabilities	1.187.708	3.162.871	6.970.416	3.040.770	4.621.572	408.868	19.392.205
Liquidity gap	***(32.586.222)***	***(314.893)***	***(7.245.318)***	***4.308.733***	***15.221.762***	***29.884.057***	***9.268.119***

2. Risk Management (Continued)

2.2 Liquidity risk

Liquidity risk measurement in the Bank is carried out at two levels:

- static aspect, i.e., the current exposure, which includes the calculation of internal liquidity indicators, the maturity structure of assets (receivables) and liabilities (liabilities), the movement and stability of sources of funds and their concentration and other legally prescribed methods for monitoring exposure to liquidity risk
- forward looking aspect, i.e., stress testing the Bank's exposure to liquidity risk.

The overall assessment of the Bank's liquidity position is carried out within the framework of the PIL process. The purpose of the PIL is to reflect the liquidity risk profile of the Group, by using different approaches to monitor and manage this risk and to inform the Bank's Management Board of the estimated current and potential risks to which the Bank is exposed or may be exposed.

In addition, for the needs of operational operations, the Bank implements planning of liquidity needs on a daily basis, the fulfillment of the legal obligation for the mandatory reserve in denars and foreign currencies, the analysis of denar and foreign currency operational liquidity, own funds and the capital adequacy rate. The Bank's management monitors the current accounts and deposits on a daily basis. The management, based on its experience, determines the critical days that affect the Bank's liquidity, that is, the significant dates that affect the outflow of funds. Based on the identification of the available funds and the determined, daily needs of money, a decision is made on the appropriate use of the funds.

The Group manages liquidity risk by constantly monitoring the maturity of assets and liabilities.

The analysis according to the maturity of financial assets and liabilities, including balance sheet and off-balance sheet on December 31, 2025, is made according to the remaining contractual maturities, i.e., the remaining period from the reporting date to the contractual maturity date. The amounts presented in the analysis are not reduced by the amounts of accumulated depreciation, value correction and the allocated special reserve. There are indications of non-compliance for the period up to 12 months to 31 December 2025. The main reason for the aforementioned inconsistency lies in the fact that short-term sources of funds are engaged for the approval of loans with a longer maturity period, characteristic of the banking sector. For the needs of liquidity risk management, the Group also prepares an expected term structure in which the element of prediction is incorporated, and it indicates a stable liquidity position.

The table shows the undiscounted gross cash flows of the financial assets and liabilities and unrecognized lending liabilities of the Group based on their earliest contractual maturity. The amounts shown in the analyzes are not reduced by the amounts of accumulated depreciation, value correction and the allocated special reserve. The cash flows that the Group expects to occur differ from those agreed upon. For example, demand deposits are expected to remain stable and not be withdrawn within a month.

2. Risk Management (Continued)

2.3 Market Risk

Market risk means the risk of loss as a result of a change in the price of financial instruments and commodities for trading. Market risk is the risk arising from changes in market prices, such as changes in interest rates, changes in the cost of capital, exchange rates and credit margins (which do not refer to changes in the creditworthiness of the debtor / issuer of securities) and their impact on the Banks income or the value of the financial instruments owned. The objective of market risk management is to manage and control exposure to market risk within acceptable parameters, while optimizing the return.

Market Risks Management

Exposure to Interest Rate Risk - Portfolio Not Held for Trading

The risk of changes in interest rates in the portfolio of banking activities means the risk of loss arising from unfavorable changes in interest rates that affect the positions in the portfolio of banking activities of the Group. The Group is exposed to interest rate volatility risk as a result of interest-bearing assets and interest-bearing liabilities maturing or their interest rate changing in different periods or in different amounts.

In the case of assets and liabilities with variable interest rates, the Group is also exposed to the basis risk, which results from the different period of changing the variable interest rates of the assets and liabilities, such as for example EURIBOR, LIBOR and various interest rates.

Activities of risk management are aimed at optimizing net interest income, with market interest rates consistent with the Group's business strategies and market trends.

Activities of management assets and liabilities are carried in terms of the Group’s sensitivity to changes in the interest rates. Overall, the Group monitors changes in interest rates of assets and liabilities by generated interest margins, as well as market trends and environment.

The Group further analyzes the sensitivity of financial assets and liabilities to various stress scenarios of change in interest rates.

2. Risk Management (Continued)

2.3 Market Risk (Continued)

The sensitivity analysis of the Bank of increase or decrease in market interest rates (taking into account the symmetrical movements of the yield curve and the consistency of the items in the balance sheet) is as follows:

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Changes in Market Risk
A Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities

	Profit / Loss	Own assets	Risk-weighted assets	Capital adequacy rate
	In thousands of Denars	*In thousands of Denars*	*In thousands of Denars*	*in %*
2025 (Current year)				
Amount before analysis of sensitivity / stress tests (as of December 31.2024)	2.161.628	20.235.387	104.212.535	19.42%
Effects of application of scenarios				
Risk of changes in exchange rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Devaluation of the Denar against other currencies 20%	227.571	20.462.958	113.155.242	18.08%%
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(168.065)	20.294.893	112.987.177	17.96%%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(7.904.916)	12.558.042	105.250.326	11.93%%
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(168.065)	20.067.322	104.044.470	19.29%%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(7.904.916)	12.330.471	96.307.619	12.80%%
Impact of sectoral shocks on non-performing loans (deterioration of the portfolio in certain sectors)	(1.342.390)	18.892.997	102.870.145	18.37%%
Deterioration of the credit exposure of the five major borrowers, non-financial legal entities	(4.693.748)	15.541.639	99.518.787	15.62%%
Deterioration of receivables from borrowers, non-financial legal entities, CCC rating	(2.471.031)	17.764.356	101.741.504	17.46%%
Uncollectible receivables from borrowers which are secured by corporative guarantees	(2.846.070)	17.389.317	101.366.465	17.15%%
Deterioration of the DTI indicator in the population segment, depending on the change in macroeconomic factors (change in GDP, inflation, unemployment rate, rate of change in available income)	(1.152.654)	19.082.733	103.059.881	18.52%%
Deterioration of the DTI indicator in the population segment by 15%	(274.880)	19.960.507	103.937.655	19.20%%
Deterioration of the DTI indicator in the population segment by 30%	(653.487)	19.581.900	103.559.048	18.91%%
Deterioration of the DTI indicator in the population segment by 50%	(1.796.079)	18.439.308	102.416.456	18.00%%
Deterioration of a country's exposures to risk to non-financial legal and natural persons for a single risk category	(170.307)	20.065.080	104.042.228	19.29%%
Transition to non-performing status of 30% of the country's exposure to risk to non-financial legal and natural persons	(330.417)	19.904.970	103.882.118	19.16%%
Exposure to country risk in a G risk category country (highest exposure to a single country)	(2.211.063)	18.024.324	102.001.472	17.67%%
Transition to a non-performing status of a country's risk exposure for the appropriate transition rate to non-performing status after a downgrade of the country's credit rating by S&P by two categories	(361.850)	19.873.537	103.850.685	19.14%%
Risk of changes in interest rates (specify separately the different scenarios, including the main characteristics of the scenario)				
Changes in interest rates by 300 basis points	83,120	20.318.507	104.212.535	19.50%
Changes in interest rates by 200 basis points	55,535	20.290.922	104.212.535	19.47%
Changes in interest rates by 100 basis points	27,950	20.263.337	104.212.535	19.44%
Reduction of variable interest rates in assets and liability:				
Changes in interest rates by 100 basis points	(26,984)	20.208.404	104.212.535	19.39%
Changes in interest rates by 200 basis points	(55,078)	20.180.309	104.212.535	19.36%
Changes in interest rates by 300 basis points	(82,881)	20.152.506	104.212.535	19.34%
Risk of changing the market price in investments in ownership securities (specify separately the different scenarios, including the basic characteristics of the scenario)				
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				

2. Risk Management (Continued)

2.3 Market Risk (Continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Changes in Market Risk (Continued)
A Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (Continued)

	Profit / Loss	Own assets	Risk-weighted assets	Capital adequacy rate
	In thousands of Denars	*In thousands of Denars*	*In thousands of Denars*	*in %*
2024 (Current year)				
Amount before analysis of sensitivity / stress tests (as of December 31.2024)	1.854.461	17.895.019	94.493.685	18.94%
Effects of application of scenarios				
Risk of changes in exchange rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Devaluation of the Denar against other currencies 20%	369.299	18.264.318	103.821.769	17.59%
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans				
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(197.051)	18.067.267	103.624.718	17.44%
	(6.451.453)	11.812.865	97.370.316	12.13%
Scenario: Impairment rate for new SSP used 30% (legal minimum)				
Proportional increase in non-performing loans to 30% of existing non-performing loans	(197.051)	17.697.968	94.296.634	18.77%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(6.451.453)	11.443.566	88.042.232	13.00%
Impact of sectoral shocks on non-performing loans (deterioration of the portfolio in certain sectors)	(1.070.380)	16.824.639	93.423.305	18.01%
Deterioration of the credit exposure of the five major borrowers, non-financial legal entities	(3.462.747)	14.432.272	91.030.938	15.85%
Deterioration of receivables from borrowers, non-financial legal entities, CCC rating	(1.429.387)	16.465.632	93.064.298	17.69%
Uncollectible receivables from borrowers which are secured by corporative guarantees	(3.137.993)	14.757.026	91.355.692	16.15%
Deterioration of the DTI indicator in the population segment, depending on the change in macroeconomic factors (change in GDP, inflation, unemployment rate, rate of change in available income)	(1.160.236)	16.734.783	93.333.449	17.93%
Deterioration of the DTI indicator in the population segment by 15%	(281.357)	17,613,662	94.212.328	18.70%
Deterioration of the DTI indicator in the population segment by 30%	(692.157)	17.202.862	93.801.528	18.34%
Deterioration of the DTI indicator in the population segment by 50%	(1.742.829)	16.152.190	92.750.856	17.41%
Deterioration of a country's exposures to risk to non-financial legal and natural persons for a single risk category	(133.321)	17.761.698	94.360.364	18.82%
Transition to non-performing status of 30% of the country's exposure to risk to non-financial legal and natural persons	(211.821)	17.683.198	94.281.864	18.76%
Exposure to country risk in a G risk category country (highest exposure to a single country)	(1.687.857)	16.207.164	92.805.828	18.73%
Transition to a non-performing status of a country's risk exposure for the appropriate transition rate to non-performing status after a downgrade of the country's credit rating by S&P by two categories	(244.769)	17.650.250	94.248.916	18.73%
Risk of changes in interest rates (specify separately the different scenarios, including the main characteristics of the scenario)				
Changes in interest rates by 300 basis points	73.731	17.968.751	94.493.685	19.02%
Changes in interest rates by 200 basis points	49.333	17.944.352	94.493.685	18.99%
Changes in interest rates by 100 basis points	24.934	17.919.953	94.493.685	18.96%
Reduction of variable interest rates in assets and liability:				
Changes in interest rates by 100 basis points	(22.524)	17.872.496	94.493.685	18.91%
Changes in interest rates by 200 basis points	(47.909)	17.847.110	94.493.685	18.89%
Changes in interest rates by 300 basis points	(72.277)	17.822.743	94.493.685	18.86%
Risk of changing the market price in investments in ownership securities (specify separately the different scenarios, including the basic characteristics of the scenario)				
Combined scenarios, if any (list separately the various scenarios, including the basic characteristics of the scenario)				

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

2. Risk Management (Continued)

2.3 Market Risk (Continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Changes in Market Risk (Continued)

B Analysis of Value Exposed to Market Risk in Trading Portfolio

	Current year 2025				Previous year 2024			
In thousands of Denars	Position December 31	Average value for the period	Highest value (maximum)	Lowest value (minimum)	Position December 31	Average value for the period	Highest value (maximum)	Lowest value (minimum)
Value of interest-bearing instruments exposed to risk	-	-	-	-	-	-	-	-
Value of foreign currency instruments exposed to risk	-	-	-	-	-	-	-	-
Value of equity instruments exposed to risk	-	-	-	-	-	-	-	-
Variance (off-setting effect)	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

According to the "Decision on the methodology for determining capital adequacy", the Bank does not determine the capital required to cover market risks for the trading portfolio, which is why there is no trading portfolio on December 31, 2025 and 2024.

2. Risk Management (Continued)

2.3 Market Risk (Continued)

2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)

A Interest Rate Sensitivity Analysis

REPORT
of changes in the economic value of the positions of banking activities portfolio as of December 31.2025

In thousands of Denars

	Position	Currency	Amounts
	1	**2**	**3**
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1.344.718
1.2	NET WEIGHTED POSITION FOR CURRENCY MKD cl USD (FIR+VIR+AIR)	MKD cl USD	0
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(124.920)
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	2.166.914
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	Other	(196)
1.6	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	109.441
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)**		**3.495.957**
3	OWN FUNDS		**20.235.387**
4	**TOTAL WEIGHTED VALUE/EQUITY (2/3*100)**		**17,28%**

REPORT
of changes in the economic value of the positions of banking activities portfolio as of December 31.2024

In thousands of Denars

	Position	Currency	Amounts
	1	**2**	**3**
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1.016.032
1.2	NET WEIGHTED POSITION FOR CURRENCY MKD cl USD (FIR+VIR+AIR)	MKD cl USD	0
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(112.879)
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	1.581.101
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	Other	(191)
1.6	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	115.511
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)**		**2.599.574**
3	OWN FUNDS		**17.895.019**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**14,53%**

2. Risk Management (Continued)

2.3 Market Risk (Continued)

2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (Continued)

B Interest Rates Gap Analysis

In thousands of Denars	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
2025 (Current year)							
Financial assets							
Cash and cash equivalents	5.100.980	-	-	-	-	-	5.100.980
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	42.000	181,000	145,002	-	368.002
Loans and advances to customers	27.880.032	6.509.161	19.031.085	7.995.007	11.175.236	14.117.290	86.707.811
Investments in securities	498.815	298.783	2.982.402	1.840.719	2.807.402	7.761.677	16.189.798
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive assets	***33.479.827***	***6.807.944***	***22.055.487***	***10.016.726***	***14.127.640***	***21.878.967***	***108.366.591***
Financial liabilities							
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	2.141.439	2.152.325	-	-	-	-	4.293.764
Deposits from customers	10.375.480	5.032.366	24.057.703	7.670.798	1.862.217	-	48.998.564
Debt securities issued	-	-	-	-	-	-	-
Borrowings	685.179	492.631	2.150.647	396.651	1.286.851	1.972.964	6.984.923
Subordinated debt and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest sensitive liabilities	-	43	636	77	-	-	756
Total interest sensitive liabilities	***13.202.098***	***7.677.365***	***26.208.986***	***8.067.526***	***3.149.068***	***1.972.964***	***60.278.007***
Net balance sheet position	***20.277.729***	***(869.421)***	***(4.153.499)***	***1.949.200***	***10.978.572***	***19.906.003***	***48.088.584***
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
Net off-balance sheet position	-	-	-		-	-	-
Total net position	***20.277.729***	***(869.421)***	***(4.153.499)***	***1.949.200***	***10.978.572***	***19.906.003***	***48.088.584***

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

2.3 Risk Management (Continued)

2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (Continued)

B Interest Rates Gap Analysis (Continued)

In thousands of Denars	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
2024 (Previous year)							
Financial assets							
Cash and cash equivalents	2.785.750	1.359.470	-	-	-	-	4.145.220
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	30.001	6.000	223,000	80,000	-	339.001
Loans and advances to customers	25.592.140	4.456.252	17.673.936	5.237.467	7.246.356	10.630.244	70.836.395
Investments in securities	1.262.192	851.083	1.124.086	964.686	4.310.930	5.739.035	14.252.012
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive assets	***29.640.082***	***6.696.806***	***18.804.022***	***6.425.153***	***11.673.286***	***16.369.279***	***89.572.628***
Financial liabilities							
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	5.503.803	-	-	-	-	-	5.503.803
Deposits from customers	8.636.016	3.551.169	18.651.054	8.623.451	3.055.184	15.426	42.532.300
Debt securities issued	-	-	-	-	-	-	-
Borrowings	1.235.648	492.737	563.699	292.074	860.153	662.407	4.106.718
Subordinated debt and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest sensitive liabilities	68	129	597	841	77	-	1.712
Total interest sensitive liabilities	***15.375.535***	***4.044.035***	***19.215.350***	***8.916.366***	***3.915.414***	***677.833***	***52.144.533***
Net balance sheet position	***14.264.547***	***2.652.771***	***(411.328)***	***(2.491.213)***	***7.721.872***	***15.691.446***	***37.428.095***
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
Net off-balance sheet position	-	-	-		-	-	-
Total net position	***14.264.547***	***2.652.771***	***(411.328)***	***(2.491.213)***	***7.721.872***	***15.691.446***	***37.428.095***

2. Risk Management (Continued)

2.3 Market Risk (Continued)

2.3.3 Foreign Currency Risk

Foreign currency risk is risk of loss due to change in the cross-currency exchange rates and/or change in the value of the Denar against other foreign currencies.

