HALK BANK AD Skopje

Separate Financial Statements
For the Year Ended 31 December 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

KPMG AUDIT DOO Skopje
3 Filip Vtori Makedonski Street
Skopje 1000, Republic of North Macedonia
+389 (2) 3135 220
mk-office@kpmg.com
kpmg.com/mk

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 Separate Financial Statements

Opinion

We have audited the separate financial statements of Halkbank AD Skopje (“the Bank”), which comprise:

- the separate balance sheet as at 31 December 2025;

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

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

and

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

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2025, and of its unconsolidated financial performance and its unconsolidated 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 Separate Financial Statements* section of our report. We are independent of the Bank 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

KPMG AUDIT DOO Skopje, a limited liability company registered in the Republic of North Macedonia and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registered with the Trade Register of the Republic of North Macedonia with EMBS: 5078598

Tax No. MK4030996107850

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 separate annual report on the activities and the separate annual account prepared by management in accordance with the requirements of the Trading Companies Law, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements

Management is responsible for the preparation of separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Bank'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 Bank'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 separate 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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate annual report on the activities of the Bank 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 separate annual report on the activities with the historical financial information disclosed in the separate annual account and the audited separate financial statements of the Bank as at and for the year ending 31 December 2025.

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

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

	Note	*In thousands of Denars* 2025	2024
Interest income		5.718.050	5.276.878
Interest expense		(1.344.606)	(1.077.901)
Interest income/(expense), net	6	**4.373.444**	**4.198.977**
Fee and commission income		2.040.770	1.809.465
Fee and commission expense		(1.061.931)	(952.499)
Fee and commission income/(expense), net	7	**978.839**	**856.966**
Net trading income/(loss)	8	(76)	(957)
Net income from other financial instruments recorded at fair value	9	-	-
Foreign exchange gains/(losses), net	10	261.870	231.179
Other operating income	11	186.079	158.847
Share of profit from associates	24	-	-
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(440.354)	(896.374)
Impairment losses of non – financial assets, net	13	(3.872)	-
Personnel expenses	14	(1.120.329)	(1.121.152)
Depreciation and amortization	15	(371.409)	(294.479)
Other operating expenses	16	(1.300.872)	(1.083.384)
Share of loss from associates	24	-	-
Profit/(Loss) before tax		**2.563.320**	**2.049.623**
Income tax expense	17	(416.161)	(196.526)
Profit/(loss) for the year from continuing operations		**2.147.159**	**1.853.097**
Profit /(loss) from group of assets and liabilities held for sale*		**-**	**-**
Profit / (loss) for the year		**2.147.159**	**1.853.097**
Profit / (loss) for the year, attributable to*:			
Shareholders of the Bank		-	-
Non-controlling interest		-	-
Earnings per share:			
basic earnings per share (in Denars)	41	1.525	1.415
diluted earnings per share (in Denars)		1.525	1.415

The Bank's separate financial statements 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
Chef Executive Director

Dr. Berkan Imeri
Executive Director

Mr. Aleksandar Iljov
Executive Director

Mr. Muhammed Hadzipazi
Executive Director

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

	Note	2025	2024
		In thousands of Denars	
Profit/(loss) for the year		**2.147.159**	**1.853.097**
		-	-
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	17.003
- 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		**425.935**	**77.546**
Total other gains/ (losses) in the period		**425.935**	77.546
Total comprehensive income for the financial year,		**2.573.094**	**1.930.645**
Total comprehensive income for the financial year, attributable to*:			
Shareholders of the Bank		**2.573.094**	**1.939.645**
Non-controlling interest		-	-
		-	-

The Bank's separate financial statements 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
Chef Executive Director

Dr. Berkan Imeri
Executive Director

Mr. Aleksandar Iljov
Executive Director

Mr. Muhammed Hadzipazi
Executive Director

Separate Balance Sheet as of 31 December 2025

	Note	*In thousands of Denars* 2025	2024
Assets			
Cash and cash equivalents	18	19.226.315	22.633.150
Held-for-trading assets	19	-	-
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	-	-
Loans and advances to other customers	22,2	87.431.460	71.755.709
Investments in securities	23	16.111.497	14.207.076
Investments in associates (recorded according to “equity method”)	24	1.368.843	1.368.843
Income tax receivables (current)	30.1	-	-
Other receivables	25	1.631.647	1.502.862
Pledged assets	26	-	-
Foreclosed assets	27	86.365	19.359
Intangible assets	28	195.211	144.988
Property, plant and equipment	29	2.696.802	2.116.738
Deferred tax assets	30.2	2.115	23.281
Non-current assets held for sale and disposal group	31	-	-
Total assets		**128.750.255**	**113.772.006**
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	90.504.732	81.494.628
Debt instruments issued	35	-	-
Borrowings	36	7.072.700	4.246.870
Subordinated debt	37	-	-
Special reserve and provisions	38	535.665	459.943
Income tax payable (Current)	30,1	238.872	90.688
Deferred tax liabilities	30,2	51.576	-
Other liabilities	39	1.416.785	878.809
Liabilities directly related to disposal group	31	-	-
Total liabilities		**106.361.213**	**93.956.059**
Equity and reserves			
Share capital	40	14.076.910	14.076.910
Share premium		325.854	325.854
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves		487.415	61.480
Other reserves		3.936.796	2.083.698
Retained earnings/ (Accumulated losses)		3.562.067	3.268.005
Total equity and reserves attributable to the shareholders of the Bank		**22.389.042**	**19.815.947**
Non-controlling interest*		**-**	**-**
Total equity and reserves		**22.389.042**	**19.815.947**
Total liabilities and equity and reserves		**128.750.255**	**113.772.006**
Contingent liabilities	42	20.249.650	18.719.027
Contingent assets	42	-	-

The Bank’s separate financial statements 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	Mr. Vladimir Davchev
Director of the Department for Financial Management Planning and Reporting License no. 0109450	Director of the Division of Financial and Risk Management

Dr. Fatih Shahbaz	Dr. Berkan Imeri	Mr. Aleksandar Iljov	Mr. Muhammed Hadzipazi
Chef Executive Director	Executive Director	Executive Director	Executive Director

Separate 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**	-	-	**(18.425)**	**2.358**	-	-	**-**	**1.202.681**	-	-	**1.249.987**	**1.045.938**	**-**	**16.655.303**	-	**16.655.303**
Corrections on the opening position	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of 31 December 2024 (previous year), corrected	**12.846.910**	**325.854**	**-**	**-**	**(18.425)**	**2.358**	**-**	**-**	**-**	**1.202.681**	**-**	**-**	**1.249.987**	**1.045.938**	**-**	**16.655.303**	**-**	**16.655.303**
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	1.853.097	-	-	1.853.097	-	1.853.097
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	**-**	**-**	**-**	**-**	**60.545**	**17.003**	**-**	**-**	**-**	**-**	**-**	**-**	***1.853.097***	**-**	**-**	**1.930.645**	**-**	**1.930.645**

Separate 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:																		
Share issued in the period	1.230.000	-	-	-	-	-	-	-	-	-	-	-	-	-	1.230.000	-	1.230.000	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	881.017	-	-	(881.017)	-	-	-	-	-	-
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**	**-**	**-**	**-**	**1.853.097**	**1.414.908**	**-**	**19.815.948**	**-**	**19.815.948**
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**	**-**	**-**	**-**	**1.853.097**	**1.414.908**	**-**	**19.815.948**	**-**	**19.815.948**
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year																		
Profit/(loss) for the year																		
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	2.147.159	-	-	2.147.159	-	2.147.159
Changes in fair value of financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
unrealized changes in fair value (net)	-	-	-	-	380.582	-	-	-	-	-	-	-	-	-	-	380.582	-	380.582
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:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Separate 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**			-				**2.147.159**			**2.573.094**		**2.573.094**
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As of 31 December 2025 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.853.097**	**-**	**-**	**(1.853.097)**	**-**	**-**	**-**		**-**
In thousands of Denars	**14.076.910**	**325.854**	**-**	**-**	**422.701**	**64.714**	**-**	**-**	**-**	**3.936.796**	**-**	**-**	**2.147.159**	**1.414.908**	**-**	**22.389.042**	**-**	**22.389.042**

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
Chef Executive Director

Dr. Berkan Imeri
Executive Director

Mr. Aleksandar Iljov
Executive Director

Mr. Muhammed Hadzipazi
Executive Director

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

		In thousands of Denars	
	Note	Current year 2025	Current year 2024
Operating cash flows			
Profit/(Loss) before taxation		2.563.320	2.049.623
Adjusted for:			
Non-controlling interest, included in the consolidated income statement*			-
Depreciation of:			
Intangible assets	15/28	85.442	96.384
Property plant and equipment	15/29	187.476	198.095
Capital gain from:			
Sale of intangible assets		-	-
Sale of property, plant and equipment	11	(38.584)	(13.460)
Sale of foreclosed assets	11	(1.450)	(8.553)
Capital loss from:			
Sale of intangible assets		-	-
Sale of property, plant and equipment		-	-
Sale of foreclosed assets		-	-
Interest income	6	(5.718.050)	(5.276.878)
Interest expense	6	1.344.606	1.077.901
Trading income, net	8	76	957
Impairment losses of financial assets and special reserve, net			
Additional impairment losses and special reserve	12	2.871.586	7.852.131
Release of impairment losses and special reserve	12	(2.431.232)	(6.955.757)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	3.872	-
Release of impairment losses		-	-
Special reserve:			
Additional provisions	38	498.224	629.979
Release of provisions	38	(417.898)	(337.776)
Dividend income	11	(2.778)	-
Share of profit /(loss) of associates		-	-
Other adjustments		-	-
Interest received		5.663.086	5.137.426
Interest paid		(1.160.887)	(893.819)
Profit/(loss) from operations before changes in operating assets		**3.446.809**	**3.556.253**
(Increase)/decrease of operating assets:			
Trading assets		(76)	(957)
Derivative assets held for risk management		-	-
Loans and advances to banks		-	-
Loans and advances to other customers		(16.146.003)	(10.611.005)
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		(131.187)	(51.937)
Deferred tax assets		72.742	-
Non-current assets held-for-sale and disposal group		-	-

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

	Note	*In thousands of Denars* Current year 2025	Current year 2024
Increase/(decrease) in operating liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks		(244.574)	(1.812.943)
Deposits from other customers		8.817.304	14.619.590
Other liabilities		26.396	(511.751)
Liabilities directly related with disposal group		-	-
Net cash flow from operating activities before tax		**(5.801.859)**	**4.880.945**
(Paid)/received income tax		(267.976)	(168.557)
Net cash flow from operating activities		**(6.069.836)**	**4.712.388**
Cash flow from investing activities			
(Investment in securities)		(5.395.071)	(9.908.157)
Inflows from sale of investment in securities		3.962.777	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)	28	(135.665)	(67.345)
Inflows from sale of intangible assets		-	-
(Purchase of property, plant and equipment)		(242.854)	(259.612)
Inflows from sale of property, plant and equipment		69.268	79.606
(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		**(1.738.767)**	**(4.552.543)**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Inflow from issued debt securities		-	-
(Repayment of borrowings)		(2.753.764)	(2.417.219)
Increase of borrowings		5.576.504	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)		-	-
(Other outflows from financing activities)		-	-
Other inflows from financing activities		-	-
Net cash flow from financing activities		**2.822.740**	**939.386**
Effect from allowance for impairment of cash and cash equivalents	12	5.186	(4.400)
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**(4.980.677)**	**1.094.831**
Cash and cash equivalents as at 1 January		17.472.816	16.377.985
Cash and cash equivalents as at 31 December	**18**	**12.492.139**	**17.472.816**

* Only for consolidated financial statements

The Bank's separate 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
Chef 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: 99.66%). 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 aforementioned 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 Denar 198.893 thousand (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 31 December 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 31.12.2021 investment in the Subsidiary is 937.559 thousand denars (Note 24). As of 31 December 2022, the investment in the Subsidiary remains unchanged, i.e., thousands 937.559 Denars.

In January 2023, the Supervisory Board of the Bank adopted a Decision on Recapitalization of the Branch for a new amount of 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 1,184,338 thousand denar.

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 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)

The total number of employees of the Bank as of 31 December 2025 amounted to 864 employees (2024: 832 employees).

The Management Board of the Bank started its operations in 2025 with the following composition:

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

On 22.11.2024, the Supervisory Board reappointed Mr. Berkan Imeri and Mr. Aleksandar Iljov as members of the Management Board. The approvals were issued by the National Bank of the Republic of North Macedonia on 06.02.2025 (received by the Bank on 06.02.2025), and the registration with the Central Registry of the Republic of North Macedonia was completed on 12.02.2025.

On 25.09.2024, the Supervisory Board adopted a decision appointing Mr. Muhammed Hadzi-Pazi as a new member of the Management Board. Following the issuance of approval by the National Bank of the Republic of North Macedonia on 20.03.2025 (received by the Bank on 21.03.2025) and the registration of the change with the Central Registry of the Republic of North Macedonia on 26.03.2025, the Management Board of the Bank continued to operate with the following composition:

Members of the Management Board

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

On 26.08.2025, the Supervisory Board adopted a decision on the termination of the mandate of Mr. Bilal Sucubasi due to his appointment to another managerial position within the Group. Following the registration of the changes with the Central Registry of the Republic of North Macedonia on 05.09.2025, the Management Board of the Bank continued to operate with the following composition:

Members of the Management Board

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

On 26.08.2025, the Supervisory Board adopted a decision appointing Mr. Fatih Shahbaz as a new member of the Management Board and Chief Executive Officer. Following the issuance of approval by the National Bank of the Republic of North Macedonia on 12.12.2025 (received by the Bank on 15.12.2025) and the registration of the change with the Central Registry of the Republic of North Macedonia on 16.12.2025, the Management Board of the Bank continued to operate with the following composition:

INTRODUCTION (Continued)

(a) General Information (Continued)

Members of the Management Board

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

On 30.10.2025, the Supervisory Board reappointed Mr. Berkan Imeri, Mr. Aleksandar Iljov, and Mr. Muhammed Hadzi-Pazi as members of the Management Board. The Bank submitted a request to the National Bank for the issuance of prior approval for the reappointment of the members of the Management Board of Halk Bank AD Skopje, and as of 31.12.2025, the procedure was still ongoing.

