KOMERCIJALNA BANKA AD SKOPJE

Independent Auditor's Report and

Consolidated financial statements

For the year ended 31 December 2024

This is English translation of the original Report in the Macedonian Language

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Independent Auditor's Report

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Unofficial translation of the Independent Auditor's report issued in Macedonian language

To the shareholders of
Komercijalna Banka AD Skopje

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Komercijalna Banka AD Skopje and its subsidiary ("the Group") which comprise the Consolidated Balance sheet as at 31 December 2024, and the Consolidated Income statement, the Consolidated Statement of Comprehensive income, the Consolidated Statement of changes in equity and reserves and the Consolidated Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 161.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of North Macedonia[1]. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of Komercijalna Banka AD Skopje as at 31 December 2024 and its financial performance and its cash flows for the year then ended, in accordance with the regulation of the National Bank of the Republic of North Macedonia.

[1] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

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Report on other legal and regulatory matters

The Group's Management is responsible for the preparation of the Annual Report for the Group's operations for 2024 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion whether the Annual Report for the Group's operations is consistent with the historical financial information disclosed in the consolidated annual accounts and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2024, in accordance with auditing standards accepted in the Republic of North Macedonia[2], and the requirements of Article 34, paragraph 1, point (d) of the Law on Audit.

In our opinion, the historical financial information disclosed in the Annual report for the Group' operations as at and for the year ended 31 December 2024 are consistent, in all material respects, with the historical financial information disclosed in the annual consolidated accounts and the audited consolidated financial statements as at and for the year ended 31 December 2024.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje

Suzana Stavrikj
Certified Auditor

Skopje, 28 February 2025

[2] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

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CONSOLIDATED INCOME STATEMENT
For the period from 1 January 2024 to 31 December 2024

	Note	*In thousands of denars*	
		current year 2024	previous year 2023
Interest income		6,759,161	5,772,137
Interest expense		(791,837)	(559,928)
Interest income/(expense), net	6	**5,967,324**	**5,212,209**
Fee and commission income		2,424,697	2,125,973
Fee and commission expense		(1,144,244)	(961,150)
Fee and commission income/(expense), net	7	**1,280,453**	**1,164,823**
Net trading income	8	59,165	(2,842)
Net income from other financial instruments at fair value	9	10,837	9,198
Foreign exchange gains/(losses), net	10	376,790	365,977
Other operating income	11	1,162,004	274,883
Share of profit of associates	24	111,015	92,507
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(670,459)	(766,891)
Impairment losses of non-financial assets, net	13	(19,290)	(6,769)
Personnel expenses	14	(1,466,347)	(1,304,427)
Depreciation and amortization	15	(247,739)	(235,938)
Other operating expenses	16	(1,039,221)	(864,278)
Share of loss of associates	24	-	-
Profit/(loss) before tax		**5,524,532**	**3,938,452**
Income tax expense	17	(564,418)	(336,075)
Profit for the year from continuing operations		**4,960,114**	**3,602,377**
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the year		**4,960,114**	**3,602,377**
Profit/(loss) for the year attributable to*:			
Shareholders of the Bank		4,946,892	3,587,308
Non-controlling interest		13,222	15,069
Earnings per share	41		
basic earnings per share (in Denars)		2,171	1,574
diluted earnings per share (in Denars)		2,171	1,574

* only for consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	Ph.D. Maja Stevkova Sterieva Chief Finance Officer	Ilija Iloski Chief Operating Officer	Hari Kostov Chief Executive Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2024 to 31 December 2024

	Note	*In thousands of denars* Current year 2024	Previous year 2023
Profit/(loss) for the year		**4,960,114**	**3,602,377**
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 creditworthiness 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		(477)	16,967
- realized net gains/(losses) from debt assets available for sale, reclassified to profit or loss		-	-
- additional impairment to debt assets available for sale		-	-
- release of impairment to debt assets available for sale		-	-
Revaluation reserve for foreclosed assets on the basis of uncollected receivables		-	-
- revaluation reserve recognized during the year		-	-
- reduction of revaluation reserve, reclassified in to Profit and loss		-	-
Reserve for instruments for hedging net-investment in international operations 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 in the Income statement			
		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Foreign exchange reserve of investment 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		-	-
Income tax on other gains/(losses) which are or might be reclassified to the income statement	17	-	-
Total other gains/ (losses) in the period that are or might be reclassified to the Income Statement		**(477)**	**16,967**
Total other gains/(losses) in the period		**(477)**	**16,967**
Total comprehensive income for the year		**4,959,637**	**3,619,344**
Total comprehensive income for the year, attributable to*:			
Shareholders of the Bank		4,946,415	3,604,275
Non-controlling interest		13,222	15,069

* only for consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	Ph.D. Maja Stevkova Sterieva Chief Finance Officer	Ilija Iloski Chief Operating Officer	Hari Kostov Chief Executive Officer

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CONSOLIDATED BALANCE SHEET**
At 31 December 2024

	Note	in thousands of denars		
		Current year 31.12.2024	Previous year 31.12.2023	Previous year *** 01.01.2023
Assets				
Cash and cash equivalents	18	55,480,410	62,400,249	-
Held-for-trading assets	19	250,635	114,321	-
Financial assets at fair value through profit or loss upon initial recognition	20	374,973	364,135	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	6,051,011	2,981,364	-
Loans and advances to other customers	22.2	72,975,118	60,206,811	-
Investments in securities	23	37,416,023	29,887,949	-
Investments in associates (accounted using the "equity method")	24	422,412	403,904	-
Income tax receivable (current)	30.1	391	890	-
Other receivables	25	2,943,753	2,583,333	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	10,491	1,962,658	-
Intangible assets	28	86,159	71,672	-
Property and equipment	29	2,708,412	2,698,598	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	-	5,453	-
Total assets		**178,719,788**	**163,681,337**	**-**
Liabilities				
Trading liabilities	32	1,647	599	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-
Derivative liabilities held for risk management	21	-	-	-
Due to banks	34.1	1,233,413	521,458	-
Due to other customers	34.2	153,366,826	142,515,749	-
Debt instruments issued	35	-	-	-
Borrowings	36	1,456,825	876,461	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	278,963	489,670	-
Income tax payable (current)	30.1	262,671	229,888	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	1,134,283	945,153	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		**157,734,628**	**145,578,978**	**-**
Equity and reserves				
Subscribed capital	40	2,279,067	2,279,067	-
Share premium		771,527	771,527	-
Treasury shares		-	-	-
Other equity instruments		-	-	-
Revaluation reserves		(477)	-	-
Other reserves		12,125,995	10,748,513	-
Retained earnings/(Accumulated losses)		5,771,261	4,272,463	-
Total equity and reserves, attributable to the shareholders of the Group		**20,947,373**	**18,071,570**	**-**
Non-controlling interest*		37,787	30,789	-
Total equity and reserves		**20,985,160**	**18,102,359**	**-**
Total liabilities and equity and reserves		**178,719,788**	**163,681,337**	**-**
Contingent liabilities	42	18,342,141	16,751,579	-
Contingent assets	42	**-**	**-**	-

* only for consolidated financial statements
** this statement is also known as "Statement of Financial Position"
*** this column is filled only if the Group: retrospectively applies accounting policy, makes retrospective correction of prior year errors or makes retrospective reclassification of items in the financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised by the Supervisory Board of the Bank on 26 February 2025.