The exposure to foreign currency risk depends on the value of both balance and off-balance sheet items denominated in foreign currency or in Denars with foreign currency clause, and fluctuation of cross-currency rates and/or rate of the Denar compared to other currencies.

The purpose of the Group is to maximize the stability and profitability, by obtaining optimal currency structure on both assets and liabilities.

The Group has established Policy for managing the currency risk, adopted by the Supervisory board and it is regularly revised on annual basis. The policy defines the basic objectives, evaluation of the Group's capacity to undertake currency risk and evaluation of the risk profile, organizational layout of the currency risk management function, basic elements of currency risk management, i.e. the currency risk management system and the process of currency risk management, acceptable instruments for protection against or reduction of currency risk, internal control and basic elements of the process of internal determination and assessment of the necessary adequacy of the Group's capital.

Methods used to measure foreign currency risk includes: analysis of exposure to foreign currency risk both by single positions and in total, foreign currency structure of the balance sheet, foreign currency structure of FX assets, stress test and other methods.

The Group's policy main principle for currency risk management is to achieve and maintain compliance of its claims in foreign currency (foreign currency assets) as a minimum, the amount of its total foreign currency liabilities (obligations in foreign currency). In addition, this ratio is maintained from the perspective of maturity of liabilities and assets in foreign currency.

This principle in the balance sheet provides that the Bank is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates. The tables below summarize the net foreign currency position of monetary assets and liabilities of the Group as at December 31, 2025 and 2024.

2. Risk Management (Continued)

2.3 Market Risk (Continued)

2.3.3 Foreign Currency Risk (Continued)

				list separately the currencies that represent more than 10 % of total monetary assets/liabilities						
In thousands of Denars	MKD	EUR	USD						Other currencies	Total
2025 (current year)										
Monetary assets										
Cash and cash equivalents	11.033.579	7.729.562	225.313	-	-	-	-	-	240.668	19.229.122
Held-for-trading assets	32.846	-	-	-	-	-	-	-	-	32.846
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	379.098	-	-	-	-	-	-	-	-	379.098
Loans and advances to other customers	56.977.187	30.454.273	-	-	-	-	-	-	-	87.431.460
Investments in securities	12.347.694	3.400.628	865.892	-	-	-	-	-	-	16.614.214
Investments in associates	0	-	-	-	-	-	-	-	-	0
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	-
Other receivables	1.453.367	493.586	2.080	-	-	-	-	-	1.448	1.950.481
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	2.115	-	-	-	-	-	-	-	-	2.115
Total Monetary Assets	***82.225.886***	***42.078.049***	***1.093.285***	**-**	**-**	**-**	**-**	**-**	***242.116***	**125.639.336**
Monetary Liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Due to banks	2.463	6.467.925	44.774	-	-	-	-	-	25.721	6.540.883
Due to other customers	59.897.826	27.861.831	1.571.534	-	-	-	-	-	953.830	90.285.021
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	2.102.585	4.970.115	-	-	-	-	-	-	-	7.072.700
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	239.656	-	-	-	-	-	-	-	-	239.656
Deferred tax liabilities	51.576	-	-	-	-	-	-	-	-	51.576
Other liabilities	553.364	1.015.602	32.526	-	-	-	-	-	6.100	1.607.592
Total Monetary Liabilities	***62.847.471***	***40.315.473***	***1.648.834***	**-**	**-**	**-**	**-**	**-**	***985.651***	**105.797.429**
Net-position	**19.378.415**	**1.762.576**	**(555.549)**	**-**	**-**	**-**	**-**	**-**	**(743.535)**	**19.841.907**

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

2. Risk Management (Continued)
2.3 Market Risk (Continued)
2.3.3 Foreign Currency Risk (Continued)

In thousands of Denars	MKD	EUR	USD	list separately the currencies that represent more than 10 % of total monetary assets/liabilities					Other currencies	Total
2024 (Previous year)										
Monetary assets										
Cash and cash equivalents	10.025.987	11.647.037	232.382	-	-	-	-	-	737.158	22.642.564
Held-for-trading assets	97.062	-	-	-	-	-	-	-	-	97.062
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	340.505	-	-	-	-	-	-	-	-	340.505
Loans and advances to other customers	45.035.168	26.720.541	-	-	-	-	-	-	-	71.755.709
Investments in securities	9.774.289	3.911.931	909.493	-	-	-	-	-	-	14.595.713
Investments in associates	0	-	-	-	-	-	-	-	-	0
Income tax receivable (current)	1.464	-	-	-	-	-	-	-	-	1.464
Other receivables	1.309.610	466.673	1.753	-	-	-	-	-	238	1.778.274
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	23.281	-	-	-	-	-	-	-	-	23.281
Total Monetary Assets	**66.607.366**	**42.746.182**	**1.143.628**	**-**	**-**	**-**	**-**	**-**	**737.396**	**111.234.572**
Monetary Liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Due to banks	2.454	6.713.178	316	-	-	-	-	-	69.173	6.785.121
Due to other customers	49.836.161	28.610.040	1.991.968	-	-	-	-	-	866.195	81.304.364
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	134.923	4.111.947	-	-	-	-	-	-	-	4.246.870
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	90.688	-	-	-	-	-	-	-	-	90.688
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	519.973	490.727	10.796	-	-	-	-	-	3.097	1.024.593
Total Monetary Liabilities	***50.584.199***	***39.925.892***	***2.003.080***	**-**	**-**	**-**	**-**	**-**	***938.465***	93.451.636
Net-position	**16.023.167**	**2.820.290**	**(859.452)**	**-**	**-**	**-**	**-**	**-**	**(201.069)**	**17.782.936**

2. Risk Management (Continued)

2.4. Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, inappropriate employees and inadequate or weak systems of the Group as well as external events.
The Group has established a policy for managing operational risk, which was adopted by the Supervisory Board. The policy defines the basic goals, operational risk management (systems and processes for managing operational risk), organizational structure, reporting system, internal control etc.), as well as measuring and monitoring operational risk (key risk indicators, evaluation operational risk).
Additionally, the methods used by the Bank for the identification and assessment of operational risk consist of the self-assessment of operational risk (RSA) and sensitivity assessment through the scenario analysis method (HLLF).
Within the Risk Appetite Statement and Risk Management Strategy, the Group has defined the acceptable level of operational risk exposure.
For the purposes of calculating capital adequacy, the Group uses the basic indicator approach for determining the capital requirement for operational risk.

2.5 Insurance Risk Management

Risk management objectives and insurance risk reduction policies

The Group's management of insurance risk and financial risk are critical to the operations of the Subsidiary. For general insurance contracts, the goal is to select funds whose term and amount upon maturity will be aligned with the expected cash outflows based on the damages incurred under those contracts.
The main insurance activity of the Subsidiary assumes the risk of loss from persons or organizations that are directly exposed to the risk. These risks may relate to property, accident or other risks that may arise from insured events. The subsidiary is exposed to the uncertainty related to the time of occurrence, frequency and severity of damages arising from those contracts. The subsidiary is also exposed to market risk through insurance and investment activities.
The Group manages insurance risks by setting insurance limits, procedures for approving transactions with new products or exceeding the set limits, price tariffs, centralized management of reinsurance and monitoring of extraordinary events.

Insurance Policy Underwriting Strategy

The Subsidiary's strategy for underwriting insurance policies is to achieve dispersion which would ensure a balanced portfolio based on a large portfolio with similar risks over a number of years, thus reducing the volatility of the result.
The strategy of the Subsidiary for writing insurance policies is presented in the annual business plan in which the insurance classes, the territory of operation, as well as the industrial sectors in which the Company is ready to insure are determined. All general insurance contracts are annual in nature and the insurer has the right to refuse to renew or extend them, as well as to change the terms of the contract during its extension.

Reinsurance Strategy

The subsidiary reinsures part of the insurance risks to control its exposure to losses and to protect sources of capital. The subsidiary carries out reinsurance by concluding reinsurance contracts with reinsurance brokers and assigns the appropriate part of the assets, liabilities, income and expenses on the basis of reinsurance arising from the risks and damages of the respective insurance contracts.

2. Risk management (continued)

2.5 Insurance Risk Management (continued)

Matching of assets and liabilities

The Insurance Supervision Law prescribes certain limits regarding the policy for matching the assets and liabilities of the Subsidiary.

The Group actively manages the financial position of the Subsidiary using an approach that balances the quality, dispersion, liquidity and return on investments, taking into account the limits specified in the Insurance Supervision Law. The main goal is to match the cash flows of assets and liabilities.

3. Capital adequacy

NBRNM is the central bank that is the main regulator in the banking sector that prescribes the methodology for calculating the capital adequacy ratio in accordance with international standards. The bank is under direct supervision by the regulator that monitors the fulfilment of the capital adequacy ratio and the maintenance of the capital buffers.

The Bank is obliged to have an adequate level of own funds depending on the nature, type and volume of financial activities and the amount of risks arising from the performance of these activities (capital adequacy).

The bank is obliged to work in a way that will allow it to be able to constantly fulfill all obligations (solvency).

The Bank is obliged to maintain a capital adequacy ratio that cannot be lower than 8% of the Bank's own funds, against the total assets weighted according to risk. On this amount, NBRNM has determined a capital allowance of 5.50%, so that the minimum required level of capital for 2025 was 13.50%. According to the regulator's decision on the minimum required level of capital that the Bank must maintain during 2026, it remains unchanged and amounts to 5.50%. According to the guidelines, during 2026 the Bank is required to maintain a capital adequacy ratio of at least 13.50%.

Total risk-weighted assets represent the sum of assets weighted by credit risk, currency risk, market risk and operational risk.

Own funds represent a sum of the basic capital and additional capital. The core capital consists of regular core capital (RCC) and additional core capital (ACC), and the Bank is obliged to maintain at least:

• RCC rate in the amount of 4.5% of the assets weighted according to the risks, and

• Rate of basic capital in the amount of 6% of the assets weighted according to the risks.

RCC includes capital instruments from RCC, premium from sale of capital instruments, required general reserve, increase in reserves based on allocation of revaluation reserve, retained earnings not encumbered by any future liabilities, which is stated in the balance sheet of The Bank has been confirmed by a decision of the Bank's Shareholders' Assembly, current profit or profit at the end of the year, if the conditions according to the regulation are met, as well as the total comprehensive profit or loss, which includes other profits or losses that are not shown in the balance sheet of the Bank's success.

3. Capital Adequacy (Continued)

Deductible items from the RCC are the loss at the end of the year or current loss, intangible assets, deferred tax assets that depend on the future profitability of the Bank, the amount of direct, indirect and synthetic investments in own capital instruments from the regular core capital (repurchased own shares), including capital instruments for which the Bank has an obligation to purchase, the amount of direct, indirect and synthetic investments in capital instruments from the regular basic capital of persons from the financial sector, whereby those persons have investments in the Bank that artificially increase its own funds , the amount of direct, indirect and synthetic investments in capital instruments from the regular basic capital of persons from the financial sector in which the Bank does not have a significant investment, the amount of direct, indirect and synthetic investments in capital instruments from the regular basic capital of persons from the financial sector in which the bank has a significant investment, with the exception of those held for up to five days, the amount of deductible items from additional basic capital, which exceeds the total amount of additional basic capital, investments in non-financial institutions, tax expenses that can be determined at the moment on the calculation, the difference between the value correction and the special reserve determined by the bank and the required amount of the value correction and the special reserve, in accordance with the credit risk regulation of the NBRNM.

ACC includes ACC equity instruments, ACC equity premium, hybrid instruments.

Deductible items from ACC the amount of direct, indirect and synthetic investments in own capital instruments from the additional basic capital, including the capital instruments for which the Bank has a contractual obligation to purchase, the amount of direct, indirect and synthetic investments in capital instruments from the additional basic capital capital of persons from the financial sector, whereby those persons have investments in the bank that artificially increase its own funds, the amount of direct, indirect and synthetic investments in capital instruments from the additional basic capital of persons from the financial sector in which the Bank does not have a significant investment , the amount of direct, indirect and synthetic investments in capital instruments from the additional core capital of persons from the financial sector in which the bank has a significant investment, with the exception of those held for up to five days, the amount of deductible items from the additional capital, which exceeds the total amount of additional capital, tax costs that can be determined at the time of calculation.

Additional capital includes capital instruments from additional capital, subordinated loans and premium from capital instruments from additional capital.

- Deductible items from the additional capital are the amount of direct, indirect and synthetic investments in own instruments from the additional capital, including the instruments for which the bank has a contractual obligation to purchase, the amount of direct, indirect and synthetic investments in positions from the additional capital of persons from the financial sector, whereby those persons have investments in the Bank that artificially increase its own assets, the amount of direct, indirect and synthetic investments in positions from the additional capital of persons from the financial sector in which the Bank has no significant investment, the amount of direct , indirect and synthetic investments in positions from the additional capital of persons from the financial sector in which the bank has a significant investment, with the exception of those held up to five days.

3. Capital Adequacy (Continued)

In addition to the legal requirements for the amount of capital adequacy, the Law on Banks provides for the fulfillment of capital requirements for additional protective layers of the capital. The main reason for the existence of the protective layers of the capital is to enable the strengthening of the solvency position of the banks and their greater resistance to unforeseen losses in the operation. In that way, the stability and reliability of the banking system, as well as the entire financial system, is strengthened. It is about four types of protective layers of capital:

- protective layer for capital preservation determined at the level of 2.5% of assets weighted according to risks. All banks in the country are obliged to constantly maintain the protective layer for the preservation of capital in the amount of 2.5% of the assets weighted according to the risks. This protective layer is prescribed by the Law on Banks, it applies to all banks in the country and there is no special methodology for its introduction. During 2024, the capital preservation buffer was 2.5% of risk-weighted assets;
- countercyclical buffer of capital that can amount to up to 2.5% of risk-weighted assets, but also more depending on other systemic factors/indicators. This buffer is introduced or increased during periods of significant credit growth and is reduced or released during periods when the credit cycle changes. NBRSM is obliged to determine on a quarterly basis the required countercyclical buffer rate for exposures in the Republic of North Macedonia and to publish its amount, together with the date of application, if it is higher than 0%. As of 31.12.2025, the countercyclical buffer for exposures in the country amounts to 1.75% of risk-weighted assets, while the countercyclical buffer for exposures to other countries is determined according to the amount of the rates determined by the competent authorities of other countries. In accordance with the decisions made by the NBRSM Council for the period from 01.01.2026 to 30.09.2026, a countercyclical capital buffer rate for exposures in the Republic of North Macedonia has been set at 1.75% and from 01.10.2026 to 31.12.2026 at 2%, while the countercyclical buffer for exposures to other countries remains to be determined according to the rates set by the competent authorities of other countries;
- protective capital layer for systemically important banks that can range from 1% to 3.5% of risk-weighted assets. The purpose of the protective layer of capital for systemically important banks is to increase the resilience of banks that are identified as systemically important banks to unexpected shocks or losses that may occur during their operations. Based on the prescribed methodology, NBRNM identifies the systemically important banks and reports accordingly. During 2025, the protective layer of capital for the Bank as a systemically important bank was 1.5%;
- systemic protective layer of the capital which can range from 1% to 3% of the assets weighted according to the risks and is introduced by the Governor of the National Bank in order to limit the risk of disruption of the financial system or the domestic economy. This protective layer of capital may be different for different banks or groups of banks. During 2025, NBRNM has not established a systemic protective layer of the capital.

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

3. Capital adequacy (continued)

Policy of the Bank is to maintain a strong capital base to maintain the confidence of investors, creditors and the market and to sustain future development of the business. The Bank also has in mind the impact of the level of capital on shareholders' return and the need to maintain a balance between the higher returns and greater indebtedness and the advantages and security afforded by a sound capital position.

The regulated activities of the Bank are in compliance with all externally imposed capital requirements during the period.