The members of the Supervisory Board during 2025 and until the date of these separate 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 Sulejman Ozdil, Member of the Supervisory Board
- Mr. Ilhan Bolukbas, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Fatih Sahbaz, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board
- Mrs. Seydefa Xhafce, Independent Member of the Supervisory Board

On 20.09.2024, the Shareholders' Assembly adopted a decision appointing Mr. Mirach Tash as a new member of the Supervisory Board. Following the issuance of the approvals by the National Bank of the Republic of North Macedonia on 31.12.2024 (received by the Bank on 08.01.2025) and the registration of the changes with the Central Registry of the Republic of North Macedonia on 16.01.2025, the Supervisory Board of the Bank continued to operate with the following composition:

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Recep Sulejman Ozdil, Member of the Supervisory Board
- Mr. Ilhan Bolukbas, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Fatih Sahbaz, Member of the Supervisory Board
- Mr. Mirach Tash, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board
- Mrs. Seydefa Xhafce, Independent Member of the Supervisory Board

Following the resignation submitted by Mr. Fatih Shahbaz as a member of the Supervisory Board on 26.08.2025 (received by the Bank on 27.08.2025) and the registration of the change with the Central Registry of the Republic of North Macedonia on 04.09.2025, the Supervisory Board of the Bank continued to operate with the following composition:

INTRODUCTION (Continued)

(a) General Information (Continued)

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Recep Sulejman Ozdil, Member of the Supervisory Board
- Mr. Ilhan Bolukbas, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Mirach Tash, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board
- Mrs. Seydefa Xhafce, Independent Member of the Supervisory Board

Following the resignation submitted by Mr. Ilhan Bolukbash as a member of the Supervisory Board on 25.09.2025 (received by the Bank on 25.09.2025) and the registration of the change with the Central Registry of the Republic of North Macedonia on 03.10.2025, the Supervisory Board of the Bank continued to operate with the following composition:

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Recep Sulejman Ozdil, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Mirach Tash, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board
- Mrs. Seydefa Xhafce, Independent Member of the Supervisory Board

On 17.10.2025, the Shareholders' Assembly adopted a decision appointing Mr. Bilal Sucubasi and Mr. Seyit Mehmet Yaydemir as new members of the Supervisory Board. Following the issuance of the approvals by the National Bank of the Republic of North Macedonia on 26.01.2026 (received by the Bank on 27.01.2026), the Supervisory Board of the Bank continued to operate with the following composition:

- Mr. Osman Arslan – President of the Supervisory Board
- Mr. Recep Sulejman Ozdil, Member of the Supervisory Board
- Mr. Olcay Atlioglu, Member of the Supervisory Board
- Mr. Bilal Sucubasi, Member of the Supervisory Board
- Mr. Seyit Mehmet Yaydemir, Member of the Supervisory Board
- Mr. Mirach Tash, Member of the Supervisory Board
- Mrs. Biljana Angelova, Independent Member of the Supervisory Board
- Mrs. Seydefa Xhafce, Independent Member of the Supervisory Board

INTRODUCTION (Continued)

(b) Basis of Preparation of Separate Financial Statements

The separate financial statements were approved by the Bank's Board of Directors on January 30, 2026 and were adopted by the Bank's Supervisory Board on January 30, 2026.

Standards on the basis of which the separate financial statements are prepared

The data in the attached special financial reports of the Bank have been prepared in accordance with the Law on Commercial Companies, the Law on Banks, the secondary legislation prescribed by the NBRNM, as well as in accordance with the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial reports (hereinafter referred to as "Methodology") ("Official Gazette of the Republic of North Macedonia" No. 83/17) and the Decision on the types and content of financial statements of banks ("Official Gazette of the Republic of North Macedonia" No. 83/17 and 149/18) , prescribed by NBRNM.

Presentation of the Separate Financial Statements

These financial statements represent the Bank's separate financial statements. Starting from 2019, the Bank has investments in a subsidiary and since 2019, the Bank prepares consolidated financial statements in accordance with the Methodology.

The Bank's separate financial statements are presented in accordance with the format and content of the balance sheet forms published in the Decision on the Types and Content of Financial Statements of Banks ("Official Gazette of the Republic of Macedonia" No. 83/17, 149/18 and 275/2024) (hereinafter referred to as the "Decision").

Functional and Reporting Currency

The accompanying separate financial statements are presented in Macedonian Denars ("MKD" or "Denar"), which is the functional and reporting currency of the Bank. Except where indicated, financial information is presented in thousands of Denars.

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

INTRODUCTION (Continued)

(b) Basis of Preparation of Separate Financial Statements (continued)

Use of Estimates and Judgements

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

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

Information regarding the critical judgments in implementation of the accounting policies with the most significant impact on the amounts disclosed in the separate financial statements are disclosed in note 1(d).

(c) Significant Accounting Policies

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

(i) Foreign Currency Transactions

Business changes in foreign currency are translated to denars at exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to denars at the exchange rate at the balance sheet date. Gains and losses from foreign exchange differences from monetary items is the difference between amortized cost in local currency to the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in the income statement.

The foreign currencies in which the Bank operates are predominantly in Euro (EUR) and U.S. Dollars (USD).

The exchange rates as of 31 December 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 expense are recognized in the income statement for all interest bearing instruments on accrual basis, measured at amortized cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering the contractual terms of the financial instrument but not future credit loss impairment. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

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

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities measured at amortized cost using an effective interest rate;
- interest on financial assets and liabilities measured at fair value through the remaining comprehensive income using an effective interest rate.

(iii) Fees and Commissions

Revenues and expenditures of fees and commissions that are an integral part of the effective interest rate on financial assets and liabilities are included in the calculation of the effective interest rate.

Other fees and commissions, including the financial services provided by the Bank in respect of currency exchange, payment operations in the country and abroad, guarantees, letters of credit and other services are recognized as the related services are performed. When a loan commitment is not expected to result in the withdrawal of loan, the fees for loans is recognized proportionately over the period of payment.

Other fees and commissions expenses are related to financial services the Bank receives and are recognized as an expense as the related service is received.

(iv) *Dividend Income*

Dividends are recognized when the entity has the right to receive payment. Dividends are recognized as part of net trading income or dividend income based on the underlying classification of the instrument.

(v) Rent Expenses

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (continued)

(vi) *Current and Deferred Tax Expenses*

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date of 10%, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent for which is probable that the future taxable profits against which the asset can be utilized. Deferred tax assets are estimated at the end of each reporting period and reduced to the extent that is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it is probable that sufficient taxable profit will be available.

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

On 3 January 2025, the Law on Minimum Global Corporate Tax was adopted, with application for the fiscal year starting on 1 January 2024. This law aligns with Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large domestic groups within the Union. The Bank has calculated the minimum global tax, and it is presented under the item “Income tax.”

INTRODUCTION (Continued)

(c) Significant Accounting Policies (continued)

(vii) *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 that are not measured at fair value through the income statement, for transaction costs that are directly related to the acquisition or issuance.

Classification

Financial assets can be classified in one of the following categories:

- a monetary asset,
- equity instruments 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 to the Bank, or
- a contract that will or may be settled in the Bank's own equity instruments, and is
  a) a non-derivative for which the bank is or may be obliged to receive variable number of its own equity instruments, or
  b) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the bank's own equity instruments.

Financial liabilities are classified according to the content of the contractual engagement and include: deposit with banks, financial institutions and clients, borrowings and other liabilities.

The Bank classifies the financial assets at initial recognition. Financial assets can be classified in one of the following categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through other comprehensive Income;
- financial assets measured at fair value though profit and loss.

The classification of the financial assets is performed based on the following criteria:

- business model for managing financial assets of the Bank; and
- characteristics of the contractual cash flows of the financial assets.

In the category "financial assets that are measured at fair value through other comprehensive income", the Bank classifies financial assets that fulfil the following criteria:

- manages the financial asset for the purpose of collecting contractual cash flows and / or for sale, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

In this category, the Bank classifies the following financial assets: cash, trade receivables, lease receivables, fees and commissions receivables and other financial assets that represent credit risk exposure pursuant to the Decision on Credit Risk Management, for which SPPI condition is not applicable. For these assets the SPPI condition is not required to be met.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

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

Classification (Continued)

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

- the bank manages the financial asset in order to collect the 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 profit or loss, the Bank classifies financial assets with the purpose of trading and settling cash flows from their sale. This is also a residual category, i.e., the Bank in this category also classifies all those financial assets that do not fulfil the criteria of the other two categories.

Assessment of the business model of the Bank

Assessment of the business model of the Bank is performed on business process level, not by separate instrument. The Bank can have more business processes for financial instruments management. The Bank can use and manage a separate financial instrument in different manners, so that one financial instrument can appear in different business processes for financial instruments management of the Bank.

The assessment of the business model is performed exclusively from the key management of the Bank, while all relevant and available information are taken into account for the manner of the financial instruments management, especially, how the success/accomplishments are followed in the business process and how is the management of Bank reported about the risks that influence the accomplishments of that business model and how the risks are managed.

In accordance with the financial assets managements, three business models are identified:

- **Financial assets measured at amortized fair value,** i.e., financial assets are held for the purpose to collect the contractual cash flows (principal and interest). If certain financial instruments from this category are sold before their contractual maturity (premature sales), that is not a direct indicator for the change of the business model of the Bank. In the case of premature sales of these assets, the Bank has to do analysis if a change happened in the business model of the bank for these financial assets, whereas all data for the frequency, periods and volume of sales, causes for sales should be taken into account. (for example worsened credit risk, sale for liquidity management)
- **Financial assets measured at fair value through Other Comprehensive income,** i.e., financial assets held for the purpose to collect the contractual cash flows (principal and interest) and/or for sale. The bank holds these financial assets for liquidity management, maintaining certain interest profit, for reconciliation of the maturity (duration) of the financial assets with the maturity (duration) of the financial liabilities that are source of these assets etc.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

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

- **Financial assets measured at fair value through profit or loss**, i.e., financial instruments held for trading and gaining profit from the changes in the fair value of the asset. This is residual category, i.e., the bank in this category classifies all the other financial assets that do not meet the criteria of the other two categories, considering that these financial assets are held by the Bank for active and frequent trading in order to gain profit from the changes in the fair value of the assets. The bank is managing these assets with purpose of realization of their market/fair value and management decisions are carried based on their market/fair value.

SPPI test

Debt funds that according to the Bank's business model should be classified in the categories of financial assets that are measured at amortized cost value or financial assets that are measured at fair value through the remaining comprehensive income, should meet another condition - under the terms of the contract of the asset, the Bank expects cash flows on certain dates “solely payment of principal and interest – SPPI”. Within the contractual cash flows, the “*principal”* is the fair value of the financial asset at the initial recognition. The *Interest* represents compensation for the time value of the money, credit risk, liquidity risk, administrative or services costs, as well as profits margin.

To meet the SPPI condition, contractual cash flows should not include any exposure to risk or volatility that is not a common credit arrangement (for example, risk exposure to a change in stock prices or goods). The assessment of whether the SPPI condition is met is made in the currency in which the asset is denominated. SPPI condition can only be considered for debt financial assets. Those debtor financial assets that are deemed not to meet the requirement of the SPPI, the Bank will classify as financial assets that are measured at fair value through the income statement and will measure their fair value.

The analysis of whether the SPPI condition is met is made at the initial recognition of each / group debt financial asset.

The analysis of whether the SPPI condition is met is based on the contractual terms of the instrument and all cash flows determined in the agreement are taken into account. For those debts financial assets, which arise from a particular product for which the Bank has a typical contract (or contractual terms) which applies to all separate claims for that product, the Bank whether the SPPI condition is met analyses makes at the product level and not by separate financial asset.

When analyzing whether the condition of SPPI is met, the Bank takes into account the following:

- for financial assets that have a different interest rate than the one normally used on the same or similar financial instruments, the Bank makes a comparison between the non-discounted cash flows of the analyzed financial asset and the non-discounted cash flows of the financial asset with the same credit quality and the same contractual terms, 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 requirement of the SPPI and is classified and measured at fair value through the Income Statement;
- for the financial assets for which the regulator prescribes the maximum value of the interest rate that must not be exceeded, it is considered that it meets the condition of SPPI;

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

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

SPPI test (Continued)

- for the financial assets for which in accordance with the contractual conditions a minimum / maximum value is provided below / above which the interest rate cannot fall / exceed, it is considered that they meet the condition of SPPI;
- for financial instruments whose interest rate is periodically adjusted for the inflation rate, it is considered that they meet the SPPI condition;
- for the financial means for which the contractual conditions provide for a change of the interest rate if there is a change in the creditworthiness of the client (regulated in the agreement that it is monitored through any indicator of the creditworthiness of the client, such as: non-payment of contractual obligations in a certain period of time, deterioration / improvement of the internal or regulatory risk category, exceeding a certain value of a certain / and financial indicator / and the operation of the client, etc.), are considered to meet the condition of the SPPI;
- for financial instruments approved in MKD with currency clause, it is considered that they meet the SPPI requirement (if the other characteristics of the instrument indicate the fulfillment of the SPPI condition);
- if the financial instrument contains a certain characteristic due to which the SPPI condition is not met, but that characteristic has a negligible impact on the contractual cash flows of the asset (de minimis feature), the Bank considers that the SPPI requirement is met;
- if the financial instrument contains a certain characteristic that would change the contractual cash flows of the asset only if a certain extremely rare event occurs with a low probability of occurrence, the Bank considers that the condition of SPPI is met;
- if the contractual terms 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 unpaid principal and due unpaid interest, as well as reasonable compensation for early termination of the contract (up to 5% from early the amount repaid), the Bank considers that the SPPI condition has been met;
- if the contractual terms of the financial instrument provide for the possibility of extension of the maturity and if the cash flows in the extended maturity period meet the requirement of SPPI (may include reasonable compensation for the extension of the maturity period), the Bank considers that SPPI condition is met.

In case of change of the contractual cash flows of the existing financial asset, the Bank on the date of the change re-evaluates / checks whether the condition of SPPI is met with the new amended contractual conditions and accordingly classifies the financial asset.

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 Bank for management of those assets. Reclassifications are made in rare cases when the change in the business model has a significant impact on the Bank's business operations, when the change is due to changes in external or internal factors that have a significant impact on the Bank's activities, etc. The decision to change the business model is made by the Bank's management. If there is a change in the business model, the Bank must reclassify all funds from one category to another. In such cases, the reclassified funds continue to be measured in accordance with the principles of the new category from that date perspective, i.e., no correction of all previously recognized gains or losses is made.

Reclassification of equity financial assets from one category to another is not permitted.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) Financial Assets and Liabilities (Continued)

Measurement Principles

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

- Financial assets measured at amortized cost,
- Financial assets that are measured at fair value

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

- the amount of the initial recognition;
- reduced for principal repayments;
- reduced or increased for the amount of accumulated amortization by using the method of effective interest rate, for each difference between the amount at the initial recognition and the amount at maturity and
- reduced for the correction of the value due to damage or non-payment.

The effective interest rate is equal to the rate that discounts the expected future cash inflows and outflows from the instrument to the date of final maturity of the instrument or for a shorter period of time, if appropriate. The measurement using the effective interest rate method enables amortization of the purchase value of the financial instrument and the income / interest income in the period of 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 paid commissions and fees that are an integral part of the effective interest of the financial asset or liability (fees for assessing the financial condition of the client, for mediation in negotiating the terms of the financial instrument, fees for submitting a request and processing the request for loan approval, fees for withdrawal of funds under the financial instrument, regular monthly loan management fee until the final maturity of the loan that is borrowed and charged at the same time as borrowing and collection of regular contract interest, etc.);
- transaction costs directly related to the transaction (fees and commissions paid to sales agents, advisors, brokers, dealers, regulatory fees, taxes paid and customs duties, etc.) and
- premiums and / or discounts approved by the financial instrument.

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

Measurement by fair value assumes that the asset or liability is exchanged between market participants, in a normal transaction, according to the current market conditions of the measurement date. The fair value is determined in different ways, depending on whether the asset or liability is traded on an active market or not.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(vii) _Financial Assets and Liabilities (Continued)_

Measurement Principles (Continued)

An active market is a market where transactions are carried out with the asset or liability with sufficient frequency and volume to provide pricing information for the asset or liability. The corresponding quoted market price for the asset or liability is the one that is within a range between the purchase and selling price, which best represents fair value in the given circumstances. Typically used is the current: the purchase price of the asset which is kept or the liability that should be issued, or retail/offered price for the asset that will be acquired or liability that is kept; the average market price or other price in accordance with the usual, accepted market practice.