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	Ph.D. Maja Stevkova Sterieva Chief Finance Officer	Ilija Iloski Chief Operating Officer	Hari Kostov Chief Executive Officer

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES
For the period from 1 January 2024 to 31 December 2024

	Equity				Revaluation reserves					Other reserves			Retained earnings					
In thousands of Denars	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
As at January 1, 2023 (previous year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**(16,967)**	**-**	**-**	**-**	**455,813**	**-**	**9,443,047**	**2,222,347**	**470,000**	**-**	**15,624,834**	**47,727**	**15,672,561**
Opening balance restatement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at January 1, 2023 (previous year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**(16,967)**	**-**	**-**	**-**	**455,813**	**-**	**9,443,047**	**2,222,347**	**470,000**	**-**	**15,624,834**	**47,727**	**15,672,561**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	3,587,308	-	-	**3,587,308**	**15,069**	**3,602,377**
Other gains/(losses) during the period																		
Changes in fair value of financial assets available for sale																		
Debt instruments																		
-unrealized changes in fair value (net)	-	-	-	-	-	16,967	-	-	-	-	-	-	-	-	-	**16,967**	**-**	**16,967**
-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 assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
For the period from 1 January 2024 to 31 December 2024

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of denars	Subscri-bed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlling interest *	Total equity and 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 bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity	-	-	-	-	-	**16,967**	-	-	-	-	-	-	-	-	-	**16,967**	-	**16,967**
Total comprehensive income for the year	-	-	-	-	-	**16,967**	-	-	-	-	-	-	**3,587,308**	-	-	**3,604,275**	**15,069**	**3,619,344**
Transactions with the shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	849,653	(849,653)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,139,534)	-	-	**(1,139,534)**	**(11,824)**	**(1,151,358)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings – limited for shareholders' distribution)	-	-	-	-	-	-	-	-	-	-	-	-	(160,000)	160,000	-	-	-	-
Increase of share in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(18,005)	-	-	**(18,005)**	**(20,183)**	**(38,188)**
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**849,653**	**(2,167,192)**	**160,000**	-	**(1,157,539)**	**(32,007)**	**(1,189,546)**
As at December 31, 2023 (previous year)/ January 1, 2024 (current year)	**2,279,067**	**771,527**	-	-	-	-	-	-	-	**455,813**	-	**10,292,700**	**3,642,463**	**630,000**	-	**18,071,570**	**30,789**	**18,102,359**

The accompanying notes are an integral part of these separate financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2024 to 31 December 2024

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of Denars	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
As at December 31, 2023 (previous year)/January 1, 2024 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**10,292,700**	**3,642,463**	**630,000**	**-**	**18,071,570**	**30,789**	**18,102,359**
Opening balance restatement																		
As at January 1, 2024 (current year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**10,292,700**	**3,642,463**	**630,000**	**-**	**18,071,570**	**30,789**	**18,102,359**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	4,946,892	-	-	**4,946,892**	**13,222**	**4,960,114**
Other gains/(losses) in the period																		
Debt instrumens																		
-unrealized changes in fair value (net)	-	-	-	-	-	(477)	-	-	-	-	-	-	-	-	-	**(477)**	**-**	**(477)**
-realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of inpairment for debt assets availabl 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 available for sale assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2024 to 31 December 2024

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of denars	Subscri-bed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumu-lated losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlling interest *	Total equity and reserves
anges 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 bank's creditworthiness for financial liabilities measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity	**-**	**-**	**-**	**-**	**-**	**(477)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(477)**	**-**	**(477)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(477)**	**-**	**-**	**-**	**-**	**-**	**-**	**4,946,892**	**-**	**-**	**4,946,415**	**13,222**	**4,959,637**
Transactions with the shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	1,377,482	(1,377,482)	-	-	**-**	**-**	**-**
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(2,073,951)	-	-	(2,073,951)	**(7,142)**	**(2,081,093)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Other changes in equity and reserves																		
Distribution of retained earnings – limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	(160,000)	160,000	**-**	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	3,339	-	-	**3,339**	**918**	**4,257**
Transactions with shareholders, recognized directly in equity and reserves	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**1,377,482**	**(3,608,094)**	**160,000**	**-**	**(2,070,612)**	**(6,224)**	**(2,076,836)**
As at December 31, 2024 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**11,670,182**	**4,981,261**	**790,000**	**-**	**20,947,373**	**37,787**	**20,985,160**

The accompanying notes are an integral part of these separate financial statements.

*only for consolidated financial statements

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	Ph.D. Maja Stevkova Sterieva Chief Finance Officer	Ilija Iloski Chief Operating Officer	Hari Kostov Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 January 2024 to 31 December 2024

	Note	in thousands of Denars	
		current year 2024	previous year 2023
Operating cash flows			
Profit/(Loss) before tax		**5,524,532**	**3,938,452**
Adjusted for:			
Minority share, included in the consolidated income statement*		(13,222)	(15,069)
Depreciation of:			
Intangible assets	15/28	24,015	25,678
Property and equipment	15/29	223,724	210,260
Capital gain from:			
Sale of intangible assets		-	-
Sale of property and equipment	11	(8,826)	(655)
Sale of foreclosed assets	11	(630,433)	(46,126)
Capital loss from:		-	-
Sale of intangible assets		-	-
Sale of property and equipment	16	-	-
Sale of foreclosed assets	16		
Interest income	6	(6,759,161)	(5,772,137)
Interest expense	6	791,837	559,928
Trading income, net	8	(70,002)	6,356
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12		
Additional impairment losses and special reserve		2,700,291	4,291,408
Release of impairment losses and special reserve		(2,029,832)	(3,524,517)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	19,290	6,769
Release of impairment losses		-	-
Provisions			
Additional provisions	38	10,513	10,283
Release of provisions	38	(603)	(449)
Dividend income	11	(307)	(3,220)
Share of profit /(loss) of associates		(111,015)	(92,507)
Other adjustments		7,809	(7,308)
Interest received		6,377,586	5,401,969
Interest paid		(594,775)	(453,206)
Profit from operations before changes in operating assets:		***5,461,421***	***4,535,909***
(Increase)/decrease of operating assets:			
Trading assets		(66,277)	7,031
Derivative assets held for risk management		-	-
Loans and advances to banks		(1,670,447)	(2,515,122)
Loans and advances to other customers		(11,394,994)	(974,379)
Assets pledged as collateral		-	-
Foreclosed assets		618,506	(1,934,848)
Obligatory deposit in foreign currency		(142,768)	(2,162,139)
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(429,891)	(260,834)
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group	31	1,868	-

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the period from 1 January 2024 to 31 December 2024

	Note	in thousands of denars	
		current year 2024	previous year 2023
Increase/(decrease) in operating liabilities:			
Trading liabilities		1,048	599
Derivative liabilities held for risk management		-	-
Due to banks		712,066	260,902
Due to other customers		10,656,487	9,236,450
Other liabilities		(20,855)	181,058
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		***3,726,164***	***6,374,627***
(Paid)/received income tax		(531,136)	(139,648)
Net cash flow from operating activities		**3,195,028**	**6,234,979**
Cash flow from investing activities			
(Investments in securities)		(12,654,044)	(11,590,282)
Inflows from sale of investment in securities		5,434,122	9,127,540
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(38,502)	(15,112)
Inflows from sale of intangible assets		-	-
(Purchase of property and equipment)		(238,818)	(200,969)
Inflows from sale of property and equipment		6,917	1,663
(Outflows from non-current assets held-for-sale)		-	-
Inflows from non-current assets held-for-sale		13,545	-
(Other outflows from investing activity)		-	-
Other inflows from investing activity		92,814	77,210
Net cash flow from investing activities		**(7,383,966)**	**(2,599,950)**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Issued debt securities		-	-
(Repayment of borrowings)		(603,989)	(660,703)
Increase of borrowings		1,181,770	839,005
(Repayment of issued subordinated debts)		-	-
Issued subordinated debts		-	-
Inflows from issued shares/equity instruments during the period		-	-
(Purchase of treasury shares)			
Disposal of treasury shares			
(Dividends paid)		(2,076,818)	(1,172,644)
(Other financing outflows)		-	-
Other financing inflows from financing		-	-
Net cash flow from financing activities		***(1,499,037)***	***(994,342)***
Effect from allowance for impairment of cash and cash equivalents	18	14	52
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**(5,687,961)**	**2,640,739**
Cash and cash equivalents as of January, 1		50,796,617	48,155,878
Cash and cash equivalents as of December, 31	**18**	**45,108,656**	**50,796,617**

*only for consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

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

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Introduction

a) General Information

Komercijalna Banka AD Skopje (hereinafter "the Bank"), is a shareholding company having its registered office in the Republic of North Macedonia. The headquarters of the Bank are located on St. Vasil Iljoski 3, 1000 Skopje. The Bank operates in the Republic of North Macedonia with a network of branches and sub-branches. These consolidated financial statements include the Bank and its subsidiary KB Publikum Invest AD Skopje ("KB Publikum") (together referred to as the "Group").