3.1 Report on own funds

No.	Description	2025	2024
A1.	**Own funds**	**20.235.387**	**17.895.019**
A2.	Tier 1 Capital	20.215.842	17.875.474
A3.	Common Equity Tier 1 Capital (CET1)	20.215.842	17.875.474
A3.1	Positions of CET1	20.222.338	17.943.305
A3.1.1.	Capital instruments of CET1	14.076.910	14.076.910
A3.1.2.	Premium on the capital instruments of CET1	306.309	306.309
A3.1.3.	Mandatory general reserve (general reserve fund)	3.936.796	2.083.698
A3.1.4.	Retained undistributed earning	1.414.908	1.414.908
A3.1.5	(-) Accumulated loss from previous years	-	-
A3.1.6.	Current profit or year-end profit	-	-
A3.1.7.	Accumulated other comprehensive income	487.415	61.480
A3.2.	(-) Deductions of CET1	(6.496)	(67.831)
A3.2.01.	(-) Loss at the year-end or current loss	-	-
A3.2.02.	(-) Intangible assets	(55.958)	(44.550)
A3.2.03.	(-) Deferred tax assets that rely on bank's future profitability	49.461	(23.281)
A3.2.04.	(-) Investments in own capital instruments of CET1	-	-
A3.2.04.1.	(-) Direct investment in own capital from CET1	-	-
A3.2.04.2.	(-) Indirect investments in own capital instruments of CET1	-	-
A3.2.04.3.	(-) Synthetic investments in own capital instruments of CET1	-	-
A3.2.04.4.	(-) Investments in own capital instruments of CET1 that the bank is contractually required to purchase	-	-
A3.2.05.	(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities, where such entities have investments in the bank	-	-
A3.2.06.	(-) Direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank does not have significant investment	-	-
A3.2.07.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank has significant investment	-	-
A3.2.08.	(-) Amount of deductions from AT1 which exceeds the total amount of AT1	-	-
A3.2.09.	(-) Amount of excess of limits on investments in non-financial institutions	-	-
A3.2.10.	(-) Tax costs	-	-
A3.2.11.	(-) Difference between the amount of required and actual impairment/special reserve	-	-
A3.3.	Regulatory adjustments of CET1	-	-
A3.3.1.	(-) Increase in CET1 which stems from securitization positions	-	-
A3.3.2.	(-) Gains or (+) losses from protection against cash flow risk	-	-
A3.3.3.	(-) Gains or (+) losses on bank's liabilities measured at fair value	-	-
A3.3.4.	(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value	-	-
A3.4.	Positions as a result of consolidation	-	-
A3.4.1.	Minority interest recognized in CET1 on a consolidated basis	-	-
A3.4.2.	Other	-	-
A3.5.	Other positions of CET1	-	-

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

3. Capital Adequacy (Continued)

3.1 Report on own funds (Continued)

No.	Description	2025	2024
B4.	Additional Tier 1 Capital (AT1)	-	-
B4.1	Position of AT1	-	-
B4.1.1.	Capital instruments of AT1	-	-
B4.1.2.	Premium on the capital instruments of AT1	-	-
B4.2.	(-) Deduction of AT1	-	-
B4.2.1.	(-) Investments in own capital instruments of AT1	-	-
B4.2.1.1.	(-) Direct investments in own capital instruments of AT1	-	-
B4.2.1.2.	(-) Indirect investments in own capital instruments of AT1	-	-
B4.2.1.3.	(-) Synthetic investments in own capital instruments of AT1	-	-
B4.2.1.4.	(-) Investments in own capital instruments of AT1 that the bank is contractually required to purchase	-	-
B4.2.2.	(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities, where such entities have investments in the bank	-	-
B4.2.3.	(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the Bank does not have significant investment	-	-
B4.2.4.	(-) Direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the Bank has significant investment	-	-
B4.2.5.	(-) Amount of deductions from T2 which exceeds the total amount T2	-	-
B4.2.6.	(-) Tax costs	-	-
B4.3.	Regulatory adjustments of AT1	-	-
B4.3.1.	(-) Increase in AT1 which stems from securitization positions	-	-
B4.3.2.	(-) Gains or (+) losses from protection against cash flow risk	-	-
B4.3.3.	(-) Gains or (+) losses on bank's liabilities measured at fair value	-	-
B4.3.4.	(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value	-	-
B4.4.	Positions as a result of consolidation	-	-
B4.4.1.	(+/-) Qualifying Additional Tier 1 capital recognized in AT1 on a consolidated basis	-	-
B4.4.2.	Other	-	-
B4.5.	Other positions of AT1	-	-
C5.	Tier 2 capital (T2)	19.545	19.545
C5.1.	Positions in T2	19.545	19.545
C5.1.1.	Capital instruments of T2		
C5.1.2.	Subordinated loans	-	-
C5.1.3.	Premium on the capital instruments of T2	19.545	19.545
C5.2.	(-) Deductions of T2	-	-
C5.2.1.	(-) Investments in own capital instruments of T2	-	-
C5.2.1.1.	(-) Direct investments in own capital instruments of T2	-	-
C5.2.1.2.	(-) Indirect investments in own capital instruments of T2	-	-
C5.2.1.3.	(-) Synthetic investments in own capital instruments of T2	-	-
C5.2.1.4.	(-) Investments in own capital instruments of T2 that the bank is contractually required to purchase	-	-
C5.2.2.	(-) Direct, indirect and synthetic investments in capital instruments of T2 of the financial sector entities, where such entities have investments in the bank	-	-
C5.2.3.	(-) Direct, indirect and synthetic investments in capital instruments of T2 of the financial sector entities in which the Bank does not have significant investment	-	-
C5.2.4.	(-) Direct, indirect and synthetic investments in capital instruments of T2 of the financial sector entities in which the Bank has significant investment	-	-

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

3. Capital Adequacy (Continued)

3.1 Report on own funds (Continued)

Note	Description	2025	2024
C5.3.	Regulatory adjustments of T2	-	-
C5.3.1.	(-) Increase in T2 which stems from securitization positions	-	-
C5.3.2.	(-) Gains or (+) losses from protection against cash flow risk	-	-
C5.3.3.	(-) Gains or (+) losses on bank's liabilities measured at fair value	-	-
C5.3.4.	(-) Gains or (+) losses related to liabilities arising from derivatives measured at fair value	-	-
C5.4.	Positions as a result of consolidation	-	-
C5.4.1.	Qualifying Tier 2 recognized in T2 on a consolidated basis	-	-
C5.4.2.	Other	-	-
C5.5.	Other position of T2	-	-

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

3. Capital Adequacy (Continued)

3.2 Report on Capital Adequacy Ratio

No.	Description	2025	2024
I	**CREDIT RISK WEIGHTED ASSETS**		
1	Credit risk assets weighted under the standardized approach	93.431.168	84.598.164
2	Capital required for credit risk covering	7.474.493	6.767.853
II	**CURRENCY RISK WEIGHTED ASSETS**		
3	Aggregate foreign currency position	1.138.736	1.874.580
4	Net position for gold		-
5	Capital required for covering the currency risk	91.099	149.966
6	Currency risk weighted assets	1.138.736	1.874.580
III	**OPERATIONAL RISK WEIGHTED ASSETS**		
7	Capital required for covering the operational risk by applying the basic indicator approach	769.138	639.941
8	Capital required for covering the operational risk by applying the standardized approach		-
9	Operational risk weighted assets	9.614.227	7.999.263
IV	**OTHER RISK WEIGHTED ASSETS**	-	-
10	Capital required for covering the risk of changes in the commodity prices	-	-
11	Capital required for covering for market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital required for covering the positioning risk (11.1+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital required for covering the specific risk from investments in debt instruments	-	-
11.1.2	Capital required for covering the general risk from investments in debt instruments	-	-
11.1.3	Capital required for covering the specific risk of investing in equity instruments	-	-
11.1.4	Capital required for covering the general risk of investing in equity instruments	-	-
11.2	Capital required for covering the settlement / delivery risk	-	-
11.3	Capital required for covering the counterparty risk	2.272	1.734
11.4	Capital required for covering the exceeding of exposure limits	-	-
11.5	Capital required for covering the market risk of option positions	-	-
12	Capital required for covering other risks	2.272	1.734
13	Other risk weighted assets	28.403	21.680
V	**RISK WEIGHTED ASSETS**	**104.212.535**	**94.493.686**
14	Capital required to risk coverage	8.337.003	7.559.495
VI	**OWN FUNDS**	**20.235.387**	**17.895.019**
VII	**CAPITAL ADEQUACY RATIO (VI/V)**	**19.42%**	**18,94%**

4. Segment Reporting

Segment reporting is carried out by the Group operating segments.

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

- Performs activities as a result based on which incomes are generated and expenditures arise;
- Reviews from the Bank's Supervisory Board, in order to assess the accomplishments and decision making for future business activities of the segment; and;
- Financial information for the segment is available.

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

- The incomes of the segment participate with more than 10% of the total income of the Group;
- 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 Group's total assets;
- Management has assessed that they are significant to follow for the Group's management needs.

For the purposes of the financial reporting, the Bank groups two or more segments into one operating segment if those operating segments are similar in terms of the variety of the goods and services, the type and the group of the users of the goods and the services and the methods of distribution and offering of the goods and services. As on December 31.2025 and 2024 the Bank does not group two or more operating segments into one.

The operating segments of the Group are equal as the business lines prescribed in the "Decision on the methodology for determining capital adequacy" using the standardized approach for the determination of capital required for coverage of operational risk.

The Group discloses information for the concentration of the business activities towards separate significant clients. Significant client is an individual or a legal entity as well as parties related to them, if the Group realizes 10% or more from its total business income or expenditure. As at December 31.2025 and 2024 there are no significant clients in existence.

Geographical segments according to which the Bank is reporting are:

- Member countries of the European Union;
- Other European countries, outside the EU;
- Countries outside Europe, members of the Organization for Economic Cooperation and Development (OECD); and
- other countries.

4. Segment Reporting (Continued)

A *Operating Segments*

In thousands of Denars	Retail banking	Corporate banking	Investment banking	Investment in securities	Liquidity	All other insignificant operating segments	Unallocated	Total
2025 (Current year)								
Net Interest income / (expense)	1.298.589	2.391.588	(144.954)	795.643	73.974	-	(1.344)	**4.413.496**
Net fees and commissions income / (expense)	435.260	1.334.066	(748.445)	(117)	(121.212)	-	(3.349)	**896.203**
Net trading income	-	-	1.784	-	(76)	-	-	**1.708**
Net income from other financial instruments carried at fair value	-	-		-	-	-	-	**-**
Other operating income	41.088	347.368	(25.783)	-	7	-	898.965	**1.261.645**
Income realized between segments	-	-		-	-	-	-	**-**
Total revenue by segment	**1.774.937**	**4.073.022**	**(917.398)**	**795.526**	**(47.307)**	**-**	**894.272**	**6.573.052**
Impairment of financial assets on a net basis	(512.017)	76.148	(1.058)	(44)	5.177	-	(9.938)	**(441.732)**
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	(3.872)	**(3.872)**
Depreciation	-	-	-	-	-	-	(421.855)	**(421.855)**
Restructuring costs	-	-	-	-	-	-	-	
Cost of investment in property and equipment	-	-	-	-	-	-	-	
Other expenses	(1.690.593)	(176.494)	59.874	-	-	-	(1.317.898)	**(3.125.111)**
Total expenditures by segment	**(2.202.610)**	**(100.346)**	**58.816**	**(44)**	**5.177**	**-**	**(1.753.563)**	**(3.992.570)**
Financial results by segment	(427.673)	3.972.676	(858.582)	795.482	(42.130)	-	(859.291)	**2.580.482**
Income tax								(418.854)
Profit / (loss) for the year								**2.161.628**
Total assets by segment	35.343.226	52.779.658	666.898	20.134.512	16.436.406	-	-	125.360.700
Unallocated assets by segment	-	-		-	-	-	3.603.211	3.603.211
Total assets	**35.343.226**	**52.779.658**	**666.898**	**20.134.512**	**16.436.406**	**-**	**3.603.211**	**128.963.911**
Total liabilities by segment	48.595.361	39.096.971	5.530.258	51.582	12.782.471	-	-	106.056.643
Unallocated liabilities by segment							1.340.578	1.340.578
Total liabilities	**48.595.361**	**39.096.971**	**5.530.258**	**51.582**	**12.782.471**	**-**	**1.340.578**	**107.397.221**

4. Segment Reporting (Continued)

A *Operating Segments (Continued)*

In thousands of Denars	Retail banking	Corporate banking	Investment banking	Investment in securities	Liquidity	All other insignificant operating segments	Unallocated	Total
2024 (Previous year)								
Net Interest income / (expense)	1.364.861	2.264.809	(148.459)	665.232	85.421	-	-	4.231.864
Net fees and commissions income / (expense)	388.721	1.192.554	(735.834)	(54)	(43.817)	-	(10.332)	791.238
Net trading income	-	-	1.471	-	(957)	-	-	514
Net income from other financial instruments carried at fair value	-	-		-	-	-	-	-
Other operating income	21.142	36.441	(8.892)	-	-	-	1.024.653	1.037.344
Income realized between segments	-	-		-	-	-	-	-
Total revenue by segment	**1.774.724**	**3.493.804**	**(891.714)**	**665.178**	**40.647**	**-**	**1.014.321**	**6.096.960**
Impairment of financial assets on a net basis	(562.188)	(296.088)	242	(915)	(4.637)	-	(43.443)	(907.029)
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	(330.337)	(330.337)
Restructuring costs	-	-	-	-	-	-	-	-
Cost of investment in property and equipment	-	-	-	-	-	-	-	-
Other expenses	(1.522.495)	(190.650)	62.362	(4)	-	-	(1.156.765)	(2.807.552)
Total expenditures by segment	**(2.084.683)**	**(486.738)**	**62.604**	**(919)**	**(4.637)**	**-**	**(1.530.545)**	**(4.044.918)**
Financial results by segment	(309.959)	3.007.066	(829.110)	664.259	36.010	-	(516.224)	**2.052.042**
Income tax								**(197.581)**
Profit / (loss) for the year								**1.854.461**
Total assets by segment	30.434.296	42.052.696	488.668	16.041.648	21.941.110	-	-	110.958.418
Unallocated assets by segment						-	2.878.349	2.878.349
Total assets	**30.434.296**	**42.052.696**	**488.668**	**16.041.648**	**21.941.110**	**-**	**2.878.349**	**113.836.767**
Total liabilities by segment	40.969.441	37.459.693	4.563.184	15	10.775.183	-		93.767.516
Unallocated liabilities by segment							1.090.122	1.090.122
Total liabilities	**40.969.441**	**37.459.693**	**4.563.184**	**15**	**10.775.183**	**-**	**1.090.122**	**94.857.638**

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

4. Segment Reporting (Continued)

Б *Concentration of total revenues and expenditures by major customers*

In thousands of Denars	Retail banking	Corporate banking	Investment banking	Investment in securities	Liquidity	All other insignificant operating segments	Unallocated	Total
2025 (Current year)								
(The bank should separately show total income and total expenditure by an important customer)								
Customer 1								
Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-
Customer 2								
Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-
Customer 3								
Income	-	-	-	-	-	-	-	-
(expense)	-	-	-	-	-	-	-	-
Total by segments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2024 (Previous year)								
(The bank should separately show total income and total expenditure by an important customer)								
Customer 1								
Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-
Customer 2								
Income	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-
Customer 3								
Income	-	-	-	-	-	-	-	-
(expense)	-	-	-	-	-	-	-	-
Total by segments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The Group has no significant concentration of total revenues and expenditures by major customers.

In the unallocated segment, the amounts of the subsidiary Halk Insurance AD Skopje are also included.

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

4. Segment Reporting (Continued)

B *Geographical Location*

					Other (List separately significant geographic segments)		
In thousands of Denars	Republic of North Macedonia	EU member states	Europe(other countries)	OECD member states (without EU countries –members of OECD)	Other	Unallocated	Total
2025 (Current year)							
Total income	8.845.685	26.060	145.368	508	78	-	9.017.699
Total assets	122.008.198	859.268	6.092.827	3.372	247		128.963.911
2024 (Previous year)							
Total income	8.089.7915	56.703	16.499	392	75	-	8.163.460
Total assets	108.161.630	1.907.955	3.753.351	13.590	241		113.836.767

5 Fair Value of Financial Assets and Financial Liabilities

A. Fair Value of Financial Assets and Financial Liabilities

	Current year 2025		Previous year 2024	
In thousands of Denars	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	19.229.122	19.229.122	22.642.564	22.642.564
Trading assets	32.846	32.846	97.062	97.062
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management		-	-	-
Loans and advances to banks	379.098	379.098	340.505	340.505
Loans and advances to customers	87.431.460	87.431.460	71.755.709	71.755.709
Investments in securities	16.614.214	16.614.214	14.595.713	14.595.713
Investments in associates	0	0	0	0
Receivables for income tax (current)	-	-	1.464	1.464
Other receivables	1.409.967	1.409.967	1.350.760	1.350.760
Pledged assets	-	-	-	-
Deferred tax assets	2.115	2.115		
Financial liabilities				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	6.540.883	6.540.883	6.785.121	6.785.121
Deposits from customers	90.285.021	90.285.021	81.304.364	81.304.364
Debt securities issued	-	-	-	-
Borrowings	7.072.700	7.072.700	4.246.870	4.246.870
Subordinated debt	-	-	-	-
Income tax liability (current)	239.656	239.656	90.688	90.688
Deferred tax liabilities	51.576	51.576	-	-
Other liabilities	766.292	766.292	772.664	772.664

Cash and cash equivalents

The carrying value of cash and cash equivalents is equal to their fair value as they include cash, nostro accounts and demand deposits and placements with NBRNM maturing in the short term.

5 Fair Value of Financial Assets and Financial Liabilities (Continued)

A. Fair Value of Financial Assets and Financial Liabilities (Continued)

Loans and advances to customers

Loans and advances to customers are carried at amortized cost less provisions for impairment. Loans and advances to customers in the credit portfolio of the bank for the most part have a variable interest rate. The estimated fair value of loans and advances from customers is determined by discounting the future cash flows, which are estimated to be received. Estimated future cash flows to determine fair value are discounted at the current market interest rate.

The Group provides loans from credit lines financed from the Macedonian Bank for Development, and the same are offered on the market by other banks as well, under the same conditions. Their interest rates are considered to be market interest rates. Furthermore, the Group provides retail loans with fixed interest rates in the first years of the loan. Products with similar characteristics and interest rates are also offered by other banks in the market, and their interest rates are considered to be market interest rates.