If there is no active market for the financial asset or liability in order to determine the fair value of the asset or liability, the Bank applies valuation techniques that have most available data, giving preference to data that can be validated on the market. The common valuation techniques include: _market approach_ (quoted prices are used or other relevant information from market transactions with the same or similar assets or liabilities), _cost approach_ (known as the current replacement cost, representing the amount that would be required to replace the current asset) and _income approach_ (discounted value of current market expectations for future amounts, cash flows or income and expense, of the asset or liability). When applying valuation techniques, the Bank:

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

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

Allowance for Impairment

The Bank, at least monthly, assesses whether there is objective evidence that financial assets or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

The Bank recognizes allowance for impairment in accordance with the Decision on Credit Risk Management approved by NBRNM.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

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

Measurement Principles (Continued)

Allowance for Impairment (Continued)

The Bank considers evidence of impairment for loans and receivables and investment securities on individual basis.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the income statement and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in equity to profit or loss. The cumulative loss that is removed from equity and recognized in profit or loss is the difference between the cost, less any impairment loss previously recognized in the income statement. Changes in the allowance account, which are result of the time value of money, are recognized as part of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity.

De-Recognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

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

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at the National Bank of North Macedonia ("NBRNM"), deposits with banks and highly liquid financial assets with original maturities of three or less than three months, subject to insignificant risk of changes in their fair value.

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

Trading Assets and Liabilities

Trading assets and liabilities are those assets and liabilities, which the Bank acquired mainly with the purpose of selling or buying again in the near future, or keeping them as part of a portfolio for 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 are directly recognized in the income statement. All changes in fair value are recognized as part of net trading income in the income statement. Assets and liabilities for trading are not reclassified subsequent to their initial recognition.

Loans and Advances

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

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

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

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

Investments

Investments are initially measured at fair value in the case of investment securities, which are not measured at fair value through profit or loss, by adding the incremental direct transaction costs and are subsequently accounted for depending on their classification.

Held-to-Maturity Investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

Held to maturity investments are carried at amortized cost using an effective interest rate. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity as available-for-sale, and the Bank will not be able to classify investments as held to maturity for the current and next two years.

There are some exceptions to this rule:

- Prematurely sold or reclassified assets, which are close to their maturity, so that changes in market interest rates would have an insignificant effect on the fair value of the financial assets.
- The Bank has already collected almost the entire original principal amount of the financial asset through payments in accordance with the amortization plan, or through advances or
- The exceptions are related to an isolated event that do not recur and are beyond the control of the Bank.

Available-for-Sale Investments

Available-for-sale financial assets are those investments that are neither held for trading nor held to maturity. Available-for-sale investments include treasury bills, bonds issued by state and investments in equity instruments.

Investments available for sale are carried at fair value, except for financial assets that do not have quoted market price and whose fair value cannot be reliably measured and 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 Bank will be entitled to receive payment. Gains or losses from exchange rate differences on debt instruments available-for-sale are recognized in the income statement.

Changes in the fair value of investments available-for-sale are recognized in equity until the investments are sold or impaired, at which point the cumulative gains or losses recognized in equity are transferred to the income statement. For investments in equity securities that the Bank has classified in this category, upon derecognition, the cumulative gains or losses for the respective equity security (on a “security-by-security” basis) are transferred by the Bank to retained earnings/accumulated losses. The Bank does not recognize impairment for investments in equity securities.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(viii) Foreclosed Assets

Foreclosed assets include property and equipment obtained through foreclosing procedures in order to fulfill customers' liabilities, fully or partially, for the appropriate credit and are presented in the line item foreclosures assets. Foreclosed properties are initially recognized at a lower from the appraised value, reduced for the expected selling cost, which are borne by the Bank, and the value of the foreclosed property referred to in the act, which is passed by the Executor in the procedure for enforced collection, which represents the legal basis for gaining ownership. The appraised value is determined by a certified valuator.

At the date of the initial recognition of the asset, the Bank is obliged in accordance with the Decision on accounting and regulatory treatment of foreclosed assets to reduce the value of the foreclosed asset in the balance sheet by at least 20% of the initial recognized value.

If the closed allowance for impairment / special reserve is greater than impairment from the previous paragraph, the Bank recognizes this difference as a revaluation reserve at the date of foreclosure.

After the initial recognition, at least once in a period of twelve-months, the Bank performs a valuation of the foreclosed property and determines a difference with the carrying amount. At the same time, the Bank calculates 20% of the carrying amount of the foreclosed property and compares it with the difference between the estimated and carrying amount. The greater amount is recognized in the income statement as impairment loss.

If a foreclosed asset becomes a property of the Bank for own use, the value at which the asset will be recognized is at the lower of the latest valuation determined by a certified valuator and the carrying amount of the asset at the date of the change in use (determined at that date in accordance with the Decision for accounting and regulatory treatment of foreclosed assets).

(ix) Property and Equipment

Recognition and Measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Subsequent Expenditures

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the asset when there are probable future economic benefits for the Bank and its cost can be measured reliably. The cost of daily maintenance of property and equipment are recognized in the income statement as an expense as incurred.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(ix) Property and Equipment (Continued)

Depreciation

Depreciation of property and equipment is calculated on a straight-line method to write off the cost of assets over their estimated useful lives.

Depreciation rates, according to the estimated useful lives for the current and comparative periods are as follows:

	%
Buildings	2,5
Equipment	10 – 25

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

The method of depreciation, useful lives and residual values are reviewed at each reporting date.

(x) Intangible Assets

Recognition and Measurement

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

Subsequent Expenditures

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the income statement as an expense as incurred.

Amortization

Amortization is recognized on a proportional basis in a way to write off the cost of assets over their estimated useful lives.

Depreciation rates, according to the estimated useful lives for the current and comparative periods are as follows:

	%
Software	25
Licenses	25

The method of amortization, useful lives and residual values are reviewed at each reporting date.

(xi) Assets Taken on Lease - Lessee

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

The lessee presents right-of-use assets in the statement of financial position under the item “Property and equipment.” Right-of-use assets are initially recognized at cost on the commencement date of the lease, which is equal to the initial amount of the lease liability, increased by lease payments made before or on the commencement date of the lease and any directly attributable costs of the lease. Subsequently, right-of-use assets are measured at cost less accumulated depreciation and impairment, and adjusted for certain remeasurements of the lease liability. The assets are depreciated in accordance with the usual depreciation policy applied to other property, plant and equipment and intangible assets, and depreciation is recognized

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(xi) Assets Taken on Lease - Lessee

as an expense in the income statement. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset.

The lessee presents the lease liability in the statement of financial position within the item "Other liabilities" as a separately disclosed obligation. The lease liability is recognized at the commencement date of the lease at the present value of lease payments discounted using the interest rate implicit in the lease. If this rate is not specified in the contract, the incremental borrowing rate is used.

Subsequently, the lease liability is measured at amortized cost using the effective interest method, i.e., it is increased by interest expense on the lease, reduced by lease payments made, and adjusted for any remeasurement of the expected payable amount or changes in future lease payments. The interest expense on the lease liability is allocated and recognized in the income statement over the lease term.

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(xii) Impairment of Non-Financial Assets

Non-financial assets of the Group are reviewed at each date of the balance sheet in order to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. In estimating value in use, the 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 the risks specific to the asset.

An impairment loss of an asset is reversed if there is an indication that the impairment loss recognized for the asset no longer exists and there are changes in the estimates used to determine the recoverable amount.

The increased carrying amount of an asset due to reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation), had not been recognized impairment loss of an asset in previous years.

(xiii) Deposits and Borrowings

Deposits and borrowings are sources of funding for the Bank.

Deposits and borrowings are initially measured at cost, representing the fair value of the consideration received plus transaction costs. They are subsequently measured at amortized cost using the effective interest method.

(xiv) Provisions

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

INTRODUCTION (Continued)

(c) Significant Accounting Policies (Continued)

(xiv) Provisions (Continued)

Provision for onerous contracts is recognized when the expected benefits of the contract for the Bank are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the present value of the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes an impairment loss on the assets associated with the contract.

(xv) Employee benefits

Defined Contribution Plans

The Bank pays contributions to the pension fund in accordance with the national legislation. Contributions are based on salaries and are paid in the pension funds, which are responsible for payment of pensions. There is no additional liability in respect of these plans. The liabilities for the payment of contributions to defined contribution plans are recognized as an expense in the income statement when they are due.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

The Bank recognizes obligation and expense for the amount expected to be paid as bonus or as a share of the profits if the Bank has a present legal or derived obligation to pay this amount as a result of services rendered in prior periods if the obligation can be estimated reliably.

The Bank recognizes the costs of employee private medical insurance and liabilities in this respect on an annual basis.

Other Long Term Employee Benefits

Pursuant to the local regulations, the Bank pays two average monthly net salaries paid in the Republic of North Macedonia in the preceding three months to its employees at the moment of their retirement. The balance of these liabilities at the end of the reporting period presents the discounted amount of future payments. The Bank has no additional liability for payments on this base.

(xvi) Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and stock options are recognized as a deduction from equity.

Purchase of Own Shares

When the Bank purchases own shares, the consideration paid, including directly attributable costs, is recognized as a reduction in capital. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold, the amount received is recognized as an increase in capital and surplus or deficit on the transaction is transferred to / from share premium.

Dividends

Dividends are recognized as a liability in the period when announced.

INTRODUCTION (Continued)

(в) Significant Accounting Policies (Continued)

(xvii) Earnings Per Share

The Bank presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated when the net gain or loss attributable to holders of ordinary shares is divided by the weighted average number of ordinary shares in circulation during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to holders of ordinary shares and the weighted average number of shares outstanding during the period for the effect of all potential ordinary diluting shares.

(xviii) Segment Reporting

An operating segment is a component of the Bank that can be defined or that is engaged either in providing products or services (business segment), or in providing products or services in certain areas (geographical segment) and is subject to risks and rewards different from those of the other segments. The results of operations are regularly reviewed by the Supervisory Board in order to assess performance and make decisions about future business activities for which discrete financial information is available.

The Bank primarily reports by business segments. The following main segments are identified: retail banking, corporate banking, working with securities and unallocated. Main information on segments is based on internal reporting structure made by business segments.

(xix) Subsidiaries

Subsidiary is an entity over which the Bank has power to govern its financial and operating policies and holds more than one half of its voting rights. In determining whether the Bank governs the entity, the existence of control and effects of the voting rights should be taken into consideration. The cost of investments is the fair value of the assets. The Bank records the investments in subsidiaries at cost.

(xx) Off-Balance Sheet

The Bank keeps off-balance sheet records of commitments and contingent liabilities for transactions that currently do not meet the recognition criteria as an asset or liability, and can generate future inflows and outflows of funds and are a source of information in operations, for determining the risk in operations and possible future liabilities. This record includes the following items: uncovered payment and payment guarantees issued, open unsecured credentials, vouchers, acceptances, non-repayable credit commitments, unused portion of approved framework loans, unused default interest and other credit card limits, non-credit cards under guarantee by which the Bank may arise payment obligations and receivables, as well as other accounting records that do not pose a special risk for it (records of written-off receivables, covered loans, covered guarantees, etc.).

INTRODUCTION (Continued)

(d) Use of Estimates and Judgements

Significant Judgments in Applying Accounting Policies

Significant accounting judgments in applying accounting policies are presented below:

Fair Value of Financial Instruments

The fair values of the financial instruments that are not quoted in active markets are determined using internal valuation techniques. These include present value methods, models based on observable input parameters. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed by qualified personnel independent of the area that created the model. Wherever possible, the Bank compares valuations derived from models with quoted prices of similar instruments, and with actual values when realized, in order to further validate and standardize models. A variety of factors are incorporated into the models, including actual or estimated market prices and rates, such as time value and volatility, and market conditions and liquidity. The Bank applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment.

In the Republic of North Macedonia sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

The Management assesses its overall risk exposure and in instances in which it estimates that the value in the books may not be realized, it recognizes a provision. In the opinion of management, the reported carrying amounts for the assets that are not quoted in an active market represent the most valid and useful reporting values under the present market conditions.

Allowance for Impairment of Loans

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The Bank's management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

INTRODUCTION (Continued)

(d) Use of Estimates and Judgements (Continued)

Significant Judgments in Applying Accounting Policies (Continued)

Useful Lives of Tangible and Intangible Assets

The Bank's management determines estimated useful lives and related depreciation and amortization charges for its tangible and intangible assets. The appropriateness of the estimated useful lives is reviewed whenever there is an indication of significant changes in the underlying assumptions, such as anticipated technological developments and changes in the broad economic and industry factors.

Actuarial Assumptions in respect of Defined Benefit Plan

The eventual cost to Bank depends on actual future experience and in particular change in discount rate and pay increase. Other factors will also change the overall liability such as the number of employees, leaving service before the retirement and the number of new employees.

(e) Changes in the Accounting Policies, Accounting Estimates and Correction of Errors

There are no changes in accounting policies, accounting estimates, or correction of errors in the accompanying financial statements.

By Decision amending the Decision on the Methodology for Recording and Valuing Accounting Items and for Preparing Financial Statements, adopted on 26 December 2024 by the National Bank of the Republic of North Macedonia and published in the Official Gazette of the Republic of North Macedonia No. 275/2024, the application of IFRS 16 – Leases was introduced.

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

Details of the changes in accounting policies are disclosed in Note 1(c)(xi) "Right-of-use assets". For the impact of IFRS 16 on the Bank's financial performance and financial position, see Notes: 15 Depreciation, 28 Intangible assets, 29 Property and equipment, 39 Other liabilities, and 45 Leases.

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

(f) Compliance with Regulations

The Bank performs its activities in accordance with the legislation prescribed by the National Bank of 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 following are the submitted and implemented activities.

- Off-site monitoring conducted by the Consumer Protection and Financial Education Department at the National Bank of the Republic of North Macedonia (NBRNM), through a notification delivered via e-mail on 24.02.2025, registered in the Bank under No. 17-7649/1 dated 24.02.2025. The control covered the application of the provisions of the Law on Payment Services and Payment Systems regarding transparency and the provision of information (giving or making available) to users of financial services. As of the date of this report, no Minutes (record) have been received from the NBRNM regarding this control.

INTRODUCTION (Continued)
(f) Compliance with Regulations (Continued)

- On-site inspection conducted by the NBRNM through a Notification of on-site inspection with Letter No. 11-6195/11 dated 24.02.2025, received and registered in the Bank on 26.02.2025 under No. 12-8113/1. The control covered the compliance of the Bank's internal acts and procedures with legal and by-law regulations in the area of cash operations, as well as their proper application in the Bank's operations. Upon completion of the inspection, the NBRNM delivered Minutes from the on-site inspection No. 11-6195/5 dated 27.03.2025, received and registered in the Bank on 04.04.2025 under No. 12-13007/1. Since the Bank did not file any objection to the submitted Minutes, the on-site inspection by the NBRNM was completed and the Minutes became final.