The Bank is registered as a universal type of commercial bank in accordance with the Macedonian laws. The Bank can perform the following activities:

- Collecting deposits and other recurrent sources of funds;
- Financing in the country and abroad, including factoring and financing commercial transactions;
- Issuance and administration of payment instruments (cards, cheques, travellers cheques, bills of exchange);
- Foreign exchange operations;
- Domestic and international payment operations, including purchase/sale of foreign currency funds;
- Fast money transfer;
- Issuing payment guarantees, backing guarantees and other forms of security;
- Providing services of renting safe deposit boxes, depositories and depot;
- Trade in instruments on the money market;
- Trading in foreign currency funds;
- Trading in securities
- Rendering services of custody bank to investments and pension funds;
- Held of securities for clients;
- Intermediating in selling insurance policies;
- Data collection and analysis of companies' credit rating;
- Sale of shares in investment funds;
- Representation in insurance
- Economic and financial consulting;
- Trading in financial derivatives;
- Other financial services determined by law, which can be performed only by a bank.

The shares of the Bank are listed on the official market in the segment of super-listing on the Macedonian Stock Exchange on the Market of joint stock companies with consolidated reporting requirements, and is one of the ten companies which comprise the Macedonian Stock Exchange index MBI-10. The ID quotation code is the following:

Code	ISIN code
KMB (common share)	MKKMBS101019

KB Invest AD Skopje, Open and closed investment funds management company is registered in the Trade Register on January 15, 2009 as KB Publikum Invest AD Skopje, Open and closed investment funds management company. On June 11, 2024, the name of the company was changed to KB Invest AD Skopje, Open and closed investment funds management company.
KB Invest AD Skopje is licensed to establish and manage open and closed investment funds. The company manages six open investment funds, KB Publikum – balanced, KB Publikum – bonds, KB Publikum – cash, KB Publikum – MBI 10, KB Publikum – shares and KB Publikum – golden fund. These funds do not have a status of legal entities and do not perform specific activities.

The number of employees in the Group on 31 December 2024 is 981 employees (on 31 December 2023: 967 employees).

The consolidated financial statements of the Group for the year ending 31 December 2024 were authorised for issue by the Supervisory Board on 26 February 2025.

Introduction (continued)

b) Basis of Preparation of the Financial Statements

Accounting Standards

Financial statements of the Group have been prepared in accordance with the Company Law ("Official Gazette of the Republic of Macedonia" no.28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14,138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18,120/18 and "Official Gazette of the Republic of North Macedonia" no. 290/20, 215/21, 99/22, 272/24), Law on Banks („Official Gazette of the Republic of Macedonia " no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19 and and "Official Gazette of the Republic of North Macedonia" no.101/19 and 122/21), law regulation prescribed by The National Bank of the Republic of North Macedonia (hereinafter "NBRNM"), the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements (further referred to as "the Methodology") ("Official Gazette of the Republic of Macedonia" no. 83/17) and the Decision on the types and content of the financial statements of banks and notes to the financial statements ("Official Gazette of the Republic of Macedonia" no. 83/17 and 149/18), issued by the NBRNM.

Standards in Issue not yet adopted

At the date of authorisation of these financial statements by the Board of Directors, there were standards in issue but not yet effective.

In the "Official Gazette of the Republic of North Macedonia" no. 275/24 are issued:

- Decision on amendment on the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements,
- Decision on amendment and addition on the Decision on the types and content of the financial statements of banks and notes to the financial statements, and
- Decision on amendment and addition on the Decision on the accounting plan for banks.

The changes refer to a new way of recording lease agreements, in accordance with IFRS 16 - Leasing, with application from January 1, 2025.

Effect of the new regulation in the financial statements of the Group

The group as tenant
The group made a calculation of the effects of the new NBRSM regulation and on January 1, in the Balance Sheet, it recorded an asset with the right to use and an obligation for rent in the amount of 79,341 thousand denars.
When calculating the right-of-use asset and lease liability, the Group included all real estate lease agreements, except:
- Short-term rental contracts, which on the date of commencement have an expected rental period of up to 12 months;
- Leased assets that are of low value, under 300,000 denars, taking into account the value of the leased asset as a new asset, regardless of its age on the date of leasing.

For these exceptions, the Group records expenditure in the Income Statement on a straight-line basis over the term of the lease.

The group as lessor
The group leases real estate on the basis of operating leases. Lease income is recognized in the Income Statement on a straight-line basis over the term of the lease.

Introduction (continued)

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

Presentation of Financial Statements

These financial statements represent consolidated financial statements of the Group. As the Group has investment in a subsidiary it also prepares consolidated financial statements in accordance with the Methodology.

The consolidated financial statements of the Group have been presented in accordance with the form prescribed in Decision on the types and content of the financial statements of Groups.

The Group's Management estimates the influence of the new and the changes in the NBRNM regulations and their interpretation on the financial statements, as well as the requirements on the form and contents in accordance with the Decision on the types and content of the financial statements of Groups and in accordance with the Methodology.

The presentation of the 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 Group'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.

The consolidated financial statements are prepared in accordance with the historical cost principle, except for the valuation of investments in financial assets available for sale that are valued at fair value, as well as other financial assets that are valued at fair value through the income statement based on the assumption of the continuity principle.

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

The Group's separate financial statements have been prepared in accordance with the accounting policies disclosed in Note 1.c) to the separate financial statements.

Reporting and functional currency

The presented financial statements are expressed in thousands of Denars. The Denar represents the functional and reporting currency of the Bank for the purpose of reporting to NBRNM.

c) Summary of Significant Accounting Policies

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

Introduction (continued)

Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is acquired by the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquired entity's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii) Subsidiaries

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commences until the date when the control ceases.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control was lost.

v) Equity-accounted investees

The Group's interest in equity-accounted investments comprise of investments in an associate.

Associates are those entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are measured using the equity method. They are recorded initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss of equity-accounted investments, until the date on which significant influence ceases. Distributions from associates are accounted as reductions of the carrying amount of the investment.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Interest Income and Expense

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

Fee and Commission Income

Fees and commissions, except loan origination fees, are generally recognized on an accrual basis over the period of service rendering. Other fees relating to the acquisition and origination of loans are deferred over the life of the loan and amortized using the effective interest rate method.

Dividend Income

Dividend income is recognized when the right to receive payment is established for all shareholders who participate in income distribution. Dividends are presented as part of net trading income or dividend income depending on the classification of the instrument.

Foreign Currency Transactions

Transactions denominated in foreign currencies have been translated into Denars at rates set by the NBRNM at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the balance sheet date using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the translation of assets and liabilities denominated in foreign currencies are recognized in the income statement in the period in which they occurred.

Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the balance sheet date.