Investment in securities

Investments in securities include debt securities, which are held to maturity presented at depreciated cost value using the method of effective interest rate and assets available for sale presented at fair value.
The fair value of available for sale assets (government securities and government bonds) are based on published prices in an active market. In cases where this information is not available, the fair value is based according to: information on the achieved prices of recent, normal, commercial transactions between known and voluntary parties; applying the current market price to another instrument that is essentially the same; analysis of discounted cash flows and other alternative pricing models.
For debt securities held to maturity, the fair value is determined using cash flow discounting techniques with a current yield curve on the primary debt securities market, for debt securities with a similar residual maturity.

Investments in securities include an amount of 46.651 thousand denars (2024: 47.246 thousand denars) which refer to investments for which there is no active market and there are no recent transactions that could be applied in determining the fair value. They participate with only 0.29% (2024: 0.33%) in total investments and are expressed according to their purchase value.

Other receivables

The fair value of other receivables represents their carrying value due to their mostly short-term nature.

Deposits from banks

Due to the insignificant risk of change in value and the short maturity, the fair value of demand deposits and time deposits is equal to their carrying value.

5 Fair Value of Financial Assets and Financial Liabilities (Continued)

A. Fair Value of Financial Assets and Financial Liabilities (Continued)

Deposits from customers

The fair value of demand deposits, as well as time deposits with variable interest rates is equal to their carrying value. Of the total deposits of other clients, the amount of time deposits with a fixed interest rate is 38.924.910 thousand denars (2024: 35.222.774 thousand denars). Fixed interest rates mostly refer to time deposits up to one year (34.561.129 thousand denars), products with such characteristics and interest rates are offered by other banks on the market. Hence, these interest rates can be considered market, so the objective value of these deposits is equal to their accounting value.

Borrowings

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

Other liabilities

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

5 Fair Value of Financial Assets and Financial Liabilities (Continued)

B. Levels of the fair value of financial assets and liabilities measured at fair values

B.1. Levels of the fair value of financial assets and liabilities measured at fair values

In thousands of Denars	Note	Level 1	Level 2	Level 3	**Total**
December 31, 2025 (Current year)					
Financial assets measured at fair value					
Trading assets	19	32.846	-	-	32.846
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investment securities available for sale	23,1	5.022.356	11.060.525	40.560	16.123.441
Total		**5.055.202**	**11.060.525**	**40.560**	**16.156.287**
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-
December 31, 2024 (Previous year)					
Financial assets measured at fair value					
Trading assets	19	97.062	-	-	97.062
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investment securities available for sale	23,1	4.821.192	9.357.267	41.155	14.219.614
Total		**4.918.254**	**9.357.267**	**41.155**	**14.316.676**
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	
Total		-	-	-	-

5 Fair Value of Financial Assets and Financial Liabilities (Continued)

B. *Levels of the fair value of financial assets and liabilities measured at fair values*

B.1. Levels of the fair value of financial assets and liabilities measured at fair values

The Group classifies all financial assets and financial liabilities measured at fair value using the fair value hierarchy, which shows the importance of the input parameters used in determining the fair value. The fair value hierarchy comprises the following levels:

a) Level 1 - The fair value is determined by direct application / reference to quoted market prices of financial instruments in active markets;

b) Level 2 – The fair value is determined by using valuation techniques that include inputs (inputs) from active markets, which may be direct or market prices, or indirect, i.e., derived from market prices;
c) Level 3 - The fair value is determined by using valuation techniques that include inputs (inputs) that cannot directly or indirectly be traced in active markets, which are not visible.

Investments in securities available for sale in the amount of 16.123.441 thousand denars (2024: 14.219.614 thousand denars) include investments in State bonds in the amount of 13.314.645 thousand denars (2024: 12.407.059 thousand denars) and State bills in the amount of 2.762.145 thousand denars (2024: 1.765.309 thousand denars), while the amount of 46.651 thousand denars (2024: 47.246 thousand denars) represents investment in ownership shares.

5 Fair Value of Financial Assets and Financial Liabilities (Continued)

B. *Levels of the fair value of financial assets and liabilities measured at fair values (Continued)*

B.2. Transfers between levels 1 and 2 of the fair value

	Current year 2025		Previous year 2024	
In thousands of Denars	Transfers from Level 1 to Level 2	Transfers from Level 2 in Level 1	Transfers from Level 1 to Level 2	Transfers from Level 2 in Level 1
Financial assets measured at fair value				
Trading assets	-	-	-	-
Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investment securities available for sale	-	-	-	-
Total	-	-	-	-
Financial liabilities measured at fair value				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-
	-	-	-	-

5. Fair Value of Financial Assets and Financial Liabilities (Continued)

B. Levels of the fair value of financial assets and liabilities measured at fair values (Continued)

B.3. Reconciliation of movements during the year in the fair values measured in Level 3

In thousands of Denars	Trading assets	Financial assets carried at a fair value through separate statement of profit and loss at initial recognition	Investment securities available for sale	**Total assets**	Trading liabilities	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	**Total liabilities**
Balance as of January 1, 2024 (Previous year)	-	-	40.797	40.797	-	-	-
Gains / (losses) recognized in:	-	-	-	-	-	-	-
- Income statement	-	-	-	-	-	-	-
- Other gains / (losses) during the period which are not recognized in the income statement	-	-	-	-	-	-	-
Purchase of financial instruments for the period	-	-	358	358	-	-	-
Sold financial instruments during the period	-	-		-	-	-	-
Financial instruments issued in the period	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Financial instruments reclassified to / (from) Level 3	-	-	-	-	-	-	-
Reclassified to loans and receivables	-	-	-	-	-	-	-
Balance as of December 31, 2024 (Previous year)	-	-	**41.155**	**41.155**	-	-	-
Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of December 31, 2024 (previous year)	-	-	-	-	-	-	-
				-			-
Balance as of January 1, 2025 (Current year)	-	-	41.155	41.155	-	-	-
Gains / (losses) recognized in:	-	-	-	-	-	-	-
- Income statement	-	-	-	-	-	-	-
- Other gains / (losses) during the period which are not recognized in the income statement	-	-	-	-	-	-	-
Purchase of financial instruments for the period	-	-	(595)	(595)	-	-	-
Sold financial instruments during the period	-	-		-	-	-	-
Financial instruments issued in the period	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Financial instruments reclassified to / (from) Level 3	-	-	-	-	-	-	-
Reclassified to loans and receivables	-	-	-	-	-	-	-
Balance as of December 31, 2025 (Current year)	-	-	**40.560**	**40.560**	-	-	-
Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of December 31, 2025 (Current year)	-	-	-	-	-	-	-

6. Net Interest Income/ (Expense)

A *Structure of income and expense by type of financial instruments*

	In thousands of Denars	
	Current year 2025	Previous year 2024
Interest income		
Cash and cash equivalents	212.403	242.781
Financial assets at fair value through income statement designated as such upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	13.706	10.180
Loans and advances to customers	4.638.177	4.406.256
Investments in securities	720.517	574.181
Other receivables	-	-
(Impairment losses on interest income, on a net basis)	168.567	72.688
Collected previously written-off interest	-	-
Total interest income	**5.753.370**	**5.306.086**
Interest expense		
Financial liabilities at fair value through income statement designated as such upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	16.239	21.048
Deposits from customers	1.218.983	946.950
Issued debt securities		
Borrowings	90.800	106.224
Subordinated debt		
Other liabilities	13.852	-
Total interest expense	**1.339.874**	**1.074.222**
Net income / (expense) Interest	**4.413.496**	**4.231.864**

6. Net Interest Income/ (Expense) (Continued)

B *Sectorial analysis of interest income and expense according to sector*

	In thousands of Denars	
	Current year 2025	Previous year 2024
Interest income		
Non-financial companies	2.623.249	2.591.069
Government	660.648	546.665
Non-profit institutions serving households	47	50
Banks	226.110	252.960
Other financial non-banking institutions	7.478	-
Households	1.870.379	1.811.133
Non-residents	196.892	31.521
(Allowance for impairment of Interest Income, net)	168.567	72.688
Collected previously written-off interest	-	-
Total interest income	**5.753.370**	**5.306.086**
Interest expense		
Non-financial companies	418.773	305.538
Government	-	-
Non-profit institutions serving households	9.309	11.015
Banks	91.255	89.715
Other financial non-banking institutions	138.187	144.986
Households	619.146	478.295
Non-residents	63.204	44.673
Total interest expense	**1.339.874**	**1.074.222**
Net Interest income/(expense)	**4.413.496**	**4.231.864**

7. Net Fees and Commissions Income / (Expense)

A Structure of revenues and expenses from fees and commissions according to the type of financial activities

	In thousands of Denars	
	Current year 2025	Previous year 2024
Fee and commission income		
Loans	117.920	107.107
Payment operations		
Domestic	382.847	351.098
Foreign	224.528	193.786
Letters of credit and guarantees	143.378	146.896
Brokerage	674	78
Asset management	-	-
Commission and fiduciary activities	1.655	2.349
Issuing Securities	-	-
Other (list separately income which represents more than 10% of the total fees and commissions income)		
VISA - charge	75.162	13.126
Master	55.366	66.575
Fees for transactions on POS	559.550	490.659
Fees for transactions on POS	98.916	93.138
ATM transactions fee	91.957	88.681
Electronic banking	100.269	74.248
Transaction with Poshta	74.843	63.426
Revenue from insurance	38.786	62.490
Treasury operations	35.699	29.468
Other operating revenues from fees and commissions	1.133	904
Total fee and commission income	**2.002.683**	**1.784.029**
Fee and commission expenses		
Loans	12.095	16.496
Payment operations		
Domestic	82.137	85.884
Foreign	84.366	68.229
Letters of credit and guarantees	2.071	2.719
Brokerage	15	-
Asset management	-	-
Commission and fiduciary activities	-	-
Issuing Securities	-	-
Other (list separately other expenses that are more than 10% of total fee and commission)		
VISA – charge	351.145	284.242
Master – charge	517.294	483.980
Treasury work	10.870	9.523
Other operating expenses from fees and commissions	46.487	41.718
Total fee and commission expenses	**1.106.480**	**992.791**
Net fee and commission income / (expense)	**896.203**	**791.238**

7. Net Fees and Commissions Income / (Expense) (Continued)

B Sectoral analysis of revenue and expenditure of fees and commissions

	In thousands of Denars	
	Current year 2025	Previous year 2024
Fee and commission income		
Non-financial companies	1.335.604	1.200.059
Government	32	46
Non-profit institutions serving households	5.166	3.322
Banks	46.871	48.555
Other financial institutions (non-banking)	41.851	69.130
Households	355.707	297.624
Non-residents	217.452	165.293
Total fee and commission income	***2.002.683***	***1.784.029***
Fee and commission expenses		
Non-financial companies	56.452	67.292
Government	-	-
Non-profit institutions serving households	-	-
Banks	65.051	80.390
Other financial institutions (non-banking)	40.541	13.618
Non-residents	944.436	831.491
Total fee and commission expenses	***1.106.480***	***992.791***
Net fee and commission income / (expense)	**896.203**	**791.238**

8. Net Trading Income

	In thousands of Denars	
	Current year 2025	Previous year 2024
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
Realized	-	-
Unrealized	1.708	514
Profit/(loss) from fair value changes of equity instruments, net		
Realized	-	-
Unrealized	-	-
Income from dividends from trading assets	-	-
Income from interest of trading assets	-	-
Trading liabilities		
Profit/(loss) from fair value changes of trading deposits, net		
Realized	-	-
Unrealized	-	-
Profit/(loss) from fair value changes of trading deposits, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of other financial liabilities for trading, net		
Realized	-	-
Unrealized	-	-
Interest expense on financial liabilities held for trading	-	-
Profit/(loss) from fair value change of derivatives held for trade, net		
Realized	-	-
Unrealized	-	-
Net trading income	**1.708**	**514**

9. Net Income from Other Financial Instruments Carried at Fair Value

	In thousands of Denars	
	Current year 2025	Previous year 2024
Financial assets at fair value through the income statement designated as such upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
Realized	-	-
Unrealized	-	-
Gains/(losses) from changes in fair value of equity instruments, net		
Realized	-	-
Unrealized	-	-
Dividend income from financial assets at fair value through the income statement	-	-
Profit / (loss) from changes in fair value of loans and receivables at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Financial liabilities at fair value through profit or loss designated as such upon initial recognition		
Profit / (loss) from fair value changes on debt securities, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from fair value changes on deposits at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of borrowings at fair value through the income statement, net	-	-
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of other financial liabilities at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Profit / (loss) from changes in fair value of derivatives held for risk management at fair value through the income statement, net		
Realized	-	-
Unrealized	-	-
Net income from other financial instruments carried at fair value	**-**	**-**

10. Net Foreign Exchange Gains/(Losses)

	In thousands of Denars	
	Current year 2025	Previous year 2024
Realized foreign exchange gains/(losses), net		
Unrealized foreign exchange gains/(losses), net	208.694	245.400
Foreign exchange differences of allowance for impairment of financial assets, net		
Other foreign exchange differences, net	4.599	(1.956)
Exchange rates differences from off balance sheet exposures	48.903	(12.373)
Net foreign exchange gains/(losses)	**262.196**	**231.071**

11. Other Operating Income

	In thousands of Denars	
	Current year 2025	Previous year 2024
Gain on sale of assets available for sale	-	-
Dividend from equity instruments available for sale	2.778	-
Net income from investments in subsidiaries and associates	-	-
Capital gains from the sale of:		
Property and equipment	38.584	13.460
Intangible assets	-	-
Foreclosed assets	1.450	8.553
Non-current assets held for sale and disposal group	-	-
Rent income	-	860
Income derived from litigations	-	-
Collected previously written-off receivables	67.122	73.756
Reversal of allowance and provision for:		
Contingent commitments based on litigations	-	-
pensions and other employee benefits	-	-
restructuring	-	-
onerous contracts	-	-
other provisions	6.933	2.358
Other (list separately income that are more than 10% of total other operating income)		
Income from insurance charged claims	31	702
Master card - campaign	43.622	42.825
Income from sale of bills of exchange	-	230
Reimbursement of telephone expenses	220	167
Net insurance premium	797.345	650.463
Other income from insurance	2.370	25.866
Income from reports from the Macedonian Credit Bureau	4.434	5.018
Other income	34.560	18.017
Total operating income	**999.449**	**842.273**

12. Impairment of Financial Assets on a Net Basis

In thousands of Denars	Loans and advances to banks	Loans and advances to customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Receivables for fees and commissions	Other receivables	Total allowance for impairment of financial assets	Special reserve for off balance sheet exposure	Total
2025 (Current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	-	2.624.648	135	-	921	17.215	54.767	2.697.686	215.403	2.913.089
(Release of allowance for impairment and special reserve)	-	(2.190.924)	(193)	-	(6.107)	(15.612)	(52.585)	(2.256.421)	(205.936)	(2.471.357)
Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net	***-***	***433.724***	***(58)***	***-***	***(5.186)***	***1.603***	***2.182***	***432.265***	***9.467***	***441.732***
2024 (Previous year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	-	7.444.798	1.861	-	6.793	31.999	67.639	7.553.090	347.197	7.900.287
(Release of allowance for impairment and special reserve)	-	(6.612.052)	(936)	-	(2.393)	(5.737)	(57.122)	(6.678.240)	(315.018)	(6.993.258)
Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net	***-***	***832.746***	***925***	***-***	***4.400***	***26.262***	***10.517***	***874.850***	***32.179***	**907.029**

13. Loss on Impairment of Non-Financial Assets, Net

In thousands of Denars	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and disposal group	Other non-financial assets	Non-controlling participation	Total
2025 (Current year)							
Additional impairment losses	-	-	3.872	-	-	-	3.872
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment of non-financial assets on a net basis	**-**	**-**	**3.872**	**-**	**-**	**-**	**3.872**
2024 (Previous year)							
Additional impairment losses	-	-	-	-	-	-	-
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment of non-financial assets on a net basis	**-**	**-**	**-**	**-**	**-**	**-**	**-**

14. Personnel Expenses

	In thousands of Denars	
	Current year 2025	Previous year 2024
Short-term employee benefits		
Salaries	757.418	826.914
Compulsory social and health insurance contributions	354.686	322.516
Short-term paid absences	645	645
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	37.744	18.245
	1.150.493	**1.168.320**
Benefits after termination of employment		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long-term benefits	-	-
Other benefits upon termination of employment	-	-
	-	-
Termination benefits		
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other (costs for employees that represent more than 10% of the total costs for employees)	79.361	49.201
______________________________		
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Total personnel expenses	**1.229.854**	**1.217.521**

15. Depreciation and Amortization

	In thousands of Denars	
	Current year 2025	Previous year 2024
Amortization of intangible assets		
Internally developed software	-	-
Software purchased from external suppliers	80.964	77.259
Other internally developed intangible assets	-	-
Other intangible assets	23.524	23.733
Investments in intangible assets taken under lease	13.594	16.177
	118.082	**117.169**
Amortization of property and equipment		
Buildings	59.626	59.021
Vehicles	3.771	4.761
Furniture and office equipment	11.996	11.300
Other equipment	97.858	107.529
Other items of property and equipment	10.676	10.262
Investments in property and equipment taken under lease	14.802	20.295
Right-of-Use Assets	105.044	
	303.773	**213.168**
Total	**421.855**	**330.337**