- Thematic inspection conducted by the NBRNM through a Notification of on-site inspection with Letter No. 17-16759/1 dated 12.05.2025, received and registered in the Bank on 20.05.2025 under No. 02-18496/1. The inspection was carried out to assess the content of framework agreements and pre-contractual information on payment services concluded with legal entities. As of the date of this report, no Minutes have been received from the NBRNM regarding this inspection

- On-site inspection conducted by the NBRNM regarding the internal capital assessment process for 2023 and 2024, as well as the bottom-up stress testing for 2024. For the conducted inspection, the NBRNM delivered Minutes No. 17-31652/1 dated 29.09.2025, received and registered in the Bank on 02.10.2025 under No. 02-36355/1. Since the Bank did not file any objection to the submitted Minutes, the on-site inspection was completed and the Minutes became final

- Partial on-site inspection conducted by the NBRNM through a Notification of partial on-site inspection with Letter No. 17-27215/1 dated 11.08.2025, received and registered in the Bank on 12.08.2025 under No. 02-29618/1. The inspection covered strategy and business plans, organizational structure, general risk management framework and processes, reporting system, stress testing, new products and IT applications, internal and external audit, credit risk, corporate governance, anti–money laundering and counter-terrorist financing system, and measures taken in relation to imposed actions. The on-site phase of the inspection in the Bank commenced on 01.09.2025. For the conducted inspection, the NBRNM delivered Minutes of the on-site inspection No. 17-6102/1 dated 19.02.2026, received and registered in the Bank on 23.02.2026 under No. 02-7888/1. Regarding the submitted Minutes, the Bank filed an objection, and following the NBRNM's response to the objection, the on-site inspection was completed and the Minutes became final.

- During 2025, the NBRNM also submitted questionnaires, letters, requests, and other communications to the Bank, to which the relevant organizational units provided timely responses

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

(g) Risk management disclosures

The description, qualitative and quantitative information on individual risks is disclosed in details in Note 2. Risk Management.

(h) Events after the date of the Balance Sheet

Events after the balance sheet date are the events, favorable and unfavorable, that occur between the balance sheet date and the date when the separate financial statements are approved for issuance. If there is evidence of conditions that existed on the balance sheet date, the Bank shall correct the separate financial statements. The Bank does not make corrections to the separate financial statements for events after the balance sheet date, for which conditions appeared 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	-	-	-	-	19.226.315	19.226.315
Held-for-trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	87.431.460	87.431.460
Investments in securities	-	-	16.076.789	34.708	-	16.111.497
Other receivables	-	-	-	-	1.424.763	1.424.763
Total financial assets	**-**	**-**	***16.076.789***	***34.708***	**108.082.538**	**124.194.035**
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	-	-	-	-	90.504.732	90.504.732
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	7.072.700	7.072.700
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	781.079	781.079
Total financial liabilities	**-**	**-**	**-**	**-**	**104.899.394**	**104.899.394**

	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	-	-	-	-	22.633.150	22.633.150
Held-for-trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	71.755.709	71.755.709
Investments in securities	-	-	14.172.368	34.708	-	14.207.076
Other receivables	-	-	-	-	1.363.536 .	1.363536
Total financial assets	***-***	***-***	***14.172.368***	***34.708***	***95.752395***	***109.959471***
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	-	-	-	-	81.494.628	81.494.628
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	4.246.870	4.246.870
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	785.441	785.441
Total financial liabilities	***-***	***-***	***-***	***-***	***93.312.060***	***93.312.060***

2. Risk Management

The Republic of North Macedonia is a small and open economy and, in line with its high trade and financial openness, any change in the global economy—such as an energy crisis, financial turbulence, or geopolitical conflicts—is quickly transmitted to the domestic economy and financial sector.

Positive signals regarding the slowdown in inflation contributed to a gradual easing of monetary policy and a reduction in the key policy interest rate. In 2025, the key interest rate ranged between 5.35% and 4.00%, showing a clear easing trend.

The latest assessments of global economic growth remain unchanged in terms of a moderate slowdown in growth in 2025 and 2026. Risks remain tilted to the downside and are still associated with uncertainty regarding future trade policies, which could further disrupt supply chains, increase prices, and reduce long-term economic efficiency. On the other hand, agreements to reduce tariffs, easing inflationary pressures, potential greater adaptability of firms to shocks and uncertainty, as well as productivity gains from new technologies are considered positive growth risks.

According to the latest macroeconomic context, GDP growth in North Macedonia in 2025 is estimated at around 3.4–3.5%, while projections for 2026 are around 4%. GDP growth is entirely driven by the positive contribution of domestic demand, mainly as a result of growth in gross investment, and to a lesser extent by growth in private and public consumption. Inflation in 2025 is higher than previous expectations, standing at around 3.9%, with projections indicating a downward trend and a return toward the historical average, i.e., a decline to 2.5% in 2026.

Inflation in North Macedonia is largely driven by the decline in global food and energy prices, as well as the effects of the previous monetary policy tightening, which always appear with a time lag. The expected reduction in inflation is the result of further declines in the exchange-traded prices of food and oil. However, risks to future inflation developments remain significant and are related to global price movements, especially in food and energy, geopolitical tensions, and domestic aggregate demand.

In other words, inflation is a combination of external factors (commodity prices and global crises) and internal factors (domestic economic demand and the effects of monetary policy). Although there are expectations for inflation stabilization, 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 Bank. The bank 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 bank 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 Bank 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 Bank'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 Bank, 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 Bank. Therefore, the Risk Appetite is related to the other strategic documents of the Bank such as the Risk Management Strategy, ICAP, ILAAP, Recovery Plan, Capital Management Policy and the Bank's Business Plan. Through a review of its strategy and business model, appropriate corporate governance and risk management, and the analysis conducted as part of the PIC, PIL and Recovery Plan, the Bank assesses the ongoing feasibility and sustainability of its business model.

- The risk appetite framework sets the Bank'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 Bank.

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

2. Risk Management (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 Bank are determined within the defined Risk Appetite Statement. However, the determination of available capital, capital structure and dividend rules in the Bank 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 Bank. 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 Bank's financial stability.

The limits specified in the Risk Appetite are regularly presented in the detailed table (Risk Appetite Dashboard) to the relevant decision-making bodies of the Bank. Namely, the detailed table of Risk Appetite limits (Risk Appetite Dashboard) is presented at the meetings of the Risk Management Committee, the meetings of the Assets and Liabilities Management Committee and the Management Board, on a monthly basis. The Risk Appetite Dashboard is presented at the meetings of the Supervisory Board (hereinafter: SB), on a quarterly basis. The Risk Appetite, together with the Risk Management Strategy and other relevant strategic documents of the Bank, are reviewed by the Risk Management Committee and the Management Board, and are approved by the Supervisory Board on an annual basis, as part of the regular review 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 Bank'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 Bank. The audit committee is assisted in the performance of these functions by the internal audit. The Internal Audit Department performs regular and periodic audits of controls and risk management procedures in accordance with the Annual Work Plan of the Internal Audit Department, 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 Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks, guarantees and letters of credit and investments in securities. In order to manage the risk, the Bank 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 250,000 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 Bank’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 Risk Management Department.

The control and monitoring of credit risk is carried out by the individual organizational parts of the Bank involved in the credit process in accordance with the Bank's Credit Policy.

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.

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

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		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
Exposure to Credit Risk, classified in Group 1																		
Carrying amount before the allowance for impairment/special reserve	0	-	78.284.760	65.452.927	16.077.656	14.173.293	-	-	9.829.550	12.458.861	20.801	16.758	743.774	808.441	19.501.106	17.958.021	124.457.647	110.868.439
(Allowance for impairment/ special reserve)	-	-	(357.216)	(239.958)	(867)	(925)	-	-	(93)	(5.279)	(324)	(251)	(368)	(335)	(56.368)	(34.496)	(415.236)	(281.244)
Carrying amount, reduced by allowance for impairment and the special reserve	***0***	**-**	***77.927.544***	**65.212.969**	***16.076.789***	**14.172.368**	**-**	**-**	***9.829.457***	**12.453.582**	***20.477***	**16.507**	***743.406***	**808.106**	***19.444.738***	**17.923.525**	***124.042.411***	**110.587.195**
Exposure to Credit Risk, classified in Group 2																		
Carrying amount before the allowance for impairment/special reserve	-	-	9.884.250	6.602.953	-	-	-	-	-	-	9.481	7.292	7.874	808	259.296	243.438	10.160.901	6.854.491
(Allowance for impairment/ special reserve)	-	-	(775.760)	(614.733)	-	-	-	-	-	-	(1.729)	(1.331)	(1.513)	(96)	(21.539)	(18.729)	(800.541)	(634.889)
Carrying amount, reduced by allowance for impairment and the special reserve	**-**	**-**	***9.108.490***	**5.988.220**	**-**				**-**		***7.752***	**5.961**	***6.361***	**712**	***237.757***	**224.709**	***9.360.360***	**6.219.602**
Exposure to Credit Risk, classified in Group 3																		
Carrying amount before the allowance for impairment/special reserve	-	-	1.867.387	2.189.461	-	-	-	-	-	-	27.798	29.644	8.276	8.856	106.751	97.325	2.010.212	2.325.286
(Allowance for impairment/ special reserve)	-	-	(1.213.466)	(1.401.522)	-	-	-	-	-	-	(27.038)	(28.996)	(7.199)	(7.839)	(54.117)	(73.936)	(1.301.820)	(1.512.293)
Carrying amount, reduced by allowance for impairment and the special reserve	**-**	**-**	***653.921***	**787.939**	**-**	**-**	**-**	**-**	**-**	**-**	***760***	**648**	***1.077***	**1.017**	***52.634***	**23.389**	***708.392***	**812.993**
			-		-				-		-		-		-		-	
Total carrying amount of the credit risk receivables before the allowance for impairment and special reserve	**-0**	**-**	**90.036.397**	**74.245.341**	**16.077.656**	**14. 173.293**	**-**	**-**	**9.829.550**	**12.458999**	**58.080**	**53.694**	**759.924**	**818.105**	**19.867.153**	**18.298.784**	**136.628.760**	**120048.216**
(Total allowance for impairment and special reserve)	**-**	**-**	**(2.346.442)**	**(2.256.213)**	**(867)**	**(925)**	**-**	**-**	**(93)**	**(5.279)**	**(29.091)**	**(30.578)**	**(9.080)**	**(8.270)**	**(132.024)**	**(127.161)**	**(2.517.597)**	**(2.428.426)**
Total Carrying amount of the credit risk receivables less the allowance for impairment and special reserve	**0**	**-**	**87.689.955**	**71.989.128**	**16.076.789**	**14.172.368**	**-**	**-**	**9.829.457**	**12.453.720**	**28.989**	**23.116**	**750.844**	**809.835**	**19.735.129**	**18.171.623**	**134.111.163**	**117.619.790**

Restructured Loans

As of 31 December 2025, the Bank has restructured loans included in loans and advances to customers with a total net carrying amount of MKD 510.793 thousand (as at 31 December 2024: MKD 316.701 thousand).

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Impaired Loans and Securities

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

Credit risk exposure is classified into risk categories from A to D, depending on the criteria for assessing creditworthiness and the regularity of settlement of obligations towards the Bank.

Past Due but Not Impaired Loans

The Bank does not determine impaired loans for receivables:

- secured by a cash deposit in an amount greater than 99.90% of the exposure, if the deposit is activated within 90 days of the maturity date of the credit exposure;

- which, in accordance with the Methodology for determining capital adequacy, a risk weight of 0% is applied.

Allowance for Impairment / Special Reserve

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

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

The Bank uses an internal credit risk model to determine the probability of default rate for 12 months and the probability of default rate over the entire lifetime of credit exposures, which incorporates the impact of macroeconomic variables based on three scenarios: baseline, optimistic, and pessimistic.

The Bank also uses an internal model for determining the loss given default rate.

In accordance with NBRNM regulations and internal acts, the Bank may take into account the value of collateral when determining the present value of expected cash inflows for a client, provided that the client's credit exposures are non-performing credit exposures and the Bank expects to collect them through enforcement of collateral.

Impairments for financial reporting purposes are recognized only for losses that have been incurred up to the balance sheet date, based on objective evidence of impairment. Table 2.1 A presents the Bank's total exposure to credit risk, by credit risk stages.

General impairment indicators used in the classification and identification of impairment and special reserve include:

- Failure to fulfill contractual payments of principal or interest;
- Deterioration in economic performances;
- The client goes under bankruptcy proceedings;
- Breach of contract terms and conditions;
- Specific business related information suggesting that there is a decrease of the estimated future cash flows;
- Deterioration of the client competitive position;
- Decrease of collateral value;
- 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 Bank classifies credit exposures as follows:

Regulatory framework (according to the Decision for credit risk)	Internal procedure	GROUP
- Credit exposure to a client whose financial position and cash flows enable smooth operation and opportunity to settle current and future liabilities to the bank; - credit exposure for which it has not been determined that an increase in credit risk has occurred - credit exposure whose obligations on the classification date are being collected in accordance with the contractual terms, i.e. the current days of delay do not exceed 31 days, or as an exception, if the total amount that has not been collected for more than 31 days is less than 1,000 denars and the delay is not longer than 60 days - credit exposure whose obligations are performed with a delay of up to 31 days or with an exception of up to 60 days, if the delay is twice in the interval from 32 to 60 days in the previous six-month period	- credit exposures whose obligations on the classification date are collected with a delay of up to 31 days, or exceptionally exceed 31 days if the total amount overdue by more than 31 days is less than 1,000 denars and the delay is not longer than 60 days; - credit exposures that, in the previous six-month period, are serviced with a delay not exceeding 31 days, or exceptionally up to 60 days, provided that such delay occurs no more than twice within the 32 to 60 days interval;.	**Group 1**
- A credit exposure that is in the final year of the probation period, i.e. a restructured credit exposure that has not been treated as a non-performing restructured credit exposure for at least 24 months, is classified in risk category A.	- A credit exposure that is in the final year of the probation period, i.e. a restructured credit exposure that has not been treated as a non-performing restructured credit exposure for at least 24 months, is classified in risk category A	**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 credit products (rating from ROT 1 to ROT 11 and NROT 1 to NROT 11)	**Group 1**
- credit exposure to a client/project whose cash inflows are inadequate for regular settlement of obligations; - the credit exposure to a client/project with an inadequate term structure of funding sources and its inflows; - credit exposure to a client/project whose indebtedness is high compared to capital and/or a client who has significant debt to creditors	- Newly approved exposures, on the basis of project financing, are evaluated on the basis of point 7 of the Decision on credit risk of NBRNM, according to the PDR analysis procedure. Credit exposures that, according to the PDR analysis, are rated CC and lower, are treated as candidates with increased credit risk upon approval, and if an increased credit risk is determined, they will be classified at least in the B risk category. Additionally. credit exposures that are approved with a low own participation of less than 15%, during project financing, until the start of generating income from the projects themselves, are classified at least in the B risk category; - Non-financial legal entities and natural persons who, according to the classification calculated by the Early Warning System, belong to the list of clients for monitoring 2 - WL2, are classified at least in B risk category; - 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 intensive treatment - ICL, are classified at least in the C risk category	**Group 2**

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

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

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	the current and historical days of delay on the reporting date are taken into account, - 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**

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

2. Risk Management (Continued)

2.1 Credit Risk (Continued)

Regulatory framework (according to the Decision for credit risk)	Internal procedure	GROUP
- - 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 - restructured non-performing credit exposure for which the client is overdue for more than 90 days	- restructured non-performing credit exposure is classified at least in risk category V - 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**

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%.

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.