Official exchange rates applicable as at 31 December 2024 and 2023 for euro (EUR) and American dollar (USD) are as follows:

	2024 MKD	2023 MKD
1 EUR	61.4950	61.4932
1 USD	58.8807	55.6516

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities

(i) Recognition and initial measurement

Financial assets and liabilities are recognised at the settlement date, representing the date when the assets in delivered by/from the Group.
A financial asset or a financial liability is initially measured at fair value plus for items not measured at fair value through profit or loss, transaction costs directly related to the acquisition or issue.

(ii) Classification

Financial assets

A financial asset is the asset that is:
- 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 favourable to the Group.

Financial assets can be classified in one the following categories:
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income, and
- financial assets measured at fair value through profit or loss.

The Group classifies the financial assets at initial recognition.

The classification of financial assets is based on the following 2 criteria:
- belonging to the financial asset in an appropriate business model for managing financial assets of the Group, and
- characteristics of the contractual cash flows of the financial asset (fulfilment of the SPPI requirement).

(ii) Classification (continued)

Determining the business model of the Group

The assessment of the business model of the Group is carried out at a level of the business process, not by separate instrument. The Group may have several business processes for managing financial instruments. The Group can use and manage a particular type of financial instrument in different ways, so that one type of financial instrument can appear in different business processes of the Group for managing financial instruments.

The assessment of the business model is performed by the Group's management on the basis of relevant and available external and internal factors relevant to the manner of managing financial instruments.

The assessment of the business model is carried out by the Group's key management, taking into account all relevant and available data on the way financial instruments are managed, in particular: how the performance/achievement of the business model is monitored and how it is reported to the Group's management; what are the risks that affect the realization of that business model and how those risks are managed; what are the basis for the Group's management rewards etc.

Depending on the manner of managing the financial assets, three business models are identified:
- Business model hold to collect principal and interest,
- Business model hold to collect principal and interest and sale,
- Business model for managing through the realization of their fair value (the so-called residual model).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Determining the business model of the Group (continued)

Business model – "Hold to collect"

The goal of this business model is to keep the asset (or portfolio of assets) to collect contractual cash flows, and the asset (or portfolio) belongs to "hold to collect" business model.

Moreover, although the purpose of this business model is to keep the financial asset to maturity, if certain financial instruments have been sold before their agreed maturity (early sales) or their modification occurs, it is not a direct indicator of the change of the business model. The following aspects of the sales assessment in the "hold to collect" model are taken into account: historical frequency, time and value of sale, reason for sale (e.g. deterioration of the credit risk of the asset, sale due to concentration in a separate segment according to certain limits for concentration, sale for the purpose of liquidity management, sale due to regulator's provisions, sales upon a decision of the Group for which the reason for it should be documented, the conditions in the environment, the amount, frequencies, etc.).

Business model - "Hold to collect and sell"

The goal of this business model is to keep the asset (or portfolio of assets) to collect contractual cash flows, and the asset (or portfolio) belongs to "hold to collect" business model.

Moreover, although the purpose of this business model is to keep the financial asset to maturity, if certain financial instruments have been sold before their agreed maturity (early sales) or their modification occurs, it is not a direct indicator of the change of the business model. The following aspects of the sales assessment in the "hold to collect" model are taken into account: historical frequency, time and value of sale, reason for sale (e.g. deterioration of the credit risk of the asset, sale due to concentration in a separate segment according to certain limits for concentration, sale for the purpose of liquidity management, sale due to regulator's provisions, sales upon a decision of the Bank for which the reason for it should be documented, the conditions in the environment, the amount, frequencies, etc.).

Business model - fair value through profit or loss

If a financial asset or a group of financial assets is held by the Group for the purpose of trading and realizing gains or the financial assets cannot be included in the "Hold to collect" or "Hold to collect and sell" business model, then they belong in the business model "Fair value through profit or loss", (hereinafter text: FVPL).

The purpose of this business model is the Group to manage the financial assets through active trading, dependent on market conditions, dependent on the level of liquidity of the securities, in order to profit from the changes in the fair value of the assets. The Group manages these assets in order to realize their market / fair value and the decisions when managing them are based on their market / fair value.
FVPL is other, so-called residual category in which financial instruments may be included if they do not belong in the business models "hold to collect" or "hold to collect and sell".

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Analysis of the contractual cash flows of the instrument - whether they represent solely payment of principal and interest – SPPI

After determining the belonging to a separate business model for managing financial assets, it is determined whether the contractual terms of the financial asset lead to cash flows, at certain dates, which are only payments of principal and interest on the outstanding principal (called "SPPI test").
SPPI condition can only be considered for debt financial assets.

The principal is the fair value of the financial asset at the initial recognition.

Interest represents compensation for the time value of the money and credit risk. However, interest can take into account other basic risks (for example, liquidity risk), as well as costs (for example, costs for servicing or administrative costs) related to keeping a financial asset for a specified period of time, as well as profits margin.

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 Group has a typical contract (or contractual terms) which applies to all separate claims for that product, the Group whether the SPPI condition is met analyses makes at the product level and not by separate financial asset.

In the event of a change in the contractual cash flows of an existing financial asset, the Group on the date of the modification will evaluate / verify whether the condition of the SPPI is met with the new modified contractual terms.
Accordingly, the results obtained will determine whether the financial asset will continue to be classified and measured at amortized cost (if the SPPI condition is met again) or it will be determined that in the course of its future life time, the financial asset will have to be measured at fair value (if the SPPI condition is not met).

The financial assets are generally divided into:
- Debt financial assets, and
- Equity financial assets.

Debt financial assets are classified and measured in the following categories:

- Financial assets measured at amortized cost,
- Financial assets that are measured at fair value through other comprehensive income,
- Financial assets that are measured at fair value through profit or loss.

Financial assets measured at amortized cost
In this category, the Group classifies financial assets that meet the following criteria:
- manages the financial assets for the purpose of collecting contractual cash flows, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

The financial assets included in this category are initially recognized at fair value and subsequently measured at amortized cost.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets that are measured at fair value through other comprehensive income

In this category, the Group 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.

The financial assets included in this category are initially recognized and subsequently measured at fair value.

Financial assets that are measured at fair value through profit or loss

In this category, the Group classifies financial assets with the purpose of trading and settling cash flows from their sale.

This is also a residual category, i.e. the Group in this category also classifies all those financial assets that do not fulfil the criteria of the other two categories.

The Group owns these financial assets for the purpose of trading and realizing profit from changes in the fair value of the asset.

The financial assets included in this category are measured at fair value.

Equity financial assets

The decision on the classification of equity instruments is made for an individual instrument, only in the case of initial recognition of the instrument, and then reclassification is not allowed.

The equity instruments are classified and measured at fair value (they do not have contractual cash flows on the basis of principal and interest, i.e. they do not fulfil the SPPI requirement).

Equity instruments held for trading

The equity instruments held by the Group for trading will be compulsory measured at fair value and any changes in fair value will be recorded in the profit or loss.

Other equity instruments

For equity instruments that are not traded, the Group may, at initial recognition, choose whether changes in the fair value (realized and unrealized / calculated) will be recorded in profit or loss or in revaluation reserves within other comprehensive income. Further, the amounts in the Revaluation Reserves can only be reclassified to another category of reserves, but can never be recognized in profit or loss.

For the Group's investments in equity 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 that are carried out by these institutions, it can be considered that their cost value reflects their fair value.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(iii) Derecognition

The Group derecognises 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 Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Modification of financial assets and liabilities

Financial assets

If during the life of the financial instrument there are changes in contractual cash flows (other than impairment) that do not cause derecognition of the financial asset and for which the Group has determined that they still meet the requirements to be classified and measured at amortized cost at the date of the change, the Group determines the new carrying amount of the modified asset, equal to the present value of future modified cash flows, discounted using the initial / original effective interest rate.

The Group recognizes the difference between the new carrying amount of the modified asset and the carrying amount of the asset before the change in contractual cash flows as gain or loss from the change in the profit or loss in the accounting records as interest income/expense, as well as in the balance sheet on the accounts for accumulated depreciation.