16. Other Operating Expense

	In thousands of Denars	
	Current year 2025	Previous year 2024
Loss from sale of assets available for sale	-	-
Software licensing expense	67.834	52.173
Deposit insurance premium	108.640	92.817
Premium on property and employee insurance	39.400	29.983
Materials and services	575.345	466.128
Administrative and marketing expenses	308.924	279.381
Other taxes and contributions	25.798	19.100
Rent expense	11.360	106.897
Court litigation expenses	3.799	6.282
Provisions for pension and other employee benefits, net	221.857	82.759
Provisions for contingent liabilities based on court litigations, net	4.438	9.272
Other provisions, net	-	-
Loss from sale of:	-	-
Property and equipment	-	-
Intangible assets	-	-
Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other (expenses that represent more than 10% of total other operating expenses)	-	-
Incurred claims, net	377.607	336.821
Other insurance technical costs, reduced for reinsurance	32.597	26.829
Money transfer	63.268	43.360
Documentation archiving	11.961	10.626
Expenses for repaid loans before maturity	42	151
Other expenses	42.386	27.452
Total other operating expenses	**1.895.256**	**1.590.031**

17. Income Tax

A Expenses/income for current and deferred tax

	In thousands of Denars	
	Current year 2025	Previous year 2024
Current income tax		
Expense/(income) based on current income tax for the year	273.882	197.581
Adjustments for previous years	-	-
Benefits of previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other-Global Minimum Tax	144,972	-
	418.854	**197.581**
Deferred income tax		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previously unrecognized tax losses	-	-
Change in tax rate	-	-
Introduction of new taxes	-	-
Benefits of previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	-	**-**
Total expense/(return) on income tax	**418.854**	**197.581**

	In thousands of Denars	
	Current year 2025	Previous year 2024
Current income tax		
Recognized in the income statement	418.854	197.581
Recognized in the equity and reserves	-	-
	418.854	**197.581**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	49.461	23.281
	-	-
Total expense/(return) on income tax	**468.315**	**220.862**

17. Income Tax (Continued)

B *Reconciliation between average effective tax rate and applicable tax rate*

	in %	*In thousands of Denars*	*in %*	*In thousands of Denars*
	Current year 2025		Previous year 2024	
Profit/ (loss) before taxation		2.580.482		2.052.042
Income tax as per applicable tax rate	10%	258.048	10%	205.204
Effects from different tax rates in other countries	-	-	-	-
Corrections for previous years and changes in tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expense unrecognized for tax purposes	0,62%	16.123	0,97%	19.946
Tax-exempt income	-	-	-	-
Tax exemption unrecognized in income statement	-0,01%	(289)	-0,99%	(20.254)
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes in deferred tax	-	-	-	-
Other-Global Minimum Tax	5,62%	144.972	-0,36%	(7.315)
Total expense/(return) on income tax		**418.854**		**197.581**
Average effective tax rate	**16,23%**		**9,63%**	

According to the Corporate Income Tax Law applicable to fiscal years 2025 and 2024, the tax base is the realized gross profit (the difference between total revenues and expenses), increased by certain expenses that are not tax-deductible, or decreased by certain income, investments, and similar items that are not subject to taxation.

Under the “Other – Global Minimum Tax” line item, the current year presents the calculated global minimum tax for 2024 and 2025.

17. Income Tax (Continued)

C *Income tax from other profit/(losses) for the period, unrecognized in Profit and Loss*

	Current year 2025			Previous year 2024		
In thousands of Denars	Before taxation	(expense)/return on income tax	Deducted by the income tax	Before taxation	(expense)/return on income tax	Deducted by the income tax
Revaluation reserve for assets available for sale	472.162	49.461	422.701	232.812	23.281	209.531
Reserve for instruments for hedge of cash flows	-	-	-	-	-	-
Reserve for instruments for hedge of net investing in foreign operations.	-	-	-	-	-	-
Reserve of foreign exchange differences from investing in foreign operations	-	-	-	-	-	-
Share in other profit/(losses) from associates, unrecognized in Profit and Loss	-	-	-	-	-	-
Other profit/(losses) unrecognized in the Profit and Loss	-	-	-	-	-	-
Total other profit/(losses) unrecognized in Profit and Loss	**472.162**	**49.461**	**422.701**	**232.812**	**23.281**	**209.531**

18. Cash and cash equivalents

	In thousands of Denars	
	Current year 2025	Previous year 2024
Cash on hand	2.200.776	2.337.316
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	6.214.934	11.341.592
Current accounts and transaction deposits with foreign banks	145.338	600.574
Current accounts and transaction deposits with local banks	6.225	9.696
Treasury bills that may be traded on the secondary market	3.497.280	1.359.470
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	430.465	1.838.701
Other short-term highly liquid assets	-	-
Interest receivables	-	138
(Allowance for impairment)	(72)	(5.257)
Included in cash and cash equivalents for the purposes of the Statement of cash flows	**12.494.946**	**17.482.230**
Obligatory foreign currency deposits	6.546.394	4.957.558
Restricted deposits for MasterCard and Visa	187.803	202.798
Reserve guarantee fund-KIBS	-	-
(Allowance for impairment)	(21)	(22)
Total	**19.229.122**	**22.642.564**

The restricted deposits for MasterCard and Visa relate to funds held in a current account with a foreign bank that is restricted and serves as collateral for receivables claimed by MASTERCARD in the amount of MKD 138,394 thousand (2024: MKD 149,710 thousand) and by VISA in the amount of MKD 49,410 thousand (2024: MKD 53,088 thousand).

The amount of MKD 6,546,394 thousand relates to the liability for the mandatory reserve in foreign currency, which is set aside in accordance with the regulations of the National Bank of the Republic of North Macedonia (NBRNM). During the year, amendments were made to these regulations aimed at increasing the mandatory reserve requirement in euros (2024: MKD 4,957,558 thousand).

18. Cash and cash equivalents (Continued)

In thousands of Denars	Current year 2025				Previous year 2024			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
Movements in allowance for impairment								
Balance as of January 1	5.279	-	-	5.279	879	-	-	879
Impairment loss for the year				-				-
Additional impairment	921			921	6.793			6.793
(Release of impairment)	(6.107)			(6.107)	(2.393)			(2.393)
Transfer to:				-				-
- impairment for Group 1	-	-	-		-	-	-	
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of exchange rate differences		-	-	-		-	-	-
(Written off receivables)	-	-	-	-	-	-	-	-
Balance as of December 31	**93**	**-**	**-**	**93**	**5.279**	**-**	**-**	**5.279**

19. Trading Assets

A Structure of trading assets by type of financial instrument

	во илјади денари	
	тековна година 2025	претходна година 2024
Trading securities		
Debt trading securities	-	-
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	**-**
Listed	-	-
Non-listed	-	-
	-	-
Equity instruments for trading	-	-
Equity instruments issued by banks	-	-
Other equity instruments	32.846	97.062
	32.846	**97.062**
Listed	-	-
Non-listed	32.846	97.062
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	-	-
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	-	-
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
	-	-
Total trading assets	**32.846**	**97.062**

The ownership instruments on December 31, 2025, refer to investments of the Subsidiary in investment funds, as follows

Fund	Quantity of shares	Price in denars	Value of shares in thousands of denars
KB Publicum Cash	15.953,3025	144,0831	2.299
Generali Cash Deposit	38.916,7615	134,8280	5.247
Generali Cash Fund	18.801,7890	134,8280	2.535
VFP Cash Deposit	22.352,6909	122,8867	2.748
WVP 100% Bond	20.288,4054	131,6352	2.670
Vega Cash	15.042,3009	110,5377	1.663
NLB Bonds	149.022,5610	105,2508	15.685
			32.846

19. Trading Assets (continued)

The ownership instruments on December 31, 2024, refer to investments of the Subsidiary in investment funds, as follows

Fund	Quality of shares	Price in Denars	Value of shares in thousands of denars
KB Publicum Cash	33.355,9503	140,3852	4.683
Generali Cash Deposit	46.827,8980	132,0281	6.183
Generali Cash Fund	18.801,7890	132,0281	2.482
VFP Cash Deposit	287.174,3078	119,9633	34.450
WVP 100% Bond	20.288,4054	123,3894	2.503
Vega Cash	437.648,7728	106,8456	46.761
			97.062

20. Financial Assets at Fair Value through the Income Statement designated as such upon Initial Recognition

	In thousands of Denars	
	Current year 2025	Previous year 2024
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments on the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	**-**
Listed	**-**	**-**
Non-listed	**-**	**-**
Equity instruments		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	**-**
Listed	**-**	**-**
Non-listed	**-**	**-**
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
Total financial assets at fair value through the income statement designated as such upon initial recognition	-	-

21. Derivative Assets and Liabilities Held for Risk Management

		In thousands of Denars			
		Current year 2025		Previous year 2024	
		Derivative assets	(Derivative liabilities)	Derivative assets	(Derivative liabilities)
A	***Hedging derivatives / derivatives held for risk management***				
A.1	*by type of the variable*				
	Agreements dependent on interest rate change				
	Contracts subject to exchange rate fluctuations	-	-	-	-
	Agreements dependent on changes in the price of securities	-	-	-	-
	Other agreements that meet the IFRS 9 criteria	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
	Agreements dependent on interest rate change	**-**	**-**	**-**	**-**
A.2	*by type of protection against risk*				
	Hedge of the fair value	-	-	-	-
	Hedge of cash flows	-	-	-	-
	Hedges of net investments in foreign operations	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
B	***Inherent derivatives***				
	Agreements dependent on interest rate change	-	-	-	-
	Contracts subject to exchange rate fluctuations	-	-	-	-
	Agreements dependent on changes in the price of securities	-	-	-	-
	Other contracts that meet the criteria of IFRS 9	-	-	-	-
	Total inherent derivatives	**-**	**-**	**-**	**-**
	Total derivatives held for risk management	**-**	**-**	**-**	**-**

22. Loans and Advances

22.1 Loans and Advances to Banks

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Short-term	Long-term	Short-term	Long-term
Loans to banks				
Domestic	-	-	-	-
Foreign	-	-	-	-
Term deposits - maturity over three months				
Domestic	-	361.261	6.000	330.150
Foreign	-	-	-	-
Repo				
Domestic	-	-	-	-
Foreign	-	-	-	-
Other receivables				
Domestic	-	-	-	-
Foreign	-	-	-	-
Interest receivables	-	17.837	4.355	-
Current maturity	-	-	-	-
Total loans and advances to banks before impairment	**-**	**379.098**	**10.355**	**330.150**
(Impairment)	-	-	-	-
Total loans and advances to banks less impairment	**-**	**379.098**	**10.355**	**330.150**

On December 31, 2025, the Bank has no loans to banks and no receivables from banks (2024: none).

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

22. Loans and Advances (Continued)

22.1 Loans and advances to banks (Continued))

	Current year 2025				*Previous year 2024*			
In thousands of Denars	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
Movements of allowance for impairment								
Balance as of January 1	-	-	-	-	-	-	-	-
Allowance for impairment for the year				-				-
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
Transfer to:	-	-	-	-	-	-	-	-
- allowance for impairment for Group 1	-	-	-	-	-	-	-	-
- allowance for impairment for Group 2	-	-	-	-	-	-	-	-
- allowance for impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
Balance as of December 31	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

22. Loans and Advances (Continued)

22.2 Loans and advances to other customers

A Structure of loans and advances to other customers by the type of the debtor

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Short-term	Long-term	Short-term	Long-term
Non-financial companies				
Receivables upon principal	8.443.646	42.875.498	7.651.204	35.007.559
Interest receivables	188.540	-	239.455	-
Government				
Receivables upon principal	-	-	-	-
Interest receivables	-	-	-	-
Non-profit institutions that serve households				
Receivables upon principal	569	-	680	-
Interest receivables	3	-	5	-
Financial companies, besides banks				
Receivables upon principal	47.000	110.773	-	-
Interest receivables	-	-	-	-
Households				
Receivables upon principal				
Housing loans	98.853	14.022.536	90.562	11.365.986
Customer loans	800.327	18.661.307	803.830	16.351.224
Vehicle loans	324	60.214	344	27.344
Mortgage loans	-	-	-	-
Credit cards	1.199.083	8.333	1.244.639	9.532
Other loans	932.073	68.733	880.894	63.523
Interest receivables	112.258	-	132.849	-
Non-residents, except banks				
Receivables upon principal	36.282	2.076.457	38.257	103.924
Interest receivables	35.095	-	112	-
Current maturity	10.454.007	(10.454.007)	7.789.987	(7.789.987)
Total loans and advances to other customers before impairment	**22.348.060**	**67.429.844**	**18.872.818**	**55.139.105**
(Allowance for impairment)	(1.308.186)	(1.038.258)	(1.466.714)	(789.498)
Total loans and advances to other customers, net of allowance for impairment	**21.039.874**	**66.391.586**	**17.406.102**	**54.349.607**

22. Loans and Advances (Continued)

22.2 Loans and advances to other customers (Continued)

A *Structure of the loans and advances to other customers by the type of the debtor (Continued)*

	Current year 2025				*Previous year 2024*			
In thousands of Denars	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
Movements of allowance for impairment								
Balance as of January 1	239.958	614.733	1.401.522	2.256.213	165.435	645.066	1.023.620	1.834.121
Allowance for impairment for the year								
Additional allowance for impairment	555.090	1.147.685	921.873	2.624.648	1.049.570	2.149.261	4.245.967	7.444.798
(Release of allowance for impairment)	(437.832)	(986.658)	(766.432)	(2.190.923)	(975.047)	(2.179.594)	(3.457.411)	(6.612.052)
Transfer to:								
- allowance for impairment for Group 1	35.780	(31.217)	(4.562)	-	79.882	(77.453)	(2.429)	-
- allowance for impairment for Group 2	(72.772)	192.963	(120.191)	-	(8.284)	136.700	(128.416)	-
- allowance for impairment for Group 3	(2.646)	(60.918)	63.564	-	(3.878)	(204.913)	208.791	-
(Foreclosed assets)			(18.566)	(18.566)				-
Effect of foreign exchange differences			12	12			(147)	(147)
(Written-off receivables)			(324.944)	(324.944)			(410.507)	(410.507)
Balance as of December 31	**357.216**	**775.760**	**1.213.465**	**2.346.441**	**239.958**	**614.733**	**1.401.522**	**2.256.213**

In accordance with the Decision on Credit Risk Management, the Bank carried out a mandatory transfer of the credit exposures for which twelve months have elapsed since the date on which the Bank was required to recognize an impairment loss, i.e., to set aside a specific provision of 100%, to off-balance-sheet records. The higher amount in the written-off receivables line item arises on that basis.

22. Loans and Advances (Continued)

22.2 Loans and advances to other customers (Continued)

B *Structure of loans and advances to other clients by type of collateral*

	In thousands of Denars	
	Current year 2025	Previous year 2024
(Current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (the depot and / or limited accounts)	1.604.423	1.531.860
Government securities		
Government unconditional guarantees	3.663.033	
Bank guarantees	1.678.426	2.824.317
Guarantees from insurance companies and insurance policies	10.125.234	9.597.885
Corporate guarantees (besides banks and guarantees from insurance companies)	1.568.689	2.052.084
Guarantees from individuals	3.189.815	2.582.341
Mortgage on real estate		
private property (apartments, houses)	21.053.167	17.508.386
business premises	21.050.053	19.554.074
Pledge of movables	5.945.894	4.785.072
Other types of collateral	2.020.148	1.774.676
Unsecured	15.532.577	9.545.014
Total loans and advances to customers net of impairment	**87.431.460**	**71.755.709**

23. Investment in Securities

23.1 Investments in financial assets available for sale

A S*tructure of investments in financial assets available for sale by type of financial instrument*

	In thousands of Denars	
	Current year 2025	Previous year 2024
Debt Securities		
Treasury bills	-	-
Government bills	2.762.145	1.765.309
Other instruments on the money market	-	-
Government bonds	12.448.760	12.407.059
Corporate bonds	-	-
Other debt instruments	865.884	
	16.076.790	***14.172.368***
Listed	4.266.291	4.821.192
Non-listed	11.810.498	9.351.176
Equity instruments		
Equity instruments issued by banks	-	-
Other equity instruments	46.651	47.246
	46.651	***47.246***
Listed	223	***223***
Non-listed	46.428	***47.023***
Total investment in financial instruments available for sale	**16.123.441**	**14.219.614**

From the shown structure of investments in financial assets available for sale according to the type of financial instrument: their maturity date and applied interest rate is shown

	Due date	Interest rate (%)
Government bonds	14.05.2026 - 21.08.2040	од 1,2 до 6,96
Government bills	21.01.2026 - 23.12.2026	од 3,25 до 4,00
Other shares	15.05.2034	7,625

The Group's investments in equity instruments available for sale in the amount of MKD 46,651 thousand (2024: MKD 47,246 thousand) include investments in securities through which the Group holds no more than a 10% interest in the share capital of financial and non-financial companies.