Write-Off Policy

The Bank 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 Bank 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 Bank was obliged to make correction of value, that is, to set aside a special reserve of 100%.

Collateral for Credit Exposures

The bank 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 Bank does not take security for placements in banks. The Bank does not take collateral for the securities and has no such collateral as of 31 December 2025 (2024: none).
Allowed 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.

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	-	-	159.728	3.113	-	-	-	-	9.829.457	12.453.720	436	379	735.896	763.713	2.309.688	2.624.133	13.035.205	15.845.058
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	-	-	-	-	2	-	9	9	-	-	15.210.916	13.262.895
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	**-**	**-**	**87.689.955**	**71.989.128**	**16.076.789**	**14.172.368**	**-**	**-**	**9.829.457**	**12.453.720**	**28.989**	**23.116**	**750.844**	**809.835**	**19.735.129**	**18.171.623**	**134.111.163**	**117.619.790**

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	-	-	85.450.478	71.871.744	15.210.905	13.262.886	-	-	9.065.941	9.878.381	28.798	22.580	255.108	339.449	15.585.963	12.766.839	125.597.193	108.141.879
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	**-**	**-**	**87.689.955**	**71.989.128**	**16.076.789**	**14.172.368**	**-**	**-**	**9.829.457**	**12.453.720**	**28.989**	**23.116**	**750.844**	**809.835**	**19.735.129**	**18.171.623**	**134.111.163**	**117.619.790**

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 Bank 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 Bank 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 Bank. The most significant source of funding for the Bank 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 Bank 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 Bank'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 Bank.

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 Bank 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 bank 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 Bank continuously assesses the liquidity risk by identifying and monitoring the changes in funding that are needed to meet the operational goals set in the Bank's strategy.

Also, as part of the strategy to manage liquidity risk, the Bank 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) (Continued)

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	12.680.013		-	6.546.394	-	-	19.226.407
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	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
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	2.968.433	1.924.296	2.790.205	7.597.124	16.112.365
Investments in associates	-	-	-	-	-	1.368.843	1.368.843
Receivables for income tax (current)	-	-	-	-	-	-	-
Other receivables	1.507.926	-	-	-	-	-	1.507.926
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	2.115	-	-	-	-	-	2.115-
Total financial assets	**16.174.441**	**3.454.602**	**20.709.811**	**21.449.281**	**26.877.240**	**39.556.628**	**128.222.003**
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	49.795.157	5.108.666	24.581.162	7.967.318	2.341.314	711.110	90.504.727
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)	238.872	-	-	-	-	-	238.872
Deferred tax liabilities	51.576	-	-	-	-	-	51.576-
Other liabilities	788.817	15.647	66.173	82.698	198.277	172.331	1.323.943
Total financial liabilities	**55.404.616**	**7.277.548**	**26.329.891**	**9.125.060**	**4.672.464**	**2.930.976**	**105.740.555**
Off balance sheet items							
Off balance sheet assets	1.557.630	507.721	2.878.680	409.786	2.135.016	305.507	7.794.341
Off balance sheet liabilities	1.941.461	2.032.439	7.831.153	3.775.231	5.620.900	94.273	21.295.458
Liquidity gap	**(39.614.452)**	**(5.347.664)**	**(10.572.553)**	**8.958.776**	**18.718.892**	**36.836.886**	**8.980.331**

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	16.321.401	1.359.470	-	4.957.558	-	-	22.638.429
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	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
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	853.035	1.141.916	981.557	4.400.947	5.532.811	14.208.002
Investments in associates	-	-	-	-	-	1.368.843	1.368.843
Receivables for income tax (current)	-	-	-	-	-	-	-
Other receivables	1.424.193	-	-	-	-	-	1.424.193
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**20.383.561**	**5.106.283**	**15.780.725**	**16.572.240**	**22.900.524**	**33.174.615**	**113.917.948**
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	45.477.399	3.006.640	18.921.815	9.076.460	3.530.247	1.482.067	81.494.628
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	785.440	-	-	-	-	-	785.440
Total financial liabilities	**53.279.112**	**3.007.426**	**19.520.531**	**9.860.410**	**5.466.423**	**2.270.044**	**93.403.946**
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	**(32.944.248)**	**(392.807)**	**(7.263.643)**	**3.955.892**	**15.142.477**	**30.893.453**	**9.391.125**

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 Bank, 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 bank 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 31 December 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 analyzes are not reduced by the amounts of accumulated depreciation, value correction and the allocated special reserve. There are indications of non-compliance in certain maturity buckets as of 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 Bank also prepares an expected term structure in which the element of prediction is incorporated and it indicates a stable liquidity position.

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 Bank's 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 Bank. The Bank 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 Bank 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 Bank's business strategies and market trends.

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

The Bank 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 31.2025)	2.147.159	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 for the household segment, depending on changes in macroeconomic factors (changes in GDP, inflation, unemployment rate, and the rate of change in disposable income)	(1.152.654)	19.082.733	103.059.881	18.52%%
Deterioration of the DTI indicator for the household segment by 15%.	(274.880)	19.960.507	103.937.655	19.20%%
Deterioration of the DTI indicator for the household segment by 30%.	(653.487)	19.581.900	103.559.048	18.91%%
Deterioration of the DTI indicator for the household segment by 50%.	(1.796.079)	18.439.308	102.416.456	18.00%%
Deterioration of country risk exposures to non-financial legal entities and individuals by one risk category	(170.307)	20.065.080	104.042.228	19.29%%
Transition of 30% of country risk exposures to non-financial legal entities and individuals into non-performing status	(330.417)	19.904.970	103.882.118	19.16%%
Transition of country risk exposure into category D (highest exposure to a single country).	(2.211.063)	18.024.324	102.001.472	17.67%%
Transition of country risk exposures into non-performing status at an appropriate transition rate following a two-notch downgrade of the country's credit rating by S&P	(361.850)	19.873.537	103.850.685	19.14%%
Risk of changes in interest rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Increase in variable interest rates on assets and liabilities:				
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%
Decrease in variable interest rates on assets and liabilities:				
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 changes in market prices for investments in equity securities (list separately the various 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 (Previous year)				
Amount before analysis of sensitivity / stress tests (as of December 31.2024)	1.853.097	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	(197.051)	18.067.267	103.624.718	17.44%
Proportional increase in non-performing loans to 30% of existing regular loans (extreme shock)	(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 for the household segment, depending on changes in macroeconomic factors (changes in GDP, inflation, unemployment rate, and the rate of change in disposable income)	(1.160.236)	16.734.783	93.333.449	17.93%
Deterioration of the DTI indicator for the household segment by 15%.	(281.357)	17,613,662	94.212.328	18.70%
Deterioration of the DTI indicator for the household segment by 30%.	(692.157)	17.202.862	93.801.528	18.34%
Deterioration of the DTI indicator for the household segment by 50%.	(1.742.829)	16.152.190	92.750.856	17.41%
Deterioration of country risk exposures to non-financial legal entities and individuals by one risk category	(133.321)	17.761.698	94.360.364	18.82%
Transition of 30% of country risk exposures to non-financial legal entities and individuals into non-performing status	(211.821)	17.683.198	94.281.864	18.76%
Transition of country risk exposure into category D (highest exposure to a single country).	(1.687.857)	16.207.162	92.805.828	17.46%
Transition of country risk exposures into non-performing status at an appropriate transition rate following a two-notch downgrade of the country's credit rating by S&P	(244.769)	17.650.250	94.248.916	18.73%
Risk of changes in interest rates (list separately the various scenarios, including the basic characteristics of the scenario)				
Increase in variable interest rates on assets and liabilities:				
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%
Decrease in variable interest rates on assets and liabilities:				
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 changes in market prices for investments in equity securities (list separately the various 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)

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 31 December 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	2.086.480
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)**		**3.415.523**
3	OWN FUNDS		**20.235.387**
4	**TOTAL WEIGHTED VALUE/EQUITY (2/3*100)**		**16,88%**

REPORT
of changes in the economic value of the positions of banking activities portfolio as of 31 December 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	1.504.868
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)**		**2.523.341**
3	OWN FUNDS		**17.895.019**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**14,10%**

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	-	-	-	-	-	-	-
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	2.944.153	1.830.576	2.739.586	7.387.111	15.699.024
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive assets	**33.479.827**	**6.807.944**	**21.975.238**	**9.825.583**	**13.914.822**	**21.504.401**	**107.507.815**
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	10.400.932	5.032.366	24.203.862	7.710.798	1.862.327	-	49.210.285
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	-	-	-	-	-	-	-
Total interest sensitive liabilities	**13.227.550**	**7.677.322**	**26.354.509**	**8.107.449**	**3.149.178**	**1.972.964**	**60.488.972**
Net balance sheet position	**20.252.277**	**(869.378)**	**(4.379.271)**	**1.718.134**	**10.765.644**	**19.531.437**	**47.018.843**
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
Net off-balance sheet position	-	-	-		-	-	-
Total net position	**20.252.277**	**(869.378)**	**(4.379.271)**	**1.718.134**	**10.765.644**	**19.531.437**	**47.018.843**

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	-	-	-	-	-	-	-
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	835.233	1.124.086	964.686	4.310.930	5.388.964	13.886.091
Other non-specified interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive assets	**29.640.082**	**6.650.955**	**18.798.022**	**6.202.153**	**11.557.286**	**16.019.208**	**88.867.706**
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	3.581.169	18.663.054	8.751.451	3.055.184	15.426	42.702.300
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	-	-	-	-	-	-	-
Total interest sensitive liabilities	**15.375.467**	**4.073.906**	**19.226.753**	**9.043.525**	**3.915.337**	**677.833**	**52.312.821**
Net balance sheet position	**14.264.615**	**2.577.049**	**(428.731)**	**(2.841.372)**	**7.641.949**	**15.341.375**	**36.554.885**
Off-balance sheet interest sensitive assets items	-	-	-	-	-	-	-
Off-balance sheet interest sensitive liabilities items	-	-	-	-	-	-	-
Net off-balance sheet position	-	-	-		-	-	-
Total net position	**14.264.615**	**2.577.049**	**(428.731)**	**(2.841.372)**	**7.641.949**	**15.341.375**	**36.554.885**

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 bank is to maximize the stability and profitability, by obtaining optimal currency structure on both assets and liabilities.

The bank has established Policy for managing the currency risk, adopted by the Supervisory board of the Bank and it is regularly revised on annual basis. The policy defines the basic objectives, evaluation of the Bank'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 Bank'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 Bank’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 Bank 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					Other currencies	Total
In thousands of Denars	MKD	EUR	USD							
2025 (current year)										
Monetary assets										
Cash and cash equivalents	11.030.772	7.729.562	225.313	-	-	-	-	-	240.668	19.226.315
Held-for-trading assets	-	-	-	-	-	-	-	-	-	-
	-	-	-						-	-
Financial assets at fair value through profit or loss upon initial recognition				-	-	-	-	-		
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Loans and advances to other customers	56.977.187	30.454.273	-	-	-	-	-	-	-	87.431.460
Investments in securities	11.844.977	3.400.628	865.892	-	-	-	-	-	-	16.111.497
Investments in associates	1.368.843	-	-	-	-	-	-	-	-	1.368.843
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	-
Other receivables	1.134.532	493.587	2.080	-	-	-	-	-	1.448	1.631.647
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	2.115	-	-	-	-	-	-	-	-	2.115
Total Monetary Assets	**82.358.426**	**42.078.050**	**1.093.285**	**-**	**-**	**-**	**-**	**-**	**242.116**	**125.771.877**
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	6.467.924	44.774	-	-	-	-	-	25.722	6.540.883
Due to other customers	60.117.537	27.861.831	1.571.534	-	-	-	-	-	953.830	90.504.732
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	2.102.585	4.970.115	-	-	-	-	-	-	-	7.072.700
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	238.872	-	-	-	-	-	-	-	-	238.872
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	362.557	1.015.602	32.526	-	-	-	-	-	6.100	1.416.785
Total Monetary Liabilities	**62.824.014**	**40.315.472**	**1.648.834**	**-**	**-**	**-**	**-**	**-**	**985.652**	**105.773.972**
Net-position	**19.534.412**	**1.762.578**	**(555.549)**	**-**	**-**	**-**	**-**	**-**	**(743.536)**	**19.997.905**

(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	10.016.573	11.647.037	232.382	-	-	-	-	-	737.158	22.633.150
Held-for-trading assets	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Loans and advances to other customers	45.035.168	26.720.541	-	-	-	-	-	-	-	71.755.709
Investments in securities	9.385.652	3.911.931	909.493	-	-	-	-	-	-	14.207.076
Investments in associates	1.368.843	-	-	-	-	-	-	-	-	1.368.843
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	-
Other receivables	1.057.479	466.673	1.753	-	-	-	-	-	238	1.526.143
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	***66.836.715***	***42.746.182***	***1.143.628***	**-**	**-**	**-**	**-**	**-**	***737.396***	**111.490.921**
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	50.026.426	28.610.039	1.991.968	-	-	-	-	-	866.195	81.494.628
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	374.187	490.729	10.796	-	-	-	-	-	3.097	878.809
Total Monetary Liabilities	***50.628.678***	***39.925.893***	***2.003.080***	**-**	**-**	**-**	**-**	**-**	***938.465***	**93.496.116**
Net-position	**16.235.037**	**2.820.289**	**(859.452)**	**-**	**-**	**-**	**-**	**-**	**(201.069)**	**17.994.805**

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 bank as well as external events.

The bank 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 to identify and assess operational risk include the Risk Self-Assessment (RSA) and sensitivity assessment through scenario analysis (HLLF).

Within the Risk Appetite Statement and Risk Management Strategy, the Bank has defined the acceptable level of operational risk exposure.

For the purposes of calculating capital adequacy, the Bank uses the basic indicator approach for determining the capital requirement for operational risk.

3. Capital Adequacy

NBRNM as the main regulator in the banking sector monitors the capital adequacy of the Bank as a whole. The bank is under direct supervision by the regulator, which monitors compliance with the capital adequacy ratio and the maintenance of 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%. In accordance with the regulator’s decision, the minimum required level of capital that the Bank must maintain during 2026 remains unchanged at 5.50%. Accordingly, the minimum required capital level for 2026 is 13.50%.

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

Bank's own funds are the sum of the Bank’s Tier I capital and Tier II capital. The Tier I capital consists of Common Equity Tier I capital and Additional Tier I capital and the Bank should maintain at least:

- rate of Common Equity Tier I capital of 4.5% of risk weighted assets and
- rate of Tier I capital of 6% of risk-weighted assets.

Common Equity Tier I capital (CET1) consists of capital instruments of CET1; premium on capital instruments sold; mandatory general reserve; reserves increase based on allocation of the revaluation reserve; retained undistributed earnings unencumbered by any future obligations recorded in the bank’s balance sheet and confirmed by decision of the Shareholders’ Assembly of the bank; current profit, or year-end profit if the regulation requirements are fulfilled; accumulated other comprehensive income that includes other profit or loss not recorded in the income statement of the bank.