(iv) Modification of financial assets and liabilities (continued)

As an exception, in cases of change only for the remaining contractual term for collection of receivables, change only to the adjustable interest rate, early repayment close to the contractual repayment period or insignificant / minor subscription fees, the Group does not determine the new accounting value of the modified asset (it should not make a new calculation of the effective interest rate, that is, the allocation of the accumulated depreciation) and should not recognize the gain or loss from the change in the Profit or loss, because those changes are insignificant. In the event of early repayment close to the maturity date, the Group fully capitalizes the entire remaining amount of accumulated depreciation on the due date of early repayment. In the cases of change only for the remaining agreed deadline for collection of claims, a change only to the adjustable interest rate or insignificant amount of subscription fees, the Group continues to distinguish the accumulated depreciation in accordance with the initially established amortization plan.

Financial liabilities
The Group derecognises financial liabilities when the terms of the liability are modified and the cash flows of the financial liability are fundamentally different. In such a case, a new liability is recognized on the basis of the modified fair value terms. The difference between the carrying amount of the liability that is derecognised and the new liability is recognized in the profit and loss account.

(v) Offsetting

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(vi) Fair value measurement

Measuring at fair value assumes that the asset or liability is exchanged among market participants, in a common transaction, in accordance with current market conditions at the measurement date. Fair value of financial assets and liabilities is determined in different ways depending if the asset or liability are traded in the active market or not.

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 Group 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).

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and nostro accounts, that represent demand deposits and placements with other banks and financial institutions, account balances with the NBRNM and other financial assets such as treasury and government securities, as highly liquid assets with maturity up to three months from the date of acquisition and insignificant changes to fair value.

In preparing the Statement of Cash flows, the obligatory reserve in foreign currency and the restricted deposits are excluded from Cash and cash equivalents.

Held-for-trading Financial Assets

Held-for-trading financial assets, are securities included in a portfolio in which a pattern of short-term profit making exists. Initially, these securities are recognized and subsequently measured at fair value and the transaction costs are directly recognized in the income statement.

All the respective realized and unrealized gains and losses are included under net trading income. Interest, if realized, during the period of ownership of these securities, is recognized as net trading income in the income statement. The purchase and disposal of securities held-for-trading is recognized at settlement date, which represents the date when the asset is delivered to the Group.

Financial assets at fair value through profit or loss, designated as such at initial recognition

At initial recognition, any financial asset can be designated as a financial asset at fair value through profit or loss, except for unquoted equity instruments and those financial instruments that do not have a quoted market price and whose fair value cannot be reliably measured.
In this category, the Group records the investments in shares in open investment funds and initially recognizes and subsequently measures them according to their fair value. All related realized and unrealized gains and losses are included in net trading income.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial Assets available-for-sale

Financial assets available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or share prices. This portfolio comprises of equity securities issued by financial institutions and enterprises, where the Group does not exercise control, as well as debt securities issued by the Republic of North Macedonia. Financial assets available for sale include investments in subsidiaries recorded at cost.

Financial assets available-for-sale are recognised at their fair value, except those for which there is no active market and quoted prices and whose fair value cannot be reliably measured, in which case they are measured at cost less impairment.

Unrealized gains and losses arising on changes in the fair value of available-for-sale financial assets are recognized in revaluation reserves.
At the time of derecognition of debt financial assets available-for-sale, cumulative gains / losses previously recognized in revaluation reserves are derecognised from equity, and net gains or losses are recognized in the income statement in the item "Other operating income / Other operating expenses".
Income based on interest, dividend, and foreign exchange gains and losses on available-for-sale financial assets are recognized in the income statement for the current period.

Financial Assets held-to-maturity

Financial Assets held-to-maturity are debt financial assets which the Group manages for the purpose of collecting contractual cash flows and which, according to the contractual terms of the asset, fulfil the SPPI requirement. These securities are measured at amortized cost using the effective interest rate method.

Loans and Receivables

Loans and receivables of the Group include loans where cash is provided directly to the customer. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Interest on loans originated by the Group is included in interest income and is recognized on an accrual basis.
Loans to customers and financial institutions are stated at their net amount reduced by allowance for impairment.

Impairment of Financial Assets

The Group, at least once a month, 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 Group 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 Group on terms that the Group 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 amortised 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

Impairment losses are recognised in the income statement and reflected in an allowance account against loans and receivables.

Interest on the impaired asset continues to be recognised 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 recognised by transferring the cumulative loss that has been recognised in equity to profit or loss. The cumulative loss that is removed from the equity and recognised in profit or loss is the difference between the costs, less any impairment loss previously recognised in the income statement. Changes in the allowance account which are result of the time value of money are recognised 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 recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

Allowances for impairment on Loans and Receivables

A provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items are presented within the provisions. Additions to provisions are made through impairment losses on financial assets in the income statement.

The allowances for impairment and un-collectability of loans and any other on and off-balance items are determined according to the regulation of the NBRNM ruling on each balance sheet date, according to which the Group is liable to classify the assets and off-balance sheet items in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as of December 31, 2024 and December 31, 2023 by applying the following percentages:

Risk Category	Percentage
A	0.01% - 5%
B	5.01% - 20%
C	20.01% - 45%
D	45.01% - 70%
E	70.01% - 100%

The allowances for impairment and un-collectability are determined on the basis of the degree (size) of the risk of un-collectability or specific country risk.

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and un-collectability are measured and determined for the difference between the carrying amount of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows;

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Allowances for impairment on Loans and Receivables (continued)

- Losses on impairment and un-collectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default. The determination of allowances is made on a monthly basis, and any changes compared to previous periods result in a change in the allowances for impairment losses, which is recognized as an addition or release of impairment losses recorded in the income statement;

- Starting from 01.01.2024, the new Decision on Methodology for credit risk management entered into force, according to which a change was made in the way of defining non-performing credit exposures. The Decision defines a new methodology for determining non-performing credit exposures, which takes into account the so-called significance threshold, that is, "non-functional credit exposure" means:
    - unpaid credit exposure in which the amount of overdue claims to the client on any basis (principal, interest, other non-interest-bearing claims) has not been collected for longer than 90 consecutive days, counted from the day when the overdue amount exceeded the significance threshold (consisting of an absolute and relative component); or it has been determined that the client will not be able to settle his obligations to the bank in full, without taking actions to recover the exposure through the activation of the security (that is, the so-called impossibility of recovery has been determined),
    - exposure where it has been established that there is objective evidence that impairment has occurred, in accordance with the regulation of the National Bank of the Republic of North Macedonia on the methodology for recording and valuation of accounting items and for the preparation of financial statements,
    - credit exposure that is classified in risk categories "D" or "E",
    - credit exposure that meets the conditions for restructured non-functional exposure and
    - an off-balance sheet item, for which there is a probability that it will be activated or used, whereby the balance sheet exposure that will arise with its activation or use will meet the conditions for non-functional credit exposure.

- Loans that are likely to be impossible to collect are impaired with an appropriate allowance for impairment losses, and all further collections are recorded as a release of impairment losses in the income statement;

- In cases where the loans are from borrowers in countries with increased risk (difficulties in servicing external debt), the political and economic situation is assessed, and the country's risk is taken into account when determining the allowance.

For the financial statements' purposes, the Group presents the Credit Risk Groups (Group 1, 2, 3) from the Methodology for recording and valuation of accounting items and for the preparation of financial statements from the Decision on the methodology for interest risk management in the following manner:

- Within Group 1, credit risk exposure classified in the risk category "A";
- Within Group 2, credit risk exposure classified in the risk categories "B" and "C", having no non-performing credit exposure status;
- Within Group3, credit risk exposures which possess non-performing credit exposure status.