23. Investment in Securities (Continued)

23.1 Investments in financial assets available for sale (Continued)

In thousands of Denars	Current year 2025				Previous year 2024			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
Movements of allowance for impairment					-	-	-	-
Balance as of January 1,	925	-	-	925	-	-	-	-
Impairment for the year					-	-	-	-
Additional impairment	135	-	-	135	1.861	-	-	1.861
(Transfer to reserves)				-	-	-	-	-
(Release of allowance for impairment)	(193)	-	-	(193)	(936)	-	-	
Transfer to:					-	-	-	-
- allowance for impairment for Group 1	-	-	-	-	-	-	-	-
- allowance for impairment for Group 2	-	-	-	-	-	-	-	-
- allowance for impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-				
Balance as of December 31	**867**	**-**	**-**	**867**	**925**	**-**	**-**	**1.861**

23. Investments in Securities (Continued)

23.2 Investments in financial assets held to maturity

	In thousands of Denars	
	Current year 2025	Previous year 2024
Debt Securities		
Treasury bills	-	-
Government bills	38.249	-
Other instruments on the money market	-	-
Government bonds	452.524	376.099
Corporate bonds	-	-
Other debt instruments	-	-
	490.773	***376.099***
Listed	-	-
Non-listed	-	-
Total investment in financial instruments held to maturity before impairment	**490.773**	***376.099***
(Impairment)	-	-
Total investment in financial instruments held to maturity less impairment	**490.773**	**376.099**

23. Investments in Securities (Continued)

23.2 Investments in financial assets held to maturity (Continued)

	Current year 2025				Previous year 2024			
In thousands of Denars	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
Movements of allowance for impairment								
Balance as of January 1,	-	-	-	-	-	-	-	-
Allowance for impairment for the year	-	-	-	-	-	-	-	-
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
Transfer to:	-	-	-	-	-	-	-	-
- allowance for impairment for Group 1	-	-	-	-	-	-	-	-
- allowance for impairment for Group 2	-	-	-	-	-	-	-	-
- allowance for impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets)	-	-	-	-	-	-	-	-
Effect of foreign exchange differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
Balance as of December 31,	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

24. Investments in Subsidiaries and Associates

A Percentage of the Bank's share in associates and subsidiaries

		in %			
		Percentage of participation in ownership		Percentage of voting right	
Name of subsidiaries and associates	Country	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
HALK INSURANCE – subsidiary	North Macedonia	100%	100%	100%	100%

B Financial information on associates

	In thousands of Denars				
Name of subsidiaries and associates	Total assets	Total liabilities	Total equity and reserves	Income	Profit/(loss) for the financial year
Current year 2025	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Previous year 2024	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

As of 31 December 2023, the total capital contribution amounted to MKD 1,368,843 thousand. During 2024 and 2025, there were no changes in the total capital contribution of Halk Insurance AD Skopje.

25. Other receivables

	In thousands of Denars	
	Current year 2025	Previous year 2024
Trade receivables	22.658	33.454
Prepaid expenses	280.911	171.954
Deferred income	-	-
Fees and commission receivables	51.894	48.731
Receivables from employees	236	451
Advances for intangible assets	27.001	48.780
Advances for property and equipment	-	-
Other (receivables representing more than 10% of the total other receivables)	-	-
Receivables from other banks for transactions with Master cards	166.631	151.014
Receivables from other banks for transactions with Visa cards	329.268	304.041
Receivables from other bank for the card operations settlement	218.681	275.236
Pre-paid pensions	577.514	453.352
Western Union	604	787
Inventories	26.889	28.839
Receivables from court fees	8.224	8.207
Insurance premiums	230.248	236.434
Receivables from insurance intermediaries	20.209	23.199
Receivables on the basis of reinsurance	15.348	7.052
Receivables on the basis of recourse claims	31.015	30.756
Other	115.118	120.414
Total other receivables before value allowance	***2.122.449***	**1.942.701**
(Allowance for impairment)	(171.968)	(164.427)
Total other receivables, net of allowance for impairment	**1.950.481**	**1.778.274**

The pensions paid in advance in the amount of MKD 577,514 thousand (2024: MKD 453,351 thousand) relate to the December 2025 pension payment made from the Bank’s funds, which was reimbursed by the Pension and Disability Insurance Fund of the Republic of North Macedonia on 2 January 2026 (2024: 2 January 2025)

25. Other receivables (Continued)

	Current year 2025				Previous year 2024			
In thousands of Denars	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total Allowance for Impairment
Movements of allowance for impairment								
Balance as of January 1,	584	13.762	150.080	164.426	394	10.925	130.568	141.888
Allowance for impairment for the year								
Additional allowance for impairment	1.185	9.697	61.104	71.986	1.562	20.818	49.682	72.062
(Release of allowance for impairment)	(1.078)	(8.363)	(58.750)	(68.192)	(1.373)	(17.982)	(15.928)	(35.283)
Transfer to:								
- allowance for impairment for Group 1	37	(21)	(15)	1	153	(137)	(17)	-
- allowance for impairment for Group 2	(25)	54	(28)	1	(8)	35	(26)	-
- allowance for impairment for Group 3	(2)	(29)	31	-	(1)	(112)	114	-
(Foreclosed assets)				-				-
Effect of foreign exchange differences	1		2	3	1		2	3
(Written-off receivables)			3.746	3.746			(14.242)	(14.242)
Balance as of December 31,	**692**	**15.096**	**156.179**	**171.969**	**584**	**13.761**	**150.080**	**164.428**

In accordance with the Decision on Credit Risk Management, the Bank carried out a mandatory transfer to off-balance-sheet records of those credit exposures for which twelve months had elapsed from the date on which the Bank was required to recognise an impairment loss and/or allocate a special reserve of 100%. The higher amount reported under written-off receivables arises on this basis.

26. Foreclosed assets

	In thousands of Denars	
	Current year 2025	Previous year 2024
Debt securities	-	-
Equity instruments	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
Other receivables	-	-
Total pledged assets	**-**	**-**

27. Foreclosed assets

In thousands of Denars	Land	Buildings	Equipment	Residential facilities and apartments	Other valuables	Total
Initial carrying amount						
Balance as of January 1, 2024 (Previous year)	577	2.309	-	2.802	581	6.269
foreclosed during the year	-	-	-	24.199	-	24.199
(sold during the year)	(577)	-	-	-	-	(577)
(transfer to own assets)	-	-	-	-	-	-
Balance as of December 31, 2024 (Previous year)	**-**	**2.309**	**-**	**27.001**	**581**	**29.891**
Balance as of January 1, 2025 (Current year)	-	2.309	-	27.001	581	29.891
foreclosed during the year	-	81.330	-	10.818	3.383	95.531
(sold during the year)	-	-	-	(8.666)	-	(8.666)
(transfer to own assets)	-	-	-	-	-	-
Balance as of December 31, 2025 (Current year)	**-**	**83.639**	**-**	**29.153**	**3.964**	**116.756**
Impairment						
Balance as of January 1, 2024 (Previous year)	577	2.309	-	2.802	581	6.269
Impairment loss during the year	-	-	-		-	4.840
(sold during the year)	(577)	-	-	4.840	-	(577)
(transfer to own assets)	-	-	-	-	-	-
Balance as of December 31, 2024 (Previous year)	**-**	**2.309**	**-**	**7.642**	**581**	**10.532**
Balance as of January 1, 2025 (Current year)	-	2.309	-	7.642	581	10.532
Impairment loss during the year	-	16.266	-	6.036	677	22.979
(sold during the year)	-	-	-	(3.120)	-	(3.120)
(transfer to own assets)	-	-	-	-	-	-
Balance as of December 31, 2025 (Current year)	**-**	**18.575**	**-**	**10.558**	**1.258**	**30.391**
Current carrying amount as of						
January 1, 2025 (Previous year)	-	-	-	-	-	-
December 31, 2024 (Previous year)	-	**-**	**-**	**19.359**	**-**	**19.359**
December 31, 2025 (Current year)	-	**65.064**	**-**	**18.595**	**2.706**	**86.365**

As at 31 December 2025, according to the latest valuations available to the Bank, the fair value of the repossessed assets amounts to MKD 156.343 thousand.

28. Intangible assets

A Reconciliation of the current carrying amount

In thousands of Denars	Internally Developed software	Software purchased from external suppliers	Other internally developed intangible assets	Other intangible assets	Investments in intangible assets under lease	Non-controlling interest	Total
Cost							
Balance as of January 1.2024 (Previous year)	-	504.322	-	213.610	86.232	-	804.164
Increase through new purchases	-	152.548	-	20.932	13.316	-	186.796
Increase through internal development	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-
(Transfer to non-current assets held-for-sale)	-	-	-	-	-	-	-
Balance as of December 31.2024 (Previous year)	**-**	**656.870**	**-**	**234.542**	**99.548**	**-**	**990.960**
Balance as of January 1, 2025 (Current year)	-	656.870	-	234.542	99.548	-	990.960
Increase through new purchases	-	106.914	-	34.931	26.645	-	168.490
Increase through internal development	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-
(Transfer to non-current assets held-for-sale)	-	-	-	-	-	-	-
Transfer from non-current assets held-for-sale	-	-	-	-	-	-	-
Balance as of December 31, 2025 (Current year)	**-**	**763.784**	**-**	**269.473**	**126.193**	**-**	**1.159.450**
Depreciation and impairment							
Balance as of January 1.2024 (Previous year)	-	371.074	-	166.561	75.604	-	613.239
Depreciation for the year		77.259	-	23.733	16.177	-	117.169
Impairment loss during the year	-	-		-			-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
Balance as of December 31, 2024 (Previous year)	***-***	***448.333***	***-***	***190.294***	***91.781***	***-***	***730.408***
Balance as of January 1.2025 (Current year)	-	448.333	-	190.294	91.781	-	730.408
Depreciation for the year	-	78.700	-	23.524	13.594	-	115.818
Impairment loss during the year	-	-		-			-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
Balance as of December 31, 2025 (Current year)	***-***	***527.033***	***-***	***213.818***	***105.375***	***-***	***846.226***
Current carrying amount as of							
January 1.2024 (Previous year)	-	*133.248*	-	*47.049*	*10.628*	-	*190.925*
December 31, 2024 (Previous year)	**-**	***208.537***	**-**	***44.248***	***7.767***	**-**	***260.552***

December 31, 2025 (Current year)	**-**	***236.751***	**-**	***55.655***	***20.818***	**-**	***313.224***

28. Intangible Assets (Continued)

B Carrying amount of the intangible assets over which there is limited ownership and/or are pledged as collateral/pledge for bank's liabilities

In thousands of Denars	Internally Developed software	Software purchased from external suppliers	Other internally developed intangible assets	Other intangible assets	Investments in intangible assets under lease	Total
Current carrying amount as of December 31.2024 (Previous year)	-	-	-	-	-	-
December 31.2025(Current year)	-	-	-	-	-	-

As of December 31, 2025, the Group has not pledged intangible assets as security for the Bank's obligations (as of December 31, 2024: none).

29. Property and Equipment

A Reconciliation of the current carrying amount

In thousands of Denars	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Leasehold improvements	Right of use assets	Total
Cost										
Balance as of January 1, 2024 (Previous year)	-	2.302.663	53.548	161.174	1.072.308	105.992	29.726	252.704	-	3.978.115
Increases	-	41.492	-	6.916	91.828	24.030	73.241	25.516	-	263.023
Increase through business combinations	-	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(31.355)	(728)	(49.186)	(111)	(65.428)	-	-	(146.808)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-	-
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2024 (Previous year)	**-**	**2.344.155**	**22.193**	**167.362**	**1.114.950**	**129.911**	**37.539**	**278.220**	**-**	**4.094.330**
Balance as of January 1, 2025 (Current year)	-	2.344.155	22.193	167.362	1.114.950	129.911	37.539	278.220	668.922	4.763.252
Increases	-	71.657	8.468	28.413	143.834	9.187	100.239	19.436		381.234
	-	-	-	-	-	-	-	-		-
(Disposal and write off)	-	(93.589)	-	(5.005)	(11.386)	(21)	(98.293)	(24.321)	-	(232.615)
(Disposal through business combinations)	-	-	-	-	-	-	-	-		-
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-		-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-		-
Other transfers	-	-	-	-	-	-	-	-		-
Balance as of December 31, 2025 (Current year)	**-**	**2.322.223**	**30.661**	**190.770**	**1.247.398**	**139.077**	**39.485**	**273.335**	**668.922**	**4.911.871**
Depreciation and impairment										
Balance as of January 1, 2024 (Previous year)	-	361.130	45.146	135.317	847.359	55.969	-	195.325	-	1.640.246
Depreciation for the year	-	59.020	4.761	11.301	107.527	10.264	-	20.295	-	213.168
Impairment loss during the year	-	-	-	-	-	-	-	-		-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-		-
(Disposal and write off)	-	-	(31.355)	(728)	(49.188)	(97)	-	-		(81.368)
(Transfer to non-current assets held for sale)	-	-								
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-		-
Other transfers	-	-	-	-	-	-	-	-		-
Balance as of December 31, 2024 (Previous year)	***-***	***420.150***	***18.552***	***145.890***	***905.698***	***66.136***	***-***	***215.441***		***1.772.046***
Balance as of January 1, 2025 (Current year)	-	*420.150*	*18.552*	*145.890*	*905.698*	*66.136*	-	*215.620*	-	*1.772.046*
Depreciation for the year	-	*58.457*	*3.771*	*11.996*	*97.856*	*10.676*	-	*18.881*	*105.044*	*306.681*
Impairment loss during the year	-	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(47.478)	-	(5.005)	(11.386)	(17)	-	(27.956)	-	(91.842)
(Transfer to non-current assets held for sale)	-	-								
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2025 (Current year)	***-***	***431.129***	***22.323***	***152.881***	***992.168***	***76.795***	***-***	***206.545***	***105.044***	***1.986.885***
Carrying amount as of										
January 1, 2024 (Previous year)	-	1.941.533	8.402	25.857	224.949	50.023	29.726	57.379	-	2.337.869
December 31, 2024 (Previous year)	***-***	***1.924.005***	***3.641***	***21.472***	***209.252***	***63.775***	***37.539***	***62.600***	***-***	***2.322.284***
December 31, 2025 (Current year)	***-***	***1.891.094***	***8.338***	***37.889***	***255.230***	***62.282***	***39.485***	***66.790***	***563.878***	***2.924.986***

29. Property and Equipment (Continued)

The Group applied IFRS 16 on 1 January 2025 in accordance with the regulations of the NBRNM and the ISA, using the modified retrospective approach. The effect of the initial application of IFRS 16 was recognised as at 1 January 2025..

B. Carrying amount of the items of property, plant and equipment over which there is limited ownership and/or are pledged as collateral/pledge for bank's liabilities

In thousands of Denars	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Leasehold improvements	Total
Carrying amount as of:									
December 31, 2024	-	677	-	-	-	-	-	-	677
December 31, 2025	-	639	-	-	-	-	-	-	639

As at 31 December 2025, the Bank does not have a title deed for a business premises with a net carrying amount of MKD 639 thousand (2024: MKD 677 thousand). The registration process for this property is ongoing before the Agency for Real Estate Cadastre. As at 31 December 2025, the Group has not pledged any property and equipment as collateral for the Group's liabilities (as at 31 December 2024: none) and has no committed obligations for the acquisition of property and equipment..