3. Capital Adequacy (Continued)

Deductions from CET1 are as follows: loss at the year-end or current loss; intangible assets, deferred tax assets that rely on bank's future profitability; the amount of direct, indirect and synthetic investments in own capital instruments of the CET1, including capital instruments that the bank is contractually required to purchase; the amount of direct, indirect and synthetic instruments in capital instruments of the CET1 of the financial sector entities, where such entities have investments in the bank that artificially increase its own funds; the amount of direct, indirect and synthetic investments in capital instruments of CET1 of the financial entities in which the bank has no significant investments; the amount of direct, indirect and synthetic investments in capital instruments of the CET1 of the financial sector entities in which the bank has a significant investment, with the exception of those held up to five days; the amount of deductions from the Additional Tier 1 capital which exceeds the total amount of Additional Tier 1 capital; investments in non-financial institutions; tax costs that may be determined at the time of calculation; difference between impairment and special reserve established by the bank and the required amount of impairment and special reserves, according to the NBRNM's credit risk management regulation.

Additional Tier I capital (AT1) includes capital instruments of AT1, premium on capital instruments of AT1 and hybrid instruments.

Deductions from AT1 are as follows: the amount of direct, indirect and synthetic investments in own capital instruments of the AT1, including capital instruments for which the bank has a contractual obligation to buy; the amount of direct, indirect and synthetic investments in capital instruments of the AT1 of financial sector entities, where such entities have investments in the bank that artificially increase its own funds; the amount of direct, indirect and synthetic investments in capital instruments of the AT1 of the financial sector entities where the bank has no significant investment; the amount of direct, indirect and synthetic investments in capital instruments of the AT1 of the financial sector entities in which the bank has a significant investment, with the exception of those held up to five days; the amount of deductions from the AT1 which exceeds the total amount of AT1; tax costs that may be determined at the time of calculation.

Tier II capital (T2) includes capital instruments of the T2, subordinated loans and premium on capital instruments of the T2.

- Deductions from T2 are as follows: the amount of direct, indirect and synthetic investments in own funds of T2, including instruments for which the bank has contractual obligation to buy; the amount of direct, indirect, synthetic investments in capital instruments of T2 of financial sector entities, where such entities have investments in the bank that artificially increase its own funds; the amount of direct, indirect and synthetic investments in T2 of financial sector entities where the bank has no significant investment; the amount of direct, indirect and synthetic investments in capital instruments of the T2 of the financial sector entities in which the bank has a significant investment, with the exception of those held up to five days.

3. Capital Adequacy (Continued)

Pursuant to the Banking Law, the Bank should fulfil the additional requirements regarding the capital buffers besides the capital adequacy legal requirements determined by the regulations of NBRNM and/or corrective actions imposed by NBRNM. The capital buffers strengthen the Bank's solvency and its resistance against the unpredictable loss from operations. In that way the stability and security of the banking system and the entire financial system are strengthened. There are four capital buffers:

- Capital conservation buffer is determined at 2,5% of the risk weighted assets. The banks in the Republic of North Macedonia should maintain the capital conservation buffer of 2,5% of the risk weighted assets. This capital buffer is prescribed pursuant to the provisions of the Banking Law and it is referred to all banks in the Republic of North Macedonia. There is no specific methodology for its introduction. During 2024, the capital conservation buffer was 2.5% of risk-weighted assets;
- countercyclical protective layer of the capital which can be up to 2.5% of the assets weighted according to the risks, but also more depending on other system factors/indicators. This protective layer is introduced or increased during periods of significant credit growth, and is reduced or released during periods when the credit cycle changes. NBRNM is obliged on a quarterly basis to determine the required rate of countercyclical protective layer of the capital for the exposures in the Republic of North Macedonia and to announce its amount, together with the date of application, if it is greater than 0%. As of 31.12.2025, the countercyclical protective layer for exposures in the country amounts to 1.75% of the assets weighted according to the risks, while the countercyclical protective layer for exposures to other countries is determined according to the amount of the rates determined by the competent authorities of the other countries. In accordance with the decisions made by the NBRNM Council for the period from 01.01.2026 to 30.09.2026, the countercyclical protective layer for exposures in the Republic of North Macedonia has been set at 1.75% and from 01.10.2026 to 31.12.2026 at 2.00%, while the countercyclical protective layer for exposures to other countries remains to be determined according to the rates set by the competent authorities of other countries;
- Capital buffer for systemically important banks may range from 1% to 3.5% of the risk weighted assets. The purpose of the capital buffer for systemically important banks is to increase the resistance of the banks identified as systemically important banks against unexpected shocks or losses that could arise during their operations. Based on the prescribed methodology, NBRNM identifies systemically important banks and notifies each systemically important bank on the capital buffer rate it has to maintain. During 2025, the protective layer of capital for the Bank as a systemically important bank was 1.5%;
- Systemic risk capital buffer rate may range from 1% to 3% of risk weighted assets. The systemic risk capital buffer rate is prescribed by the Governor of NBRNM for limiting the risk of disruption to the financial system or the national economy. This capital buffer may be different for various banks or groups of banks. During 2025, NBRNM has not established systemic risk capital buffer.

(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 Bank's operating segments.

Operating segment is a component of the activities of the Bank 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 Bank 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 Bank;
- 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 Bank's total assets;
- Management has assessed that they are significant to follow for the Bank'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 in December 31 2025 and 2024 the Bank does not group two or more operating segments into one.

The operating segments of the Bank 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 Bank 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 Bank 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)	1.298.590	2.391.588	(145.370)	774.029	54.607	-	-	4.373.444
Net fees and commissions income / (expense)	435.260	1.319.857	(709.893)	-	(63.036)	-	(3.349)	978.839
Net trading income	-	-	-	-	(76)	-	-	(76)
Net income from other financial instruments carried at fair value	-	-		-	-	-	-	-
Other operating income	51.579	41.066	44.627	-	7	-	310.670	447.949
Income realized between segments	-	-		-	-	-	-	-
Total revenue by segment	**1.785.429**	**3.752.511**	**(810.636)**	**774.029**	**(8.498)**	**-**	**307.321**	**5.800.156**
Impairment of financial assets on a net basis	(512.017)	76.148	(1.058)	(44)	5.177	-	(8.560)	(440.354)
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	(3.872)	(3.872)
Depreciation	-	-	-	-	-	-	(371.409)	(371.409)
Restructuring costs	-	-	-	-	-	-	-	
Cost of investment in property and equipment	-	-	-	-	-	-	-	
Other expenses	(1.475.141)	(144.095)	-	-	-	-	(801.965)	(2.421.201)
Total expenditures by segment	**(1.987.158)**	**(67.947)**	**(1.058)**	**(44)**	**5.177**	**-**	**(1.185.806)**	**(3.236.836)**
Financial results by segment	(201.729)	3.684.564	(811.694)	773.985	(3.321)	-	(878.485)	**2.563.320**
Income tax								**(416.161)**
Profit / (loss) for the year								**2.147.159**
Total assets by segment	35.296.306	52.786.924	2.216.331	19.610.892	15.834.790	-	-	125.745.243
Unallocated assets by segment	-	-		-	-	-	3.005.012	3.005.012
Total assets	**35.296.306**	**52.786.924**	**2.216.331**	**19.610.892**	**15.834.790**	**-**	**3.005.012**	**128.750.255**
Total liabilities by segment	48.510.027	39.025.903	5.702.915	51.582	12.774.775	-	-	106.065.202
Unallocated liabilities by segment							296.011	296.011
Total liabilities	**48.510.027**	**39.025.903**	**5.702.915**	**51.582**	**12.774.775**	**-**	**296.011**	**106.361.213**

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	2.264.810	(148.826)	646.203	71.929	-	-	4.198.977
Net fees and commissions income / (expense)	388.721	1.197.415	(695.439)	-	(24.919)	-	(8.812)	856.966
Net trading income	-	-	-	-	(957)	-	-	(957)
Net income from other financial instruments carried at fair value	-	-		-	-	-	-	-
Other operating income	52.589	44.356	42.026	-	-	-	251.055	390.026
Income realized between segments	-	-		-	-	-	-	-
Total revenue by segment	**1.806.171**	**3.506.581**	**(802.239)**	**646.203**	**46.053**	**-**	**242.243**	**5.445.012**
Impairment of financial assets on a net basis	(562.188)	(296.089)	242	(915)	(4.637)	-	(32.787)	(896.374)
Loss on impairment of non-financial assets on a net basis	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	(294.479)	(294.479)
Restructuring costs	-	-	-	-	-	-	-	
Cost of investment in property and equipment	-	-	-	-	-	-	-	
Other expenses	(1.351.920)	(168.795)	-	-	-	-	(683.821)	(2.204.536)
Total expenditures by segment	**(1.914.108)**	**(464.884)**	**242**	**(915)**	**(4.637)**	**-**	**(1.011.087)**	**(3.395.389)**
Financial results by segment	(107.937)	3.041.697	(801.997)	645.288	41.416	-	(768.844)	**2.049.623**
Income tax								**(196.526)**
Profit / (loss) for the year								**1.853.097**
Total assets by segment	30.384.126	42.052.696	2.030.791	15.568.486	21.401.107	-	-	111.437.206
Unallocated assets by segment	-	-	-	-	-	-	2.334.800	2.334.800
Total assets	**30.384.126**	**42.052.696**	**2.030.791**	**15.568.486**	**21.401.107**	**-**	**2.334.800**	**113.772.006**
Total liabilities by segment	40.896.406	37.383.337	4.743.058	15	10.771.568	-	-	93.794.384
Unallocated liabilities by segment							161.675	161.675
Total liabilities	**40.896.406**	**37.383.337**	**4.743.058**	**15**	**10.771.568**	**-**	**161.675**	**93.956.059**

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

4. Segment Reporting (Continued)

B *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 Bank has no significant concentration of total revenues and expenditures by major customers.

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

4. Segment Reporting (Continued)

C *Geographical Location*

					Other (List separately significant geographic segments)		
In thousands of Denars	Republic of North Macedonia	EU member states	Europa (other countries)	OECD member states (without EU countries –members of OECD)	Other	Unallocated	Total
2025 (Current year)							
Total income	8.034.679	26.060	145.368	508	78	-	**8.206.693**
Total assets	121.794.542	859.268	6.092.827	3.372	247		**128.750.255**
2024 (Previous year)							
Total income	7.401.743	56.703	16.499	392	75	-	**7.475.412**
Total assets	108.096.869	1.907.955	3.753.351	13.590	241		**113.772.006**

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	19.226.315	19.226.315	22.633.150	22.633.150
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		-		
Loans and advances to banks	-	-	-	-
Loans and advances to customers	87.431.460	87.431.460	71.755.709	71.755.709
Investments in securities	16.111.497	16.111.497	14.207.076	14.207.076
Investments in associates	1.368.843	1.368.843	1.368.843	1.368.843
Receivables for income tax (current)	-	-	-	-
Other receivables	1.424.763	1.424.763	1.363.536	1.363.536
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	90.504.732	90.504.732	81.494.628	81.494.628
Debt securities issued	-	-	-	-
Borrowings	7.072.700	7.072.700	4.246.870	4.246.870
Subordinated debt	-	-	-	-
Income tax liability (current)	238.872	238.872	90.688	90.688
Deferred tax liabilities	51.576	51.576		
Other liabilities	781.079	781.079	785.441	785.441

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 bank provides loans from credit lines financed from the Macedonian Bank for Development Promotion, 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 Bank 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 amortised cost 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 the amount of Denar 34.708 thousand (Denar 2024: 34.708 thousand), 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 0.22% (2024: 0.24%) in the total investments and are expressed by their cost 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 Denar 39.924.910 thousand (2024: Denar 35.222.774 thousand). Fixed interest rates mostly refer to time deposits up to one year (Denar 34.561.129 thousand), and 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 carrying 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**
31 December 2025 (Current year)					
Financial assets measured at fair value					
Trading assets	19	-	-	-	-
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	4.266.291	11.816.589	28.617	16.111.497
Total		**4.266.291**	**11.816.589**	**28.617**	**16.111.497**
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		-	-	-	-
31 December 2024 (Previous year)					
Financial assets measured at fair value					
Trading assets	19	-	-	-	-
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	28.617	14.207.076
Total		**4.821.192**	**9.357.267**	**28.617**	**14.207.076**
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 Bank 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 observable.

Investment securities available for sale in the amount of Denar 16.111.497 thousand (2024: Denar 14.207.076 thousand), comprising investment in Government bonds in the amount of Denar 13.314.644 thousand (2024: Denar 12.407.059 thousand) and Government bills in the amount of Denar 2.762.145 thousand (2024: Denar 1.765.309 thousand), whereas the amount of Denar 34.708 thousand (2024: Denar 34.708 thousand) represents investment in own 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)	-	-	**28.617**	**28.617**	-	-	-
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	-	-	-	-	-	-	-
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 31 December 2024 (Previous year)	-	-	**28.617**	**28.617**	-	-	-
Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of 31 December 2024 (previous year)	-	-	-	-	-	-	-
Balance as of January 1, 2025 (Current year)	-	-	**28.617**	- **28.617**	-	-	- -
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	-	-	-	-	-	-	-
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 31 December 2025 (Current year)	-	-	**28.617**	**28.617**	-	-	-
Total gains / (losses) recognized in profit or loss on financial assets and liabilities held as of 31 December 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	-	-
Loans and advances to customers	4.638.177	4.406.257
Investments in securities	698.903	555.152
Other receivables	-	-
(Impairment losses on interest income, on a net basis)	168.567	72.688
Collected previously written-off interest	-	-
Total interest income	**5.718.050**	**5.276.878**
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	1.225.165	950.791
Issued debt securities		
Borrowings	90.694	106.062
Subordinated debt		
Other liabilities	12.508	-
Total interest expense	**1.344.606**	**1.077.901**
Net income / (expense) Interest	**4.373.444**	**4.198.977**

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	639.035	527.637
Non-profit institutions serving households	47	50
Banks	212.403	242.780
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	**5.718.050**	**5.276.878**
Interest expense		
Non-financial companies	417.430	305.538
Government	-	-
Non-profit institutions serving households	9.309	11.015
Banks	91.150	89.554
Other financial non-banking institutions	144.368	148.826
Households	619.145	478.295
Non-residents	63.204	44.673
Total interest expense	**1.344.606**	**1.077.901**
Net Interest income/(expense)	**4.373.444**	**4.198.977**

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	382.980	351.195
Foreign	225.371	194.489
Letters of credit and guarantees	143.421	146.936
Brokerage	674	78
Asset management	-	-
Commission and fiduciary activities	1.773	2.403
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	559.769	491.776
Fees for transactions on ATM	98.916	93.138
ATM transactions fee	91.957	88.681
Electronic banking	100.703	74.275
Transaction with Posta	74.843	63.426
Insurance revenues	75.082	85.888
Treasury operations	35.699	29.468
Other operating revenues from fees and commissions	1.134	904
Total fee and commission income	***2.040.770***	***1.809.465***
Fee and commission expenses		
Loans	12.095	16.496
Payment operations		
domestic	82.270	85.981
foreign	85.209	68.932
Letters of credit and guarantees	2.069	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	517.293	483.980
Other operating expenses from fees and commissions	10.870	9.523
Total fee and commission expenses	965	626
Net fee and commission income / (expense)	***1.061.931***	***952.499***
Fee and commission income	**978.839**	***856.966***

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	1.319.642	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)	95.901	8.679
Households	355.707	383.511
Non-residents	217.452	165.293
Total fee and commission income	***2.040.770***	***1.809.465***
Fee and commission expenses		
Non-financial companies	16.147	20.516
Government	-	-
Non-profit institutions serving households	-	-
Banks	60.807	61.438
Other financial institutions (non-banking)	40.541	39.054
Non-residents	944.436	831.491
Total fee and commission expenses	***1.061.931***	***952.499***
Net fee and commission income / (expense)	**978.839**	**856.966**