Financial Liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement. Financial liabilities are classified as deposits from banks, financial institutions and customers, loans payable, other payables and derivative financial instruments.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Deposits from Banks and Other Financial Institutions and Customers

These financial liabilities are initially recognized at fair value, net of transaction costs incurred. Subsequently they are measured at amortized cost, while applying an effective rate method.

Borrowings

Borrowings are initially recognized at fair value including all transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest rate method. Interest for the Group's borrowings is included in interest expenses and are recognized on accrued basis.

Property and equipment

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

The useful life of certain categories of property and equipment are as follows:

	2024	2023
Buildings	40 years	40 years
Furniture and equipment	4-20 years	4-20 years
Vehicles	4-5 years	4-5 years

Depreciation method, useful lives and residual value are reviewed at each reporting date.

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

Intangible Assets

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets include computer software and software that was acquired apart from hardware. Expenditure on software is amortized on a straight-line basis over the estimated useful life, which is five years. The Group annually reviews its intangible assets and assess whether there is any indication for impairment. If such indications exist, an estimate is performed to assess whether the carrying amount is recoverable. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount.

Intangible assets should be deregistered in their disposal or when future economic benefits are not expected from their use or disposal. Income and losses arising from the sale of intangible assets are determined as the difference between the net proceeds of the disposal and the carrying amount of the asset are recognized in the income statement in the position "Other operating income" or "Other operating expenses

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Non-current assets held for sale and disposal group

Non-current assets held for sale are assets that the Group holds with the intention of disposing of them. The Group classifies as non-current assets held for sale those assets for which it expects their carrying amount to be recovered through sale, rather than through continued use. Non-current assets held for sale are not depreciated, as long as the asset is classified as held for sale.

These assets are available for sale at any moment and their sale is highly probable.

The Group measures non-current assets held for sale at the lower of their carrying amount and fair value. The Group recognizes an impairment loss in the income statement for any initial or subsequent reduction in the asset's value to fair value.

Gains for subsequent increases in fair value are recognized at most up to the amount of cumulative previously recognized impairment losses.

Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the net value of an asset or a cash generating unit, to which the asset belongs, exceeds its recoverable amount. For asset that does not generate a large amount of independent cash flows, the recoverable amount is determined for cash-generating units to which the asset is allocated.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing 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 is reversed if there is an indication that the loss no longer exists or there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of amortisation) if no impairment loss had been recognized in the previous years.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Foreclosed assets

Foreclosed assets include property and equipment obtained through foreclosing procedures in order to fulfil customers' liabilities, fully or partially, for the appropriate credit and are displayed in the item foreclosures based on outstanding receivables (foreclosures). Foreclosed properties are initially recognized at a lower than estimated value, reduced for the expected selling cost which are borne by the Group and the value of the foreclosed property referred to in the act which is passed by the competent authority, from which the legal basis for ownership rights arises. The appraised value is determined by a certified valuator.

At the date of the assets initial recognition, the Group is obliged in accordance to the Decision on accounting and regulatory treatment of foreclosed assets (Official Gazette of RM No. 50/13 and No. 26/17) to reduce the value of the foreclosed asset in the balance sheet by at least 20% of the initial recognized value.

After the initial recognition, at least once in a twelve-month period, the Group performs a valuation of the foreclosed property and determines a difference with the carrying amount. Simultaneously the Group 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 property becomes a property of the Group for own use, the value at which the asset will be recognised 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).

Foreclosed assets on the basis of uncollected claims are derecognized during the sale or when they are permanently withdrawn from use (no future economic benefits are expected). The realized amount over, or below the carrying amount less the impairment loss recognized in past periods, is recognized as income in the position "Other operating income", i.e. as an expense in the position "Other operating expenses", on the day of sale.

Managed funds for and on behalf of third parties

The Group acts as a fiduciary and in other fiduciary matters provides services for and on behalf of third parties such as legal entities, individuals, investment and pension funds and other institutions for which it keeps and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Managed funds are not assets of the Group and are not recognized in the financial statements. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee them.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Off-balance sheet record

The bank keeps off-balance sheet records for events that, at the moment of the event, do not meet the criteria for recognition of an asset or liability, but they can create inflows or outflows of funds and which represent a source of information about the operation, for determining the risk of the operation or possible future liabilities.
This position covers the following events: open uncovered letters of credit, issued uncovered payment and performance guarantees, endorsements, acceptances, undertaken irrevocable and revocable credit commitments, unused part of approved framework loans, unused credit card limits, unused and allowed overdrafts on current accounts and other forms of events on the basis of which an obligation to pay or claim funds by the Bank may arise.
In this position, there is a record of the Bank that does not represent a special type of risk, such as covered letters of credit and covered guarantees.
This position also includes records that are directly related to the relevant regulation, such as written-off receivables.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee benefits

(i) Defined contribution plans

The Group contributes to its employees' post retirement plans as prescribed by the Macedonian legislation. Contributions, based on salaries, are made to the national organisations responsible for the payment of pensions. There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due. In addition to mandatory pension and disability contributions the Group also pays contributions for: mandatory health insurance and, additional contribution for mandatory health insurance in case of injury at work and occupational hazard and mandatory.professional additional contribution, contribution for employment in case of unemployment, contribution for past work with increased term. The Group does not have additional liabilities related to these plans.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Short-term employee benefits include: salaries, compulsory social security contributions, short term paid absences (paid annual holiday, sick leaves), profit share and bonuses (salary from business performance) and non-monetary benefits (health insurance).

(ii) Other long-term employee benefits

In accordance with the Macedonian regulations the Group 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 retirement and jubilee awards in accordance with the criteria stated in the General collective contract.

In accordance with the Methodology, these benefits are considered as defined pension benefit plans. The carrying amount of the Group’s liabilities arising from employee benefits are calculated at the end of the reporting period. The balance of these liabilities at the end of the reporting period presents the discounted amount of future payments

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Other liabilities

Other liabilities include liabilities that do not belong and are not presented in any other item of liabilities in the Statement of financial position.
Other liabilities are recorded at amortized value in accordance with the regulations and decisions of the Group and mainly includes suppliers payable, other liabilities, accrued deferred liabilities and deferred income.

Equity and reserves

The equity is comprised of:

- share capital which is equal to the nominal value of all shares (subscribed and paid-in capital)
- increase in equity due to realized difference between the nominal value of shares and the amounts for which they were sold (share premiums)
- revaluation reserves
- Other reserves, and
- Retained earnings/ accumulated losses from previous years.

Revaluation reserves

Revaluation reserves include the revaluation reserves for assets available for sale where the gains and losses from the changes in the fair value of the financial instruments available for sale are recorded. These reserves are comprised of the net cumulative change in the fair value of the assets, which changes in the fair values are recognized directly in equity.

Statutory reserves

Under local statutory legislation, the Group 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 court registered capital. 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' meeting, 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 Statute.

Other reserves

Other reserves are formed in addition to statutory reserve, based on decisions by the bodies of the Group for distribution of profit, and can be used to cover certain losses or for other expenses. The maintenance of the level of Group`s reserves is determined by the fulfilment of the capital requirements prescribed by NBRNM regulation according to which these positions should be fully and in any time available for covering the risks and losses that can occur from the Group`s operations, as well as well as liabilities under the Trade company law.

Earnings per share

The Group displays earnings per share in the Statement of Profit and Loss and Other Comprehensive Income if ordinary shares are subject to public trading on the market or if it is in the process of issuing ordinary shares to public markets.
Basic earnings per share is part of the profit or loss attributable to shareholders – holders of ordinary shares for the effects of all ordinary shares in circulation during the period.
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. The weighted average number of shares in circulation during the period is calculated when the number of shares in circulation at the beginning of the period is adjusted for the number of shares issued or repurchased over the period, multiplied by (time weight) the number of days during which the shares are in circulation - in relation to the total number of days in the year.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Earnings per share (continued)

The diluted earnings per share in the Group is identical to the basic earnings per share due to the non-existence of issued potential ordinary shares, the effect of which is correction of the net profit attributable to the holders of ordinary shares.