30. Current and Deferred Tax Assets and Liabilities

30.1 Current tax assets and current tax liabilities

	In thousands of Denars	
	Current year 2025	Previous year 2024
Current income tax receivables	-	1.464
Current income tax liabilities	239.656	90.688

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	Current year 2025			Previous year 2024		
In thousands of Denars	Deferred tax assets	Deferred tax liabilities	Net basis	Deferred tax assets	Deferred tax liabilities	Net basis
	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax assets / liabilities recognized in the income statement						
Loans and advances to banks	2.115	(51.576)	(49.461)	23.281	-	23.281
	-	-	-	-	-	-
Investments in financial assets available for sale	**2.115**	**(51.576)**	**(49.461)**	**23.281**	**-**	**23.281**
Total recognized deferred tax assets / liabilities	**2.115**	**(51.576)**	**(49.461)**	**23.281**	**-**	**23.281**

Б Unrecognized deferred tax assets

	In thousands of Denars	
	Current year 2025	Previous year 2024
Tax losses	-	-
Tax credit	-	-
Total unrecognized deferred tax assets	**-**	**-**

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

30. Current and Deferred Tax Assets and Liabilities (Continued)

30.2 Deferred tax assets and deferred tax liabilities (Continued)

C Reconciliation of the movement of deferred tax assets/liabilities during the year

		Recognized during the year in::		
	As of 01 January	Income statement	Equity	Balance as of 31 December
Previous year 2024				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investment in securities	-	-	23.281	23.281
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Hedges of cash flows	-	-	-	-
Total recognized deferred tax assets/ liabilities	**-**	**-**	**23.281**	**23.281**
Current year 2025				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	-	-	-	-
Investment in securities	-	-	(49.461)	(49.461)
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Hedges of cash flows	-	-	-	-
Total recognized deferred tax assets/ liabilities	**-**	**-**	**(49.461)**	**(49.461)**

31. Non-current Assets Held for Sale and Disposal Group

A Non-current assets held for sale

	In thousands of Denars	
	Current year 2025	Previous year 2024
Intangible assets	-	-
Property and equipment	-	-
Total non-current assets held for sale	**-**	**-**

B Disposal Group

	In thousands of Denars	
	Current year 2025	Previous year 2024
Group of assets for disposal		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investments in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for disposal	**-**	**-**
Liabilities directly associated with the group of assets for disposal		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
Total liabilities directly associated with the group of assets for disposal	**-**	**-**

C Profit/(loss) recognized from the sale of assets held-for-sale and disposal group

	In thousands of Denars	
	Current year 2024	Previous year 2024
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	**-**	**-**

32. Trading Liabilities

	In thousands of Denars	
	Current year 2025	Previous year 2024
Due to banks		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
Due to other customer		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
Issued debt securities		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
Other financial liabilities	-	-
Trading derivatives		
Contracts dependent on the interest rate change	-	-
Contracts dependent on the exchange rate change	-	-
Contracts dependent on the price of securities	-	-
Other contracts that meet the criteria of IFRS 9	-	-
	-	-
Total trading liabilities	-	-

33. Financial Liabilities at Fair Value through Profit or Loss Designated as such upon Initial Recognition

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
Due to banks				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	**-**	**-**	**-**
Due to other customer				
Current accounts, demand deposits and overnight	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	**-**	**-**	**-**
Issued debt securities				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	**-**	**-**	**-**
Subordinated debt	-	-	-	-
Other financial liabilities	-	-	-	-
Total financial liabilities at fair value through profit and loss designated as such upon initial recognition	**-**	**-**	**-**	**-**

	In thousands of Denars	
	Current year 2025	Previous year 2024
Movement of changes in credit capability of the Group, for financial liabilities at fair value		
Balance as of January 1	-	-
Recognized in Other comprehensive income for the year	-	-
(Transfer to other reserve funds)	-	-
Balance as of December 31	**-**	**-**

34. Deposits

34.1 Deposits from banks

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Short-term	Long-term	Short-term	Long-term
Current accounts				
domestic banks	27.885	-	71.886	-
foreign banks	2.218.061	-	1.208.594	-
Demand deposits	-	-	-	-
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Time deposits	-	-	-	-
domestic banks	1.219.014	-	584.203	-
foreign banks	3.074.749	-	4.919.600	-
Restricted deposits	-	-	-	-
domestic banks	610	-	610	-
foreign banks	-	-	-	-
Other deposits	-	-	-	-
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Interest payable on deposits	-	-	-	-
domestic banks	198	-	114	-
foreign banks	366	-	114	-
Current maturity	-	-	-	-
Total deposits from banks	**6.540.883**	**-**	**6.785.121**	**-**

34. Deposits (Continued)

34.2 Deposits from other customer

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Short-term	Long-term	Short-term	Long-term
Non-financial entities				
Current accounts	23.686.632	-	22.520.749	-
Demand deposits	-	-	-	-
Time deposits	2.065.812	7.620.896	1.837.737	7.981.930
Restricted deposits	766.513	1.227.418	749.255	1.062.334
Other deposits	-	-	-	-
Interest payable on deposits	110.897	-	55.304	-
	26.629.855	**8.848.314**	***25.163.046***	***9.044.264***
Government				
Current accounts	154.510	-	211.302	-
Demand deposits	-	-	-	-
Time deposits	-	-	-	-
Restricted deposits	-	-	-	-
Other deposits	-	-	-	-
Interest payable on deposits	-	-	-	-
	154.510	**-**	***211.302***	***-***
Non-profit institutions serving households				
Current accounts	766.831	-	670.924	-
Demand deposits	-	-	-	-
Term deposits	7.000	327.656	93.919	279.889
Restricted deposits	684	545	719	2.176
Other deposits	-	-	-	-
Interest payable on deposits	8.263	-	5.825	-
	782.778	**328.201**	***771.387***	***282.065***
Financial institutions, except banks				
Current accounts	303.061	-	268.268	-
Demand deposits	-	-	-	-
Time deposits	2.795.695	1.131.934	2.057.081	1.403.835
Restricted deposits	910	838	3.125	141.453
Other deposits	-	-	-	-
Interest payable on deposits	24.379	-	25.752	-
	3.124.045	**1.132.772**	**2.354.226**	**1.545.288**
Households				
Current accounts	19.234.401	-	15.892.220	-
Demand deposits	2.099.908	-	1.800.034	-
Time deposits	1.740.893	22.373.809	1.465.424	19.144.159
Restricted deposits	82.847	1.175.324	96.296	1.068.383
Other deposits	16.327	-	16.589	-
Interest payable on deposits	507.525	-	377.082	-
	23.681.901	**23.549.133**	***19.647.645***	***20.212.542***
Foreign entities, except banks				
Current accounts	397.359	-	466.077	-
Demand deposits	2.169	-	2.169	-
Time deposits	1.119	1.631.294	598.031	936.699
Restricted deposits	17.818	233	47.907	20.008
Other deposits	-	-	-	-
Interest payable on deposits	3.519	-	1.708	-
	421.984	**1.631.527**	***1.115.892***	***956.707***
Current maturity	***24.511.440***	***(24.511.440)***	***18.081.110***	***(18.081.110)***
Total deposits from other customers	**79.306.514**	**10.978.507**	**67.344.608**	**13.959.756**

35. Debt securities Issue

	In thousands of Denars	
	Current year 2025	Previous year 2024
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on debt securities issued	-	-
Total debt securities issued	**-**	**-**

36. Borrowings

A Borrowings structure according to liability type and creditor's sector

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Short-term	Long-term	Short-term	Long-term
Banks				
Residents				
Borrowings	-	5.193.628	-	3.879.906
Repo transactions	-	-	-	-
Interest liabilities	6.349	-	5.680	-
Non-residents				
Borrowings	922.425		-	-
Repo transactions	-	-	-	-
Interest liabilities	1.435	-	-	-
Non-financial companies				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Government				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-profit institutions serving households				
Borrowings	-	-	-	-
Interest liabilities	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-residents, except banks				
Non-financial companies				
Borrowings	-	947.129	-	360.537
Repo transactions	-	-	-	-
Interest liabilities	1.734	-	747	-
Government				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non-profit institutions serving households				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Households				
Borrowings	-	-	-	-
Interest liabilities	-	-	-	-
Current maturity	893.158	(893.158)	733.540	(733.540)
Total borrowings	**1.825.101**	**5.247.599**	**739.967**	**3.506.903**

36. Borrowings (Continued)

B Borrowings by lender

	In thousands of Denars			
	Current year 2025		Previous year 2024	
	Short-term	Long-term	Short-term	Long-term
Domestic sources:				
Development Bank of North Macedonia Skopje (DBNM)	6.349	5.193.628	5.680	3.879.906
	6.349	**5.193.628**	***5.680***	***3.879.906***
Foreign sources:				
DHB Bank	923.860			
European Foundation for Southeastern Europe (EFSE)	1.734	947.129	747	360.537
Green for Growth Fund (GGF)	-	-	-	-
	925.594	***947.129***	***747***	***360.537***
Current maturity	*893.158*	*893.158*	733.540	(733.540)
Total borrowings	***1.825.101***	***5.247.599***	**739.967**	**3.506.903**

The Bank has created a pledge over receivables in the form of a notarised deed in favour of the Development Bank of North Macedonia (DBNM), arising from sub-loan agreements with end-borrowers approved under the EIB 4 and 5 credit lines; the Framework Agreement for participation in the programme for financing the development of micro, small and medium-sized enterprises, export support and permanent working capital; the Framework Agreement for participation in the programme for financing energy efficiency (EE) and renewable energy sources (RES) projects; the Framework Agreement for lending for digitalisation and digital transformation, energy efficiency and renewable energy sources projects; and the Framework Agreement for participation in the credit line supporting green and socially responsible investments with funds provided by the French Development Agency. In addition, the pledge covers receivables arising under the Framework Agreement for participation in the credit line for financing investments and development of private commercial companies, and the Framework Agreement for participation in the programme for financing projects that positively contribute to the creation of new jobs in micro, small and medium-sized enterprises (CEB). The Bank is obliged to pledge, in favour of the DBNM, the receivables it acquires on the basis of the agreements it enters into with its customers.

In the event of delayed repayment by the Bank, the DBNM would have an enforceable instrument in the form of a notarised deed, under which it would collect the Bank's debt from the receivables the Bank has from its customers.

36. Borrowings (Continued)

Terms for repayment of obligations

Lender	Security	Currency	Interest Rate	Maturity Year
DBNM	Promissory notes + promissory notes in the form of a notarised deed + pledge over receivables from customers	EUR	From 0,9% to 2,79 %	2029 - 2038
DBNM	Promissory notes + promissory notes in the form of a notarised deed + pledge over receivables from customers	EUR	1%+3 мес. ЕУРИБОР	2027 - 2033
EFSE	Unsecured loan	EUR	From 1,8% to 2,30% + 6 month EURIBOR	2027 - 2029
DHB	Unsecured loan	EUR	3,5%	2026
DBNM	Promissory notes + promissory notes in the form of a notarised deed + pledge over receivables from customers	MKD	From 0%	2030 - 2040

For the lender EFSE, covenants have been established, and the Bank was in compliance as at 31 December 2025.

37. Subordinated debt

	In thousands of Denars	
	Current year 2025	Previous year 2024
Subordinated deposit liabilities (list separately)		
____________________	-	-
____________________	-	-
____________________	-	-
____________________	-	-
____________________	-	-
Interest liabilities	-	-
	-	-
Subordinated loan liabilities (list separately)		
____________________	-	-
____________________	-	-
____________________	-	-
____________________	-	-
____________________	-	-
Interest liabilities	-	-
	-	-
Subordinated debt on issued securities (list separately)		
____________________	-	-
____________________	-	-
____________________	-	-
____________________	-	-
____________________	-	-
Interest liabilities	-	-
	-	-
Redeemable preference shares	-	-
Total subordinated debt	-	-

38. Special Reserve and Provision

In thousands of Denars	Provision for off-balance sheet credit exposures	Provisions for contingent liabilities arising from litigation	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for erroneous contracts	Other provision	Total
Balance as of January 1, 2024 (Previous year)	92.873	38.261	230.826	-	-	854.376	1.216.336
additional provisions during the year	347.197	14.535	268.247	-	-	83.324	713.303
(used provisions during the year)	-	-	(187.967)	-	-	-	(187.967)
(release of provisions during the year)	(315.018)	(22.561)	(197)	-	-	-	(337.776)
Effect of exchange rate differences	2.107	-	-	-	-	-	2.107
Balance as of December 31, 2024 (Previous year)	**127.159**	**30.235**	**310.909**	**-**	**-**	**937.700**	**1.406.003**
Balance as of January 1, 2025 (Current year)	127.159	30.235	310.909	-	-	937.700	1.406.003
additional provisions during the year	215.403	6.157	279.807	-	-	114.924	616.291
(used provisions during the year)	-	-	(182.962)	-	-	-	(182.962)
(release of provisions during the year)	(205.936)	(1.465)	(27.535)	-	-	-	(234.936)
Effect of exchange rate differences	(4.604)	-	-	-	-	-	(4.604)
Balance as of December 31, 2025 (Current year)	**132.022**	**34.927**	**380.219**	**-**	**-**	**1.052.624**	**1.599.792**

38. Special reserve and provision (Continued)

The present value of the provisions for employee benefits relating to retirement severance payments is determined by discounting the estimated future cash outflows. The Group also recognises provisions for employee bonuses and for vacation allowance.
The principal actuarial assumptions used are as follows:

Year	2025	2024
Interest rate	5,1%	5,3%
Average salary growth	5,0% yearly	5,6% yearly/ 0,47% monthly
Personal income tax rate	10% only for 1 basis for retirement benefits	10% only for 1 basis for retirement benefits

In order to determine the present value of the expected future obligations for retirement severance payments and the related current service cost, a model has been developed in accordance with the Projected Unit Credit Method (PUCM). The estimated expected value of the obligation takes into account the probability that the benefit will be realised, derived based on the probability that the employee will not terminate employment with the Group and will, at the same time, reach retirement. This probability is derived based on the defined actuarial assumptions for mortality and employee turnover.
The present value of the obligation represents the discounted value, as at the calculation date, of the estimated expected value of the obligation, calculated in accordance with the assumptions and including the probability that the cash outflow will occur. The current service cost represents the discounted value, as at the calculation date, of the projected expected value of the unit, including the probability that the cash outflow will occur.
The amount of MKD 1,052,625 thousand (2024: MKD 937,700 thousand) within other provisions represents the amount of the subsidiary’s net technical reserves, as follows:

	In thousands of denars	*In thousands of denars*
	current year 2025	current year 2024
Transfer premium	646.125	481.509
Reported damages	231.602	250.170
Incurred but unreported damages (IBNR)	243.475	226.149
IBNR – reinsurance section	14.576	13.431
Reserves for indirect costs	9.415	11.690
Reserves for direct costs	(95.468)	(48.048)
Gross reserves for bonuses and discounts	2.900	2.799
Total remaining reservations	**1.052.625**	**937.700**

39. Other Liabilities

	In thousands of Denars	
	Current year 2025	Previous year 2024
Trade payables	5.001	7.905
Received advances	-	-
Liabilities for commissions and fees	15.430	18.837
Accrued expenses	373	71
Deferred income from previous year	137.154	144.396
Short term employee liabilities	-	-
Short-term liabilities for employee benefits	-	-
Brokerage	6	15
Other (liabilities more than 10% of the total other liabilities)	-	-
Liabilities to other banks, upon transactions with Master cards	22.357	81.148
Liabilities to other banks, upon transactions with Visa cards	253.733	281.836
Liabilities to other banks for settlement from card operations	109.712	99.005
Other card-related liabilities	45.218	-
Reinsurance obligations	58.993	17.373
Obligations towards policyholders	-	(594)
Deposits for performing of work	4.387	1.567
Other taxes and contributions	14.455	11.472
Undistributed inflow (in MKD)	16.592	9.845
Undistributed foreign exchange inflow	200.236	198.750
Founding deposit for firms	7.051	11.740
Retail settlement liabilities	10.843	-
Obligations to empoyees	11.051	10.596
Lease liabilities	561.048	
Other	133.953	130.631
Total other liabilities	**1.607.593**	**1.024.593**

40. Subscribed Capital

A Subscribed Capital

	In Denars		*number of issued shares*				*In thousands of Denars*	
	Nominal value per share		Ordinary shares		Preference shares nonredeemable		Total subscribed capital	
	ordinary shares	preference shares - nonredeemable	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Balance at 1 January - fully paid	10.000	-	1.407.691	1.284.691	-	-	14.076.910	12.846.910
Subscribed shares during the year	10.000	-	-	123.000	-	-	-	1.230.000
Realization of share options	-	-			-	-		
Division/ increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
As at 31 December – fully paid	**10.000**	**-**	**1.407.691**	**1.407.691**	**-**	**-**	**14.076.910**	**14.076.910**

Holders of ordinary shares are entitled to dividends when declared and are entitled to one vote at the Bank's Shareholders' Assembly for each ordinary share (2025: one ordinary share). All shares carry the right to a proportionate participation in the distribution of the remaining bankruptcy or liquidation estate.

40. Subscribed Capital (Continued)

B Dividends

B.1 Declared dividends and dividends paid by the Group

	In thousands of Denars	
	Current year 2025	Previous year 2024
Dividends declared and paid dividends for the year	-	-

	In thousands of Denars	
	Current year 2025	Previous year 2024
Dividend per ordinary share	-	-
Dividend per preferential share	-	-

B.2 Announced dividend after the balance sheet date (the liabilities for dividends are not shown in the Balance sheet)

	In thousands of Denars	
	Current year 2025	Previous year 2024
Announced dividends following December 31	-	-

	In thousands of Denars	
	Current year 2025	Previous year 2024
Dividend per ordinary share	-	-
Dividend per preferential share	-	-

There is no proposed dividend by the Supervisory Board of the Group following the balance sheet date.

40. Subscribed Capital (Continued)

C Shareholders with more than 5% voting shares

	In thousands of Denars		*In %*	
	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
Name of the shareholder	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
Turkiye Halk Bankasi A.S. Istanbul	14.029.050	14.029.050	99,66%	99,66%
Вкупно	**14.029.050**	**14.029.050**	**99,66%**	**99,66%**

Statutory reserve

Under local statutory regulations, the Group is required to calculate and allocate 5% of the net profit for the year to a statutory reserve until the level of reserves reaches an amount equal to one tenth of the share capital. Until the statutory reserve exceeds the prescribed minimum amount, it may be used only to cover losses. Once the statutory reserve exceeds the minimum amount and after covering all losses from the annual financial statements, the surplus may, by decision of the Shareholders' Assembly, be used to supplement the dividend, if the dividend for the financial year has not reached the minimum amount prescribed by the Law on Trade Companies or by the Group's Articles of Association. As at 31 December 2025, the Group has reached the prescribed amount for the statutory reserve..