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	(76)	(957)
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	**(76)**	**(957)**

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	208.694	245.400
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	4.599	(1.943)
Other foreign exchange differences, net	48.577	(12.278)
Net foreign exchange gains/(losses)	**261.870**	**231.179**

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	1.060	2.667
Visa/Master card - campaign	43.622	42.825
Income from sale of bills of exchange	-	230
Reimbursement of telephone expenses	220	167
Transport of money	7.041	5.578
Income from reports from the Macedonian Credit Bureau	4.434	5.018
Other income	12.835	3.375
Total operating income	**186.079**	**158.847**

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	13.264	2.656.183	215.403	2.871.586
(Release of allowance for impairment and special reserve)	-	(2.190.919)	(193)	-	(6.107)	(15.612)	(12.465)	(2.225.296)	(205.936)	(2.431.232)
Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net	***-***	***433.729***	***(58)***	***-***	***(5.186)***	***1.603***	***799***	***430.887***	***9.467***	***440.354***
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	19.483	7.504.934	347.197	7.852.131
(Release of allowance for impairment and special reserve)	-	(6.612.052)	(936)	-	(2.393)	(5.737)	(19.621)	(6.640.739)	(315.018)	(6.955.757)
Total allowance for impairment on financial assets and special reserve for off balance sheet exposure, net	***-***	***832.746***	***925***	***-***	***4.400***	***26.262***	***(138)***	***864.195***	***32.179***	***896.374***

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	663.405	738.769
Compulsory social and health insurance contributions	318.236	288.237
Short-term paid absences	645	645
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	64.163	50.647
	1.046.449	**1.078.298**
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)	73.880	42.854
Total personnel expenses	**1.120.329**	**1.121.152**

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	48.324	56.474
Other internally developed intangible assets	-	-
Other intangible assets	23.524	23.733
Intangible assets under lease	13.594	16.177
	85.442	**96.384**
Amortization of property and equipment		
Buildings	54.738	54.115
Vehicles	2.657	2.468
Furniture and office equipment	9.736	7.275
Other equipment	96.621	106.072
Other items of property and equipment	10.048	9.036
Property, plant and equipment under lease	13.676	19.129
Right-of-use (ROU) assets	98.491	-
	285.967	**198.095**
Total	**371.409**	**294.479**

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	72.059	62.499
Materials and services	513.282	424.305
Administrative and marketing expenses	182.302	171.618
Other taxes and contributions	15.859	15.871
Rent expense	11.315	99.742
Court litigation expenses	3.799	6.282
Provisions for pension and other employee benefits, net	219.218	81.239
Provisions for contingent liabilities based on court litigations, net	4.438	9.438
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)	-	-
Money transfer	63.268	43.360
Documentation archiving	11.961	10.626
Expenses for repaid loans before maturity	42	151
Other expenses	26.855	13.263
Total other operating expenses	**1.300.872**	**1.083.384**

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	271.189	196.526
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 Tax	144.972	-
	416.161	**196.526**
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	**416.161**	**196.526**

	In thousands of Denars	
	Current year 2025	Previous year 2024
Current income tax		
Recognized in the income statement	416.161	196.526
Recognized in the equity and reserves	-	-
	416.161	**196.526**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	49.461	(23.281)
	-	-
Total expense/(return) on income tax	**465.622**	**219.907**

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		2.563.320		2.049.623
Income tax as per applicable tax rate	10%	256.332	10%	204.962
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	0,59%	15,146	0,58%	11.818
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 Tax	5,66%	144.972	-	-
Total expense/(return) on income tax		**416.161**		**196.526**
Average effective tax rate	**16,24%**		**9,59%**	

Pursuant to the Income Tax Law which is in appliance for the fiscal 2025 and 2024, basis for taxation represents the realized gross profit (difference between the total income and expenditures) increased by certain costs that are not subject to taxation, or decreased by certain income, investments and similar which are not subject to taxation.

Under the “Other – Global tax” position, in current year, the calculated global minimum tax for 2024 and 2025 is presented.

17. Income Tax (Continued)

B *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	2.199.965	2.337.359
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	4.228	239
Treasury bills that may be traded on the secondary market	3.497.281	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	**12.492.139**	***17.472.816***
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	**19.226.315**	**22.633.150**

The restricted deposits for MasterCard and Visa include current account in a foreign bank which is limited and serves to provide claims by MASTERCARD in the amount of Denar 138.394 thousand (2024: Denar 149.710 thousand) and a limited current account in foreign bank that serves for securing the claims by VISA in the amount of Denar 49.410 thousand (2024: 53.088 thousand).

The amount of 6.546.394 thousand denars refers to the obligation for mandatory reserves in foreign currency which is allocated in accordance with the NBRSM regulation in which during the year amendments were made in order to increase the obligation for mandatory reserves in euros (2024: 4.957.558 thousand denars).

18. Cash and cash equivalents (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 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 31 December	**93**	**-**	**-**	**93**	**5.279**	**-**	**-**	**5.279**

19. Trading Assets

A Structure of trading assets by type of financial instrument

	In thousands of Denars	
	Current year 2025	Previous year 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	-	-
	-	**-**
Listed	**-**	**-**
Non-listed	**-**	**-**
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	**-**	**-**

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	-	-	-	-
Foreign		-	-	-
Repo				
Domestic	-	-	-	-
Foreign	-	-	-	-
Other receivables				
Domestic	-	-	-	-
Foreign	-	-	-	-
Interest receivables	-	-	-	-
Current maturity	-	-	-	-
Total loans and advances to banks before impairment	**-**	**-**	**-**	**-**
(Impairment)	-	-	-	-
Total loans and advances to banks less impairment	**-**	**-**	**-**	**-**

As of 31 December 2025 the Bank has no loans granted to banks and claims from banks (2024: nil).

22. Loans and Advances (Continued)

22.1 Loans and advances to banks (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,	-	-	-	-	-	-	-	-
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 31 December	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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)	(766.429)	(2.190.919)	(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 31 December	**357.216**	**775.760**	**1.213.468**	**2.346.444**	**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 accounts to the off-balance sheet record of credit exposures for which twelve months have passed since the date when the Bank was obliged to perform a value correction, i.e., to set aside a special reserve of 100%. The larger amount in the line of written off receivables arises from 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	2.986.970
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	2.419.688
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	-
	16.076.789	***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	34.708	34.708
	34.708	**34.708**
Listed	223	223
Non-listed	34.485	34.485
Total investment in financial instruments available for sale	**16.111.497**	**14.207.076**

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 debt instruments	15.05.2034	7,625

Investments in equity instruments available for sale in the amount of 34.708 thousand denars (2024: 34.708 thousand denars) include investments in securities with which the Bank participates with no more than 10% in the share capital of financial and non-financial companies.

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

23. Investment in Securities (Continued)

23.1 Investments in financial assets available for sale (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,	925	-	-	925	-	-	-	-
Impairment for the year	135	-	-	135	1.861	-	-	1.861
Additional impairment				-	-	-	-	-
(Transfer to reserves)	(193)	-	-	(193)	(936)	-	-	(936)
(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)	**867**	**-**	**-**	**867**	**925**	**-**	**-**	**925**

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	-	-
Other instruments on the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	**-**
Listed	**-**	**-**
Non-listed	**-**	**-**
Total investment in financial instruments held to maturity before impairment	**-**	**-**
(Impairment)	-	-
Total investment in financial instruments held to maturity less impairment	**-**	**-**

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

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 31 December	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 31.12.2025, the total deposit amounted to 1.368.843 thousand denars. During 2024 and 2025, there were no changes in the total deposit of Halk Insurance AD Skopje

25. Other receivables

	In thousands of Denars	
	Current year 2025	Previous year 2024
Trade receivables	22.609	33.405
Prepaid expenses	150.543	84.773
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	453.351
Western Union	604	787
Inventories	26.022	27.963
Receivables from court fees	8.204	8.187
Other	90.611	104.992
Total other receivables before value allowance	**1.669.818**	***1.541.711***
(Allowance for impairment)	(38.171)	(38.849)
Total other receivables, net of allowance for Impairment	**1.631.647**	**1.502.862**

Prepaid pensions in the amount of 577.514 thousand denars (2024: 453.351 thousand denars) refer to the December payment of pensions in 2025 from the Bank's funds, which were collected from the Pension and Disability Insurance Fund of the Republic of North Macedonia on January 2, 2026 (2024: January 2, 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	1.428	36.835	38.847	394	2.559	17.170	20.123
Allowance for impairment for the year								
Additional allowance for impairment	1.185	7.464	21.834	30.483	1.562	8.536	41.384	51.482
(Release of allowance for impairment)	(1.078)	(5.650)	(21.339)	(28.067)	(1.373)	(9.667)	(14.317)	(25.357)
Transfer to:								
- allowance for impairment for Group 1	37	(21)	(15)	-	153	(137)	(17)	-
- allowance for impairment for Group 2	(25)	54	(28)	-	(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)			(3.094)	(3.094)			(7.402)	(7.402)
Balance as of 31 December	**692**	**3.242**	**34.236**	**38.172**	**584**	**1.428**	**36.835**	**38.849**

In accordance with the Decision on Credit Risk Management, the Bank made mandatory transfer of credit exposures to off-balance sheet accounts if twelve months have passed since the Bank was obliged to recognize an allowance for impairment i.e., to allocate a special reserve of 100%. The major part in the line of written off receivables results from that 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	-	-	-	-	-	-
(sold during the year)	(577)	-	-	4.840	-	4.263
(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						
January1, 2024 (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 of 31 December 2025, according to the latest estimates available to the Bank, the objective value of the property taken over is 156.343 thousand denars.

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)	-	469.794	-	213.612	86.232	-	769.638
Increase through new acquisitions	-	33.097	-	20.932	13.316	-	67.345
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)	***-***	***502.891***	***-***	***234.544***	***99.548***	***-***	***836.983***
Balance as of January 1.2025 (Current year)	-	502.891	-	234.544	99.548	-	836.983
Increase through new acquisitions	-	74.089	-	34.931	26.645	-	135.665
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)	***-***	***576.980***	***-***	***269.475***	***126.193***	***-***	***972.648***
Depreciation and impairment							
Balance as of January 1.2024 (Previous year)	-	353.446	-	166.561	75.604	-	595.611
Depreciation for the year		56.474	-	23.733	16.177	-	96.384
Impairment loss during the year	-	-		-			-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
Balance as of December 31.2024 (Previous year)	***-***	***409.920***	***-***	***190.294***	***91.781***	***-***	***691.995***
Balance as of January 1.2025 (Current year)	-	409.920	-	190.294	91.781	-	691.995
Depreciation for the year	-	48.324	-	23.524	13.594	-	85.442
Impairment loss during the year	-	-		-			-
(Release of impairment loss during the year)	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-
Balance as of December 31.2025 (Current year)	***-***	***458.244***	***-***	***213.818***	***105.375***	***-***	***777.437***
Current carrying amount as of							
January 1.2024 (Previous year)	-	*116.348*	-	*47.051*	*10.628*	-	*174.027*
December 31.2024 (Previous year)	***-***	***92.972***	***-***	***44.250***	***7.766***	***-***	***144.988***
December 31.2025 (Current year)	***-***	***118.736***	***-***	***55.657***	***20.818***	***-***	***195.211***

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 31 December 2025, the Bank has not pledged intangible assets as security for the Bank's obligations (as of 31 December 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	Total
Cost									
Balance as of January 1.2024 (Previous year)	-	2.107.119	43.389	122.541	1.052.804	97.084	29.726	237.596	-
Increases	-	41.492	-	5.007	89.620	24.030	73.241	25.516	-
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(31.355)	-	(48.192)	(59)	(65.428)	-	-
(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)	**-**	***2.148.611***	***12.034***	***127.548***	***1.094.232***	***121.055***	***37.539***	***263.112***	**-**
Balance as of January 1.2025 (Current year)	-	2.148.611	12.034	127.548	1.094.232	121.055	37.539	263.112	635.805
Increases	-	71.657	8.468	26.805	142.874	9.187	95.479	19.436	-
Increase through business combinations	-	-	-	-	-	-	-	-	
(Disposal and write off)	-	(93.589)	-	(5.005)	(11.386)	(21)	(98.293)	(24.321)	-
(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)	**-**	***2.126.679***	***20.502***	***149.348***	***1.225.720***	***130.221***	***34.725***	***258.227***	***635.805***
Depreciation and impairment									
Balance as of January 1.2024 (Previous year)	-	359.093	35.635	102.958	830.034	50.009	-	191.162	
Depreciation for the year	-	54.115	2.468	7.275	106.072	9.036	-	19.129	
Impairment loss during the year	-	-	-	-	-	-	-	-	
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	
(Disposal and write off)	-	-	(31.355)	-	(48.193)	(45)	-	-	
(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)	**-**	***413.208***	***6.748***	***110.233***	***887.913***	***59.000***	**-**	***210.291***	
Balance as of January 1.2025 (Current year)	-	413.208	6.748	110.233	887.913	59.000	-	210.291	-
Depreciation for the year	-	53.568	2.657	9.735	96.620	10.048	-	17.755	98.491
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)	-
(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)	**-**	***419.298***	***9.405***	***114.963***	***973.147***	***69.031***	**-**	***200.090***	***98.491***
Carrying amount as of									
January 1.2024 (Previous year)	-	1.748.026	7.754	19.583	222.770	47.075	29.726	46.434	-
December 31.2024 (Previous year)	**-**	***1.735.403***	***5.286***	***17.315***	***206.319***	***62.055***	***37.539***	***52.821***	**-**
December 31.2025 (Current year)	**-**	***1.707.381***	***11.097***	***34.385***	***252.573***	***61.190***	***34.725***	***58.137***	***537.314***

29. Property and Equipment (Continued)

The Bank adopted IFRS 16 on 1 January 2025 in accordance with the regulations of the National Bank of the Republic of North Macedonia, using the modified retrospective approach. The effect of the initial application of IFRS 16 was recognized as of 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

On 31 December 2025, the Bank does not have one title deed for office space with a net present value of MKD 639 thousand (2024: MKD 677 thousand). The registration process for this property is currently underway before the Agency for Real Estate Cadastre.