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent it is probable that future taxable income will be sufficient against which the asset can be utilised.

Leases

The Group leases assets as operating leases. Rental income and expenses are recognized in the income statement on a straight-line basis over the term of the lease.

Related parties

Related parties include KB Prvo Penzisko Drushtvo AD Skopje as "Associated Company", members of the Supervisory Board and persons with special rights and responsibilities in the Bank together with related persons as "Management staff of the Bank". Banking transactions are concluded with related parties in the regular course of business and are based on market conditions. These include loans, deposits, investments in securities and contingent liabilities.The income from the associated company mainly consists of other income - profit share, while expenses are minimal. Income and expenses for management staff mainly consist of interest income from loans, interest expenses for deposits, income from commissions, and other income and expenses (exchange rate differences and other income).

Introduction (continued)

d) Critical Accounting Judgments and Estimates

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

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 Group 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 Group 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.

Fair Value of Financial Instruments (continued)

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.

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 Group performs an analysis of its credit portfolio on a monthly basis, in order to reassess whether there are changes or objective indications that would result in loan impairment (impairment losses). When determining the need to recognize an impairment loss in the income statement, the Group assesses whether there is evident data (evidence) that indicates a measurable decrease in the future estimated cash flow of the entire credit portfolio, before the decrease can be identified at the level of an individual credit (loan) from that portfolio. These estimates can result from the deterioration of the solvency of credit users within the group, or from national or local economic conditions that have an impact on the loss of funds in the Group

Management uses estimates based on: historical loss experience relating to assets that have credit risk characteristics and the existence of objective evidence of impairment that are similar to those in the portfolio when allocating future cash flows. The methodology and assumptions used for the assessment are analysed on a regular basis in order to reduce the differences between the estimated and the actual incurred losses.

Useful Lives of Tangible and Intangible Assets

The Group’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.

Assessment of control of investments

The management makes an assessment to determine if the control indicators listed in the accounting policies section c). point out that the Group has control over certain investment or investment fund.

Introduction (continued)

d) Critical Accounting Judgments and Estimates (continued)

Investment funds

The Group act as a fund manager to four investment funds. Determining whether the Group has control over the investment funds is usually focused on evaluating the total economic interest of the Group with the funds (including any transferred interest and expected management provisions) and investors rights. Assets of investment funds are legally separated from the Group's assets. If the operation of the Group cease, the assets of the investment funds belong to the holders of stakes in the investment funds. Also, the Group has a low aggregate economic interest in the funds. As a result, the Group concluded that it acts as an agent to the investors in all cases, and therefore does not consolidate these funds.

e) Changes in the Accounting Policies

For the year ended 31 December 2024 there we no changes in the accounting policies, accounting estimates and correction of errors.

f) Compliance with Law Regulations

At the date of the financial reports, there are no non-compliances with the regulations prescribed by the NBRNM in regards to the solvency and capital adequacy of the Group, its limits of exposure, investments, liquidity and open foreign currency position.

1. Classification of financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

in thousands of denars	at fair value through profit or loss		At fair value through other comprehensive income		At amortized cost	Total
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments		
2024 (current year)						
Financial assets						
Cash and cash equivalents	**-**	**-**	**-**	**-**	55,480,410	**55,480,410**
Held-for-trading assets	250,635	**-**	**-**	**-**	**-**	**250,635**
Financial assets at fair value through profit or loss upon initial recognition	**-**	374,973	**-**	**-**	**-**	**374,973**
Derivative assets held for risk management	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	**-**	**-**	**-**	**-**	6,051,011	**6,051,011**
Loans and advances to other customers	**-**	**-**	**-**	**-**	72,975,118	**72,975,118**
Investments in securities	**-**	**-**	1,754,124	64,994	35,597,456	**35,662,450**
Other receivables	**-**	**-**	-	-	2,894,555	**2,894,555**
Total financial assets	**250,635**	**374,973**	**1,754,124**	**64,994**	**172,998,550**	**173,689,152**
Financial liabilities						
Trading liabilities	1,647	-	-	-	-	**1,647**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	1,233,413	**1,233,413**
Deposits from other customers	-	-	-	-	153,366,826	**153,366,826**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	1,456,825	**1,456,825**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	**-**	**-**	**-**	**-**	1,131,862	**1,131,862**
Total financial liabilities	**1,647**	**-**	**-**	**-**	**157,188,926**	**157,190,573**

1. Classification of financial assets and financial liabilities (continued)

A. Classification of financial assets and financial liabilities (continued)

in thousands of denars	at fair value through profit or loss		At fair value through other comprehensive income			
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments	**At amortized cost**	**Total**
2023 (previous year)						
Financial assets						
Cash and cash equivalents	**-**	**-**	**-**	**-**	62,400,249	**62,400,249**
Held-for-trading assets	114,321	**-**	**-**	**-**	**-**	**114,321**
Financial assets at fair value through profit or loss upon initial recognition	**-**	364,135	**-**	**-**	**-**	**364,135**
Derivative assets held for risk management	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	**-**	**-**	**-**	**-**	2,981,364	**2,981,364**
Loans and advances to other customers	**-**	**-**	**-**	**-**	60,206,811	**60,206,811**
Investments in securities	**-**	**-**		64,965	29,822,984	**29,887,949**
Other receivables	**-**	**-**	-	-	2,520,729	**2,520,729**
Total financial assets	**114,321**	**364,135**	**-**	**64,965**	**157,932,137**	**158,475,558**
Financial liabilities						
Trading liabilities	599	-	-	-	-	**599**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	521,458	**521,458**
Deposits from other customers	-	-	-	-	142,515,749	**142,515,749**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	876,461	**876,461**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	**-**	**-**	**-**	**-**	938,019	**938,019**
Total financial liabilities	**599**	**-**	**-**	**-**	**144,851,687**	**144,852,286**

2. Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve identification, measurement or assessment, control or reduce and monitoring of the certain risks or their combination. Taking risk is a core business activity and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group has established a Strategy for risk taking and management, which is approved by the Supervisory Board and is reviewed regularly. The Strategy defines the risk management system and its scope, with particular reference to the acceptable level of risk, the risk culture and the process of determining internal capital (PIC) and the process of determining internal liquidity (ILAAP).

The Shareholders Assembly appoints the members of the Supervisory Board and the Audit Committee. Supervisory Board has overall responsibility for the establishment and oversight of the risk management framework. Supervisory Board has established the Board of Directors, Credit Committee and Risk Management Committee. These bodies are responsible for monitoring and developing risk management policies in specific areas. The Group has established organizational structure, with clearly defined competences and responsibilities among organizational parts of the bank where the risks are originated and managed.

The most important types of risk are credit risk, liquidity risk, market risk (risk of change in the interest rates in the banking book, currency risk and other market risks) and operational risk.

2.1 Credit Risk

The Group is exposed to credit risk which represents the risk of financial loss due to customer's default on their contractual obligations. Credit risk is an important risk for the Group's operations; therefore, the management carefully follows the Group's exposure to credit risk. Credit exposures mainly result from lending activities, that is, balance positions that include loans; the deposits; investments in debt instruments; receivables based on leasing contracts; redeemed receivables (factoring and forfeiting); the payments made on the basis of given guarantees, letters of credit, guarantees, backing guarantees or other off-balance sheet positions; interest, fees and commissions; receivables based on commercial and other agreements with clients and other financial assets that expose the Group to credit risk. There is also a credit risk in off-balance sheet financial instruments, such as unused irrevocable framework loans, unused allowed overdrafts on payment accounts and credit cards, guarantees and letters of credit, provided backing guarantees; provided acceptances and other off-balance sheet items that represent a potential liability for the Group.