Fair value reserve

The Group's fair value reserve comprises the cumulative net change in the fair value of investments measured at fair value through other comprehensive income, excluding impairment losses, until the investment is derecognised.

Revaluation reserve for assets repossessed in settlement of non-performing receivables

Revaluation reserves for assets repossessed in settlement of non-performing receivables are created at the time the repossessed assets are recognised.

On the date the asset is repossessed, the Group is required to present an impairment loss in the statement of financial position of at least 20% of the initial carrying amount of the repossessed asset. If the amount of the recognised value adjustment/specific reserve is greater than the impairment loss, the Group is required to recognise this difference as a revaluation reserve as at the repossession date.

The Group derecognises the revaluation reserve by releasing it to the statement of profit or loss at the time the asset is sold. In addition, the revaluation reserve may be derecognised in cases where the asset has not been sold, but the revaluation reserve is excluded from additional capital in accordance with the Decision on the methodology for determining capital adequacy.

Share premium

Share premium as at 31 December 2025 in the amount of MKD 325,854 thousand (2024: MKD 325.854 thousand) represents the difference between the nominal value and the issue price of the shares..

41. Earnings per share

A *Basic earnings/(loss) per share*

	In thousands of Denars	
	Current year 2025	Previous year 2024
Net profit attributable to holders of ordinary shares		
Net profit for the year	2.161.628	1.854.461
Dividends on non-redeemable preference shares		-
Adjustments to net profit attributable to ordinary shareholders		-
Net - Profit attributable to holders of ordinary shares	**2.161.628**	**1.854.461**

	Number of shares	
Weighted average number of ordinary shares	Current year 2025	Previous year 2024
Issued ordinary shares as of January 1	1.407.691	1.284.691
Effects of the changes in the number of ordinary shares during the year:		
Effect of shares issued	-	-
Effect of shares issued as of 18.10.2024	-	24.869
Weighted average number of ordinary shares as of 31 December	**1.407.691**	**1.309.560**
Basic earnings per share (in Denars)	***1.536***	***1.416***

B *Diluted earnings/(loss) per share*

	In thousands of Denars	
	Current year 2025	Previous year 2024
Net profit attributable to holders of ordinary shares (diluted)		
Net profit for the year attributable to holders of ordinary shares	2.161.628	1.854.461
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares	-	-
Net - Profit attributable to holders of ordinary shares (diluted)	**2.161.628**	***1.854.461***

	Number of shares	
Weighted average number of ordinary shares (diluted)	Current year 2025	Previous year 2024
Issued ordinary shares as of 1 January	1.407.691	1.284.691
Effects of issued potential ordinary shares (list separately)		
Effect of shares issued	-	-
Effect of shares issued as of 18.10.2024	-	24.869
Weighted average number of ordinary shares (diluted) as of December 31	***1.407.691***	***1.309.560***
Diluted earnings per share (MKD)	***1.536***	***1.416***

42 Contingent Liabilities and Contingent Assets

42.1 Contingent liabilities

	In thousands of Denars	
	Current year 2025	Previous year 2024
Unsecured payment guarantees		
In Denar	4.403.314	3.203.197
In foreign currency	328.686	383.627
in Denar with foreign currency clause	3.669.177	3.652.545
Unsecured performance guarantees		
In Denar	2.547.105	2.212.921
In foreign currency	810.781	1.042.334
in Denar with foreign currency clause	3.099.310	2.716.665
Unsecured letter of credit		
In Denar	-	-
In foreign currency	912.985	1.693.856
in Denar with foreign currency clause	-	-
Unused overdraft on current accounts	727.890	678.573
Unused credit card limits	1.013.133	957.952
Commitments for credit and unused credit limits	2.354.772	1.757.524
Issued covered guarantees	515.137	448.716
Covered letters of credit	-	98.983
Other covered contingent liabilities	-	-
Total contingent liabilities before special reserve	**20.382.290**	***18.846.188***
(Special reserve)	(132.024)	(127.161)
Total liabilities less special reserve	**20.250.266**	**18.719.027**

42 Contingent Liabilities and Contingent Assets (Continued)

42.1 Contingent Liabilities (Continued)

The Group issues bank guarantees and letters of credit to secure its customers' operations with third parties. These agreements have fixed limits and are usually granted for a period of up to one year. Maturities are not concentrated in any single period.

These contingent liabilities carry off-balance-sheet credit risk because only the fees and provisions for expected losses are recognised in the statement of financial position until the assumed and contingent obligations are settled or mature. A significant portion of the assumed and contingent obligations will mature without being advanced, in whole or in part. Accordingly, the amounts do not represent future cash flows

Legal proceedings

The Bank is involved in legal proceedings arising from its regular operations. As at 31 December 2025, the amount of legal claims filed against the Bank totalled MKD 119,759 thousand (2024: MKD 352,831 thousand), for which a provision of MKD 32,815 thousand was recognised (2024: MKD 28,130 thousand). The Bank's management believes that the final outcome of the remaining legal proceedings will be resolved in the Bank's favour and that no materially significant losses will arise from these disputes.

As at 31 December 2025, the subsidiary is involved in three active legal proceedings as a defendant, which do not relate to its core activity, i.e. are not connected with damage compensation claims. The subsidiary had no new legal proceedings initiated in 2025; all legal proceedings originate from prior years. The subsidiary expects that part of the disputes will be resolved in its favour during 2026, while for those disputes for which a negative outcome is expected, the subsidiary has recognised a provision of MKD 4,112,510 (2024: MKD 1,149,458).

42.2 Contingent Assets

	In thousands of Denars	
	Current year 2025	Previous year 2024
List separately the more significant contingent assets:		
Total contingent assets	-	-

43. Activities on behalf of third parties

	In thousands of Denars					
	Current year 2025			Previous year 2024		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Deposits in denars	4.000	-	4.000	4.000	-	4.000
Foreign currency deposits	-	-	-	-	-	-
Loans in denars	165.061	-	165.061	204.521	-	204.521
Foreign currency loans	-	-	-	-	-	-
Other receivables in denars	2.108.455	-	2.108.455	2.025.497	-	2.025.497
Other foreign currency receivables	-	-	-	-	-	-
Asset management on behalf and for account of third parties						
Deposits in denars	-	(4.000)	(4.000)	-	(4.000)	(4.000)
Foreign currency deposits	-	-	-	-	-	-
Loans in denars	-	(165.061)	(165.061)	-	(204.521)	(204.521)
Foreign currency loans	-	-	-	-	-	-
Other receivables in denars	-	(2.108.455)	(2.108.455)	-	(2.025.497)	(2.025.497)
Other foreign currency receivables	-	-	-	-	-	-
Trust accounts	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**2.277.516**	**(2.277.516)**	**-**	**2.234.018**	**(2.234.018)**	**-**

The Group is active at the primary and secondary market in order to purchase securities in the name and on behalf of individuals and entities wishing to dispose the same, whether it be in government bills or treasury bills.

44. Related party transactions

Türkiye Halk Bankasi A.S., Istanbul holds 99.66% (2024: 99.66%) of the voting shares and is the Bank's parent company. The ultimate parent of the Group is the Turkish Wealth Fund (Türkiye Varlık Fonu), which is owned by the Republic of Turkey Prime Ministry Privatization Administration and controlled by the State Treasury of the Republic of Turkey.

In accordance with the Law on Banks, related parties of the Bank include: persons with special rights and responsibilities in the Bank and their related parties; shareholders with a qualifying holding in the Bank (directly or indirectly holding at least 5% of the total number of shares or of the issued voting shares in the Bank, or enabling significant influence over the management of the Bank) and their related parties; as well as the responsible persons of those shareholders – legal entities and subsidiaries of the Bank, and other persons with whom the Bank has close links.

Balances and transactions with related parties are presented below.

44. Related party transactions (Continued)

A Consolidated Balance sheet

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel of the Group	Other related parties	Total
***Balance as of December 31.2025* (Current year)**						
Assets						
Current accounts	8.849	-	-	-	-	8.849
Trading assets	-	-	-	-	-	-
Loans and receivables					-	-
mortgage loans	-	-	-	115.130	24.541	139.671
consumer loans	-	-	-	42.731	5.316	48.047
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	-	-	5.399	1.660	7.059
Investment in securities	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-
(Allowance for impairment)	(6)	-	-	(145)	(35)	(186)
Other assets	-	-	-		-	-
Total	**8.843**	**-**	**-**	**163.115**	**31.481**	**203.439**
						-
Liabilities						-
Trading liabilities	-	-	-	-	-	-
Deposits	5.289.026	-	-	164.440	110.040	5.563.506
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	922.425	922.425
Subordinated debt	-	-	-	-	-	-
Other liabilities	366	-	-	2.730	4.016	7.112
Total	**5.289.392**	**-**	**-**	**167.170**	**1.036.481**	**6.493.043**
						-
Contingent liabilities						-
Issued guarantees	916.843	-	-	-	1.802	918.645
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	16.424	3.416	19.840
(Special reserve)	(318)	-	-	(19)	(3)	(340)
Total	**916.525**	**-**	**-**	**16.404**	**5.215**	**938.145**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

44. Related party transactions (Continued)

A Consolidated Balance sheet (Continued)

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel of the Group	Other related parties	Total
***Balance as of December 31.2024* (Previous year)**						
Assets						
Current accounts	13.305	-	-	-	-	13.305
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	92.009	8.208	100.217
consumer loans	-	-	-	49.472	14.573	64.045
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	-	-	5.773	1.822	7.595
Investment in securities	-	-	-	-	-	-
Investment in a subsidiary	-	-	-	-	-	-
(Allowance for impairment)	(9)	-	-	(38)	(19)	(66)
Other assets	1.941	-	-		-	1.941
Total	**15.237**	**-**	**-**	**147.216**	**24.584**	**187.037**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	6.114.709	-	-	144.112	108.188	6.367.009
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	114	-	-	-	-	114
Total	**6.114.823**	**-**	**-**	**144.112**	**108.188**	**6.367.123**
Contingent liabilities						
Issued guarantees	800.012	-	-	-	2.728	802.740
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	17.482	2.574	20.056
(Special reserve)	(264)	-	-	(12)	(2)	(278)
Total	**799.748**	**-**	**-**	**17.470**	**5.300**	**822.518**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

44. Related party transactions (Continued)

B Income and expenditures arising from related party transactions

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel of the Group	Other related parties	Total
2025 (Current year)						
Income						
Interest income	4.736	-	-	5.765	1.394	11.895
Fee and commission income	5.413	-	-	528	258	6.198
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
Total	**10.148**	**-**	**-**	**6.293**	**1.652**	**18.093**
						-
Expense						-
Interest expense	(2.369)	-	-	(3.036)	(20.169)	(25.574)
Fee and commission expense	(16.277)	-	-	-	-	(16.277)
Net trading loss	-	-	-	-	-	-
Expenditures for the purchase of non-current assets	-	-	-	-	-	-
Impairment of financial assets, net	-	-	-	-	-	-
Other expenses	-	-	-	(390)	-	(390)
Transfers between entities	-	-	-	-	-	-
Total	**(18.646)**	**-**	**-**	**(3.426)**	**(20.169)**	**(42.241)**

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel of the Group	Other related parties	Total
2024 (Previous year)						
Income						
Interest income	3.151	-	-	5.491	1.375	10.017
Fee and commission income	10.103	-	-	220	134	10.457
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
Total	**13.254**	**-**	**-**	**5.711**	**1.509**	**20.474**
						-
Expense						-
Interest expense	(1.657)	-	-	(2.160)	(2.876)	(6.693)
Fee and commission expense	(7.356)	-	-	-	-	(7.356)
Net trading loss	-	-	-	-	-	-
Expenditures for the purchase of non-current assets	-	-	-	-	-	-
Impairment of financial assets, net	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
Total	**(9.013)**	**-**	**-**	**(2.160)**	**(2.876)**	**(14.049)**

44. Related party transactions (Continued)

C Management compensations

	In thousands of Denars	
	Current year 2025	Previous year 2024
Short-term employee benefits	307.774	262.684
Benefits after termination of employment	-	-
Benefits for termination of employment	-	-
Payments to employees based on shares settled with equity instruments	-	-
Payments to employees based on shares settled with cash	-	-
Other	-	-
Total	**307.774**	**262.684**

45. Leases

A Lessor

A.1 Financial leases receivables

	In thousands of Denars	
	Current year 2025	Previous year 2024
Receivables from finance leases (amount of undiscounted payments), by maturity period		
up to 1 year	-	-
over 1 to 2 years	-	-
over 2 to 3 years	-	-
over 3 to 4 years	-	-
over 4 to 5 years	-	-
over 5 years	-	-
Total	**-**	**-**
(unearned finance income)	-	-
Total receivables from finance leases	**-**	**-**

45. Leases (Continued))

A Lessor

A.2 Receivables from irrevocable operating leases

	In thousands of Denars	
	Current year 2025	Previous year 2024
Receivables from operating leases (amount of undiscounted payments), by maturity period		
up to 1 year	-	-
over 1 to 2 years	-	-
over 2 to 3 years	-	-
over 3 to 4 years	-	-
over 4 to 5 years	-	-
over 5 years	-	-
Total	**-**	**-**

In thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
Value of property given under operating leasehold	-	-	-	-	-	-	-
Balance as of December 31.2025 (Current year)	-	-	-	-	-	-	-
Balance as of December 31.2024 (Previous year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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

45. Leases (Continued)

B Lessee
B.1 Liabilities for financial leases

	In thousands of Denars	
	Current year 2025	Previous year 2024
Lease liabilities, by maturity period		
up to 1 year	-	-
over 1 to 2 years	8.750	-
over 2 to 3 years	5.765	-
over 3 to 4 years	15.060	-
over 4 to 5 years	104.634	-
over 5 years	426.839	-
Total lease liabilities (Note 39)	**561.048**	**-**

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

45. Leases (Continued)

B Lessee

B.1 Liabilities for financial leases

In thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
Value of a property given under financial lease							
Cost value							
Balance as of January 1, 2024 (Previous year)	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0
(Disposals and write-offs)	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Balance as of December 31, 2024 (Previous year)	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Balance as of January 1, 2025 (Current year)	0	573.647	95.275	0	0	0	668.922
Additions	0						
(Disposals and write-offs)	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Balance as of December 31, 2025 (Current year)	***0***	***573.647***	***95.275***	***0***	***0***	***0***	***668.922***
Accumulated depreciation and impairment							
Balance as of January 1, 2024 (Previous year)	0	0	0	0	0	0	0
Depreciation for the year	0	0	0	0	0	0	0
Impairment loss during the year	0	0	0	0	0	0	0
(Release of the impairment loss during the year)	0	0	0	0	0	0	0
(Disposals)	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Balance as of December 31, 2024 (Previous year)	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Balance as of January 1, 2025 (Current year)	0	84.788	20.256	0	0	0	105.044
Depreciation for the year							
Impairment loss during the year	0	0	0	0	0	0	
(Release of the impairment loss during the year)	0	0	0	0	0	0	
(Disposals)	0	0	0	0	0	0	
Other	0	0	0	0	0	0	
Balance as of December 31, 2025 (Current year)	***0***	***84.788***	***20.256***	***0***	***0***	***0***	***105.044***
Current carrying amount as of							
January 1, 2024 (Previous year)	0	0	0	0	0	0	0
***December 31, 2024* (Previous year)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
***December 31, 2025* (Current year)**	**0**	**488.859**	**75.019**	**0**	**0**	**0**	**563.878**

46. Share based payments

	In thousands of Denars	
	Current year 2025	Previous year 2024
Date of granting of option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Share price on the date the option is granted	-	-
Variance	-	-
Expected dividend return	-	-
Interest rate	-	-
Fair value on the date the option is granted	-	-

	Current year 2025		Previous year 2024	
	number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
Balance as of January 1	-	-	-	-
Changes during the year:				
options given to the members of Supervisory Board	-	-	-	-
options given to the members of Board of Directors	-	-	-	-
other given options	-	-	-	-
forfeited options	-	-	-	-
realized options	-	-	-	-
options with expired deadline	-	-	-	-
Balance as of December 31	**-**	**-**	**-**	**-**

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

47. Tax risk

The Group's financial statements and accounting records are subject to tax audit by the tax authorities for a period of five years after the submission of the tax return for the financial year and may result in additional tax liabilities. According to the Group management's assessment, there are no additional circumstances that could give rise to potentially materially significant liabilities on this basis.

48. Events after the reporting period

From the reporting date up to the date of approval of these financial statements, there have been no events requiring adjustment or additional disclosures in the consolidated financial statements for the year ended 31 December 2025.
During 2026, after the reporting date, the geopolitical conflict in Iran and the Middle East escalated, representing a significant international event. Based on the assessment performed, management considers that this event has neither a direct nor a material impact on the Bank's financial position, operating results, or cash flows. The Bank will continue to closely monitor further developments and, where appropriate, will disclose their potential effects in future reporting periods.