As of 31 December 2025, the Bank has not pledged real estate and equipment as security for the Bank's obligations (as of 31 December 2024: none), and has no outstanding commitments 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	-	-
Current income tax liabilities	238.872	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
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	**-**	**-**	**-**	**-**	**-**	**-**
Investments in financial assets available for sale	2.115	(51.576)	(49.461)	23.281	-	23.281
Hedges of cash flows	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in equity	**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**

B Unrecognized deferred tax assets

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

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

In thousands of Denars	As of 1 January,	Recognized during the year in: 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 2025	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 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 bank, 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 31 December	**-**	**-**

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 customers

	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	-
	26.629.854	**8.848.314**	***25.163.045***	***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	-	-	-	-
Time 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	329.612	-	284.238	-
Demand deposits	-	-	-	-
Time deposits	2.795.695	1.316.934	2.057.081	1.573.835
Restricted deposits	910	2.257	3.334	142.687
Other deposits	-	-	-	-
Interest payable on deposits	31.120	-	28.604	-
	3.157.337	**1.319.191**	***2.373.257***	***1.716.522***
Households				
Current accounts	19.234.401	-	15.892.219	-
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**	***19.647.644***	***20.212.542***
Foreign entities, except banks				
Current accounts	397.359	-	466.076	-
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**	***1.115.891***	***956.707***
Current maturity	***24.656.621***	***(24.656.621)***	***18.123.328***	***(18.123.328)***
Total deposits from other customers	**79.484.987**	**11.019.745**	**67.405.856**	**14.088.772**

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)	733.539	(733.539)
Total borrowings	**1.825.101**	**5.247.599**	**739.966**	**3.506.904**

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 JSC 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)*	733.539	(733.539)
Total borrowings	***1.825.101***	***5.247.599***	**739.966**	**3.506.904**

The Bank has pledged receivables, in form of notarial act, in favor of the Development Bank of North Macedonia (DBNM), related to sub-loan agreements concluded with final users, approved by EIB credit lines 4, 5, 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 financing digitalisation and digital transformation projects, energy efficiency and renewable energy sources, the Framework Agreement for participation in the credit line for support of green and socially responsible investments financed by the French Development Agency, 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 with a positive contribution to the creation of new jobs in micro, small and medium-sized enterprises (CEB). The Bank is obligated to pledge, in favour of DBNM, the receivables it acquires based on agreements concluded with its clients.

In case of default of payment by the Halk Bank towards DBNM, DBNM would have an executive title in the form of a notarial act, with which DBNM would collect the debt that Halk Bank claims from its customers.

Terms of repayment

Lender	Security	Currency	Interest rate	Year of maturity
DBNM	Promissory notes + Promissory notes in the form of a Notarial Deed + pledged receivables from clients	EUR	0,9%-2,79%	2029 - 2038
DBNM	Promissory notes + Promissory notes in the form of a Notarial Deed + pledged receivables from clients	EUR	1%+3 months EURIBOR	2027 - 2033
EFSE	Unsecured loan	EUR	1,8%-2,30%+ 6 months EURIBOR	2027 - 2029
DHB	Unsecured loan	EUR	3,5%	2026
DBNM	Promissory notes + Promissory notes in the form of a Notarial Deed + pledged receivables from clients	MKD	0%	2030 - 2040

As of 31 December 2025, the Bank is in accordance with the covenants determined by the creditor EFSE.

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	36.156	223.415	-	-	-	352.444
additional provisions during the year	347.197	14.535	268.247	-	-	-	629.979
(used provisions during the year)	-	-	(186.811)	-	-	-	(186.811)
(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**	**28.130**	**304.654**	**-**	**-**	**-**	**459.943**
Balance as of January 1.2025 (Current year)	127.159	28.130	304.654	-	-	-	459.943
additional provisions during the year	215.403	6.157	276.664	-	-	-	498.224
(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**	**32.822**	**370.821**	**-**	**-**	**-**	**535.665**

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

38. Special reserve and provision (Continued)

The carrying amount of provisions for retirement and other employee benefits is determined by discounting estimated future cash outflows. The bank also reserves funds for employee awards and annual leave.
The actuarial assumptions 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 current value of the expected future liabilities for retirement severance pay and the corresponding cost for current services, a model has been created according to the method of crediting a projected unit (Project Unit Credit Method - PUCM). The estimated expected value of the liability takes into account the probability that the benefit will be realized, based on the probability that the employee will not terminate the employment in the Bank and at the same time will experience the moment of retirement. This probability is derived from the defined actuarial assumptions about employee mortality and fluctuation.

The present value of the liability is a discounted value on the day of calculation, from the obtained estimated expected value of the liability, calculated in accordance with the assumptions with the probability that the cash outflow will be realized. The cost of current services is a discounted value on the day of the calculation, from the projected expected value of the unit, with the probability that the cash outflow will be realized.

39. Other Liabilities

	In thousands of Denars	
	Current year 2025	Previous year 2024
	4.965	7.868
Trade payables	-	-
Received advances	23	15
Liabilities for commissions and fees	373	71
Accrued expenses	92.692	93.292
Deferred income from previous year	-	-
Short-term employee liabilities	-	-
Short-term liabilities for employee benefits	6	15
Brokerage		
Other (liabilities more than 10% of the total other liabilities)	22.357	45.654
Liabilities to other banks, upon transactions with Master cards	253.733	246.340
Liabilities to other banks, upon transactions with Visa cards	109.712	99.005
Liabilities to other banks for settlement from card operations	45.218	52.229
Liabilities to other banks for card settlement	4.387	1.567
Deposits for performing of work	12.728	10.990
Other taxes and contributions	16.592	9.845
Undistributed inflow (in MKD)	200.241	198.755
Undistributed foreign exchange inflow	7.051	11.740
Founding deposit for firms	10.843	18.769
Obligations based on population	542.862	-
Other	92.999	82.654
Total other liabilities	**1.416.785**	**878.809**

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		Nominal value per share	
	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 the dividend when it is announced and have the right to one vote at the Bank's Meeting for the equivalent of 1 ordinary share (2024: 1 ordinary share). All shares carry the right to proportional participation in the division of the rest of the bankruptcy, that is, the liquidation mass.

40. Subscribed Capital (Continued)

Б Dividends

B.1 Declared dividends and dividends paid by the Bank

	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 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%
Total	**14.029.050**	**14.029.050**	**99,66%**	**99,66%**

Statutory reserves

Under local statutory legislation, the Bank is required to set aside 5 percent of its net profit for the year in a statutory reserve until the level of the reserve reaches 1/10 of the shareholder's equity. Until achieving the minimum required level the statutory reserve could only be used for loss recovery. When the statutory reserve exceeds the minimum required level and when all losses are covered, the statutory reserve can also be used for distribution of dividends, based on a decision of the shareholders' Assembly, but only if the amount of the dividends for the current business year has not reached the minimum for distribution as prescribed in the Trade Company Law or by the Bank's Statute. As at 31 December 2025, the Bank had reached the prescribed amount for the statutory reserve.

Reserve for fair value

The reserve for fair value of the Bank comprises the cumulative net change in the fair value of the investments available-for-sale, through other comprehensive income, less the impairment losses, while the investment itself is derecognized.

Revaluation reserve for foreclosed assets

Revaluation reserves for foreclosed assets are formed at the moment of recognition of the foreclosed assets.

As of the foreclosure date the Bank is obliged to record an impairment of at least 20% of the foreclosed asset initial carrying amount. If the released allowance for impairment/special reserve is higher than impairment of the foreclosed asset, the Bank should recognize the difference as a revaluation reserve as of the foreclosure date.

The Bank derecognizes the revaluation reserve in the income statement at the time of sale of the asset. Furthermore, the revaluation reserve can be derecognized in a situation, where the asset is not sold, but the revaluation reserve is excluded from the additional capital in accordance with the Decision on the methodology for determining the adequacy capital.

Share premium

As of December 31.2025, the share premiums of Denar 325.854 thousand (2024: Denar 325.854 thousand) represent the differences between par value and subscription 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	2.147.159	1.853.097
Dividends on non-redeemable preference shares		-
Adjustments to net profit attributable to ordinary shareholders		-
Net - Profit attributable to holders of ordinary shares	**2.147.159**	***1.853.097***

	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 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)	***1.525***	***1.415***

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	2.147.159	1.853.097
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)	**2.147.159**	***1.853.097***

	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)	***1.525***	***1.415***

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	514.521	448.011
Covered letters of credit	-	98.983
Other covered contingent liabilities	-	-
Total contingent liabilities before special reserve	**20.381.674**	***18.846.188***
(Special reserve)	(132.024)	(127.161)
Total liabilities less special reserve	**20.249.650**	**18.719.027**

42 Contingent Liabilities and Contingent Assets (Continued)

42.1 Contingent Liabilities (Continued)

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended for up to a year. Expirations are not concentrated in any period.

These contingent liabilities present off balance exposures, due to the fact that only fees and provisions for potential losses are recognized in statement of financial position until the contingent liabilities have been fulfilled or are due for recognition. Many of the contingent liabilities will be due without being advanced in full or in a part. Therefore, the amounts do not represent expected future cash flows.

Litigations

The bank is involved in court proceedings from its regular operations. The amount of legal disputes that are conducted against the Bank on 31 December 2025 is 119.759 thousand denars (2024: 352.831 thousand denars), for which a reserve in the amount of 32.815 thousand denars (2024: 28.130 thousand denars) has been recorded. The Bank's management believes that the final outcome of the rest of the court disputes will be resolved in favor of the Bank and that no materially significant losses will occur on the basis of these disputes.

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)**	**-**

Bank 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

Turkiye Halk Bankasi a.s. Istanbul, Turkiye Halk Bankasi a.s. Istanbul owns 99.66% (2024: 99,66%) of the voting shares and is the parent company of the Bank. The ultimate parent company of the Group is the Turkey Assets Fund (Türkiye Varlık Fonu), which is owned by the Privatization Agency, Government of the Republic of Turkey (The Republic of Turkey Prime Ministry Privatization Administration), controlled by the State Treasury of the Republic of Turkey (State Treasury of the Republic of Turkey).

According to the Banking Law, related parties of the Bank are: individuals with special rights and responsibilities in the Bank and related entities to them, qualified shareholders to participate in the Bank (directly or indirectly owning at least 5% of the total number of shares issued or shares with voting rights in the Bank or who allow a significant impact on the Bank) and related entities to them and also the responsible entities of those shareholders - legal entities and subsidiaries of the Bank and other individuals with whom the Bank has close connections.

At the end of the year, the transactions with related parties were as presented below.

44. Related party transactions (Continued)

A Balance sheet

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	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	-	14.351	-	5.399	1.660	21.409
Investment in securities	-	-	-	-	-	-
Investment in subsidiaries	-	1.368.843	-	-	-	1.368.843
(Allowance for impairment)	(6)	(10)	-	(145)	(35)	(196)
Other assets	-	-	-	-	-	-
Total	**8.843**	**1.383.184**	**-**	**163.115**	**31.481**	**1.586.623**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	5.289.026	212.970	-	164.440	110.040	5.776.476
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	922.425	922.425
Subordinated debt	-	-	-	-	-	-
Other liabilities	366	6.742	-	2.730	4.016	13.853
Total	**5.289.392**	**219.712**	**-**	**167.170**	**1.036.481**	**6.712.754**
Contingent liabilities						
Issued guarantees	916.843	1.382	-	-	1.802	920.027
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	16.424	3.416	19.840
(Provision)	(318)	-	-	(19)	(3)	(340)
Total	**916.525**	**1.382**	**-**	**16.404**	**5.215**	**939.527**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

44. Related party transactions (Continued)

A Balance sheet (Continued)

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	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	-	13.123	-	5.773	1.822	20.718
Investment in securities	-	-	-	-	-	-
Investment in subsidiaries	-	1.368.843	-	-	-	1.368.843
(Allowance for impairment)	(9)	(8)	-	(38)	(19)	(74)
Other assets	1.941	-	-		-	1.941
Total	**15.237**	**1.381.958**	**-**	**147.216**	**24.584**	**1.568.995**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	6.114.709	187.413	-	144.112	108.188	6.554.422
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	114	3.199	-	-	-	3.313
Total	**6.114.823**	**190.612**	**-**	**144.112**	**108.188**	**6.557.735**
Contingent liabilities						
Issued guarantees	800.012	1.292	-	-	2.728	804.032
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	17.482	2.574	20.056
(Provision)	(264)	-	-	(12)	(2)	(278)
Total	**799.748**	**1.292**	**-**	**17.470**	**5.300**	**823.810**
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 managemen t personnel	Other related parties	Total
2025 (Current year)						
Income						
Interest income	4.736	-	-	5.765	1.394	11.895
Fee and commission income	5.413	54.050	-	528	258	60.248
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	2.560	-	-	-	2.560
Transfers between entities	-	-	-	-	-	-
Total	**10.148**	**56.610**	**-**	**6.293**	**1.652**	**74.703**
Expense						
Interest expense	(2.369)	(6.181)	-	(3.036)	(20.169)	(31.755)
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	-	(70.688)	-	(390)	-	(71.078)
Transfers between entities	-	-	-	-	-	-
Total	**(18.646)**	**(76.870)**	**-**	**(3.426)**	**(20.169)**	**(119.111)**

In thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
2024 (Previous year)						
Income						
Interest income	3.151	-	-	5.491	1.375	10.017
Fee and commission income	10.103	2.054	-	220	134	12.511
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from the sale of non-current assets	-	-	-	-	-	-
Other income	-	26.917	-	-	-	26.917
Transfers between entities	-	-	-	-	-	-
Total	**13.254**	**28.971**	**-**	**5.711**	**1.509**	**49.445**
Expense						
Interest expense	(1.657)	(3.840)	-	(2.160)	(2.876)	(10.533)
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	-	(71.777)	-	-	-	(71.777)
Transfers between entities	-	-	-	-	-	-
Total	**(9.013)**	**(75.617)**	**-**	**(2.160)**	**(2.876)**	**(89.666)**

44. Related party transactions (Continued)

B 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
Finance lease receivables (amount of undiscounted payments), by maturity period:		
- up to 1 year	-	-
- over 1 year to 2 years	-	-
- over 2 years to 3 years	-	-
- over 3 years to 4 years	-	-
- over 4 years to 5 years	-	-
- over 5 years	-	-
Total	-	-
(unearned finance income)	-	-
Total finance lease receivables	**-**	**-**

45. Leases (Continued))

A Lessor

A.2 Receivables from irrevocable operating leases

	In thousands of Denars	
	Current year 2025	Previous year 2024
Operating lease receivables (amount of undiscounted payments), by maturity period.		
- up to 1 year	-	-
- over 1 year to 2 years	-	-
- over 2 years to 3 years	-	-
- over 3 years to 4 years	-	-
- over 4 years 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45. Leases (Continued)

Б Lessee
B.1 Liabilities for financial leases

	In thousands of Denars	
	Current year 2025	Previous year 2024
Lease liabilities, by maturity profile.		
- up to 1 year	-	-
- over 1 year to 2 years	8.733	-
- over 2 years to 3 years	4.556	-
- over 3 years to 4 years	14.996	-
- over 4 years to 5 years	104.362	-
- over 5 years	410.215	-
Total lease liabilities (Note 39)	**542.862**	**-**

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	540.530	95.275	0	0	0	635.805
Additions	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 31.2025 (Current year)	***0***	***540.530***	***95.275***	***0***	***0***	***0***	***635.805***
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	0	0	0	0	0	0
Depreciation for the year	0	78.235	20.256	0	0	0	98.491
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***	***78.235***	***20.256***	***0***	***0***	***0***	***98.491***
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**	**462.295**	**75.019**	**0**	**0**	**0**	**537.314**

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 31 December	**-**	**-**	**-**	**-**

47. Tax risk

The separate financial statements and accounting records of the Bank are the subject to tax audit by tax authorities for a period of 5 years subsequent to the reported tax year, and may impose additional tax liabilities. According to the estimates by the Bank's management, there are no any additional circumstances that may arise to a potential liability in this respect.

48. Events after the reporting period

From the end of the reporting period to the preparation of these financial statements, there are no events that require correction or additional disclosures in the separate 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 does not have a direct or material impact on the Bank's financial position, results of operations, or cash flows. The Bank will continue to closely monitor further developments and, where appropriate, will disclose any potential effects in subsequent reporting periods.