2.1.1 Credit Risk Management

The Group establishes a credit risk management system as part of the Group's corporate governance. The credit risk management system and its scope are aligned with the Group's development plan and business policy and correspond to the nature, type and volume of financial activities carried out by the Group and are subject to regular improvement, taking into account the Group's risk profile and changes in the external environment.

The credit risk management system includes:
- efficient credit risk management process and
- appropriate organizational setup for credit risk management

An effective risk management process implies the adoption, establishment and application of at least:
- policies and other internal acts for identifying, measuring or evaluating, controlling or reducing and monitoring credit risk;
- rules for stress testing;
- rules for introducing a new product, activity/service or system in the Group;
- Information system.

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.1 Credit Risk Management (continued)

Credit risk management is carried out at all hierarchical levels in the Group's organizational structure:

- Strategic level - the risk management function shall be performed by the members of Supervisory Board and the Board of Directors; Risk Management Committee and Audit Committee;
- Macro level - the risk management function at the level of business unit, or business line shall be performed by persons with special rights and responsibilities performing managing function and/or by a special organizational unit responsible for monitoring the credit risk management.

The function of credit risk management in the special operating units responsible for assuming the credit risk is performed in each operating unit of the Group where the credit risk is assumed and by the persons with special rights and responsibilities who perform a management function in that operating unit, and in accordance with the Group's Strategy for Risk Undertaking and Management.

Competencies at the level of the listed operating units are regulated in the relevant policies and other acts adopted by the Group's management.

The independent operating unit responsible for credit risk management in the Group is the Risk Management and Planning Division- Credit Risk Management Department.

2.1.2 Control of risk exposure limits and risk protection policies

The Group manages and controls the concentration of credit risk to any number of clients, some categories of clients, industries, currencies structure, geographic location, collateral instruments and other bases. The Group manages the level of credit risk taken by setting limits on the amount of acceptable risk of exposure to aforementioned concentrations.

Initially, when approving loans and loan commitments, different Credit Committees assess the creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Group has established different practices to mitigate credit risk in lending, including mortgages and other collateral instruments. Given that the collateral itself is not sufficient to generate cash flows, it is considered to be a secondary factor in the evaluation of creditworthiness. The value and quality of the collateral depends of the type of collateral (immovable, movable property, inventory, accounts receivables) and the probability of activation in order of claim. For part of the credit exposures classified in risk grades C non-performing, D and E, which the Group expects to collect through foreclosure of the property, and the property meets the criteria as defined in the Decision on credit risk management, the Group takes into consideration the value of the property in determining the present value of the expected future cash flows from those exposures. Collateral is divided into two types: first class, providing high liquidity which is considered 100% when calculating net realizable value and other collateral.

More significant types of collateral, for loans and other exposures, include:

a) Legal entities:

- Cash;
- Real estate property;
- Equipment and motor vehicles;
- Inventory;
- Receivables;
- Guarantees issued by Groups and legal entities;
- Securities, including: debt securities issued by the Government of the Republic of North Macedonia, NBRNM and securities issued by other entities.

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.2 Control of risk exposure limits and risk protection policies (continued)

b) Individuals:
- Real estate property;
- Passenger vehicles;
- Deposits;
- Securities, including: debt securities issued by the Government of the Republic of North Macedonia, NBRNM and securities issued by other legal entities.

2.1.3 Policies for calculation of allowance for impairment / Special Reserve

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

According to the Group's policies, impairment and provisioning are defined on an individual basis, for all credit risk exposures which are considered individually significant.

Exposures Classified on an Individual Basis

Classification in the risk category of individually significant exposures are made as a combination of the assessment (score) based on certain parameters, including the creditworthiness of the client, orderly settlement of obligations, the quality of collateral and and the assessment of credit risk exposure obtained according to the criteria for risk categories defined in bullet 9 of the Decision on the methodology for credit risk management.

The Group has established a Credit Risk Management Policy and Policy and procedures for impairment of credit risk exposure, adopted by the Group's Supervisory Board, as well as Procedures for identifying, assessing, measuring, monitoring and controlling credit risk adopted by The Management Board of the Group, which are in compliance with the NBRSM regulation for credit risk management.

Impairment/special reserve for individually assessed items are determined by evaluating the loss generated on the date of the balance sheet, which is the difference between the carrying amount and present value of estimated future cash flows. The effective interest rate is used to discount future cash flows. Credit exposures to banks and investments in equity securities, debt instruments as well as exposures classified as nonperforming are classified on an individual basis.

2.1.4. Methodologies of assessment of credit risk

The Methodology of the Bank for the system of internal rating of clients developed through score model includes a selection of criteria for assessment of credit risk of clients classified on individual bases, in a form of score scheme.

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 other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of Denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	6,051,695	2,981,666	60,404,373	51,490,385	1,754,124	-	35,592,205	29,744,374	42,070,504	56,012,010	37,082	8,515	758,994	726,869	14,643,172	13,609,071	**161,312,148**	**154,572,889**
(Impairment loss and special reserve)	(618)	(301)	(492,527)	(436,642)	-	-	-	(2,229)	(1,038)	(1,268)	(481)	(121)	(897)	(1,011)	(71,591)	(65,560)	**(567,151)**	**(507,131)**
Carrying value less impairment loss/ special reserve	6,051,077	2,981,365	59,911,846	51,053,743	1,754,124	-	35,592,205	29,742,145	42,069,466	56,010,743	36,601	8,393	758,097	725,859	14,571,581	13,543,510	**160,744,997**	**154,065,758**
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	-	-	13,948,665	10,295,156	-	-	5,252	5,252	-	-	2,141	1,202	13	227	1,018,474	643,409	**14,974,544**	**10,945,247**
(Impairment loss and special reserve)	-	-	(1,523,131)	(1,365,875)	-	-	(551)	(552)	-	-	(416)	(233)	(2)	(28)	(153,269)	(67,412)	**(1,677,369)**	**(1,434,099)**
Carrying value less impairment loss/ special reserve	-	-	12,425,534	8,929,281	-	-	4,701	4,701	-	-	1,725	970	11	199	865,205	575,997	**13,297,175**	**9,511,148**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.A Analysis of total exposure to credit risk (continued)

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of Denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	-	-	1,915,191	1,708,697	-	-	-	-	206	-	5,426	6,410	69,544	30,758	17,199	376,687	**2,007,566**	**2,122,552**
(Impairment loss and special reserve)	-	-	(1,014,860)	(1,176,230)	-	-	-	-	(206)	-	(4,649)	(5,528)	(68,606)	(30,139)	(8,777)	(318,332)	**(1,097,098)**	**(1,530,229)**
Carrying value less impairment loss/ special reserve	-	-	900,331	532,467	-	-	-	-	-	-	777	882	937	619	8,422	58,355	**910,468**	**592,323**
Total carrying value of receivables with credit risk before impairment loss/ special reserve	6,051,695	2,981,666	76,268,229	63,494,238	1,754,124	-	35,597,457	29,749,626	42,070,711	56,012,010	44,649	16,127	828,550	757,855	15,678,845	14,629,166	**178,294,258**	**167,640,688**
(Total Impairment loss and special reserve)	(618)	(301)	(3,030,518)	(2,978,747)	0	-	(551)	(2,780)	(1,245)	(1,268)	(5,546)	(5,882)	(69,506)	(31,178)	(233,636)	(451,304)	**(3,341,619)**	**(3,471,459)**
Total carrying value of receivables with credit risk less impairment loss/ special reserve	6,051,077	2,981,365	73,237,712	60,515,492	1,754,124	-	35,596,905	29,746,846	42,069,466	56,010,743	39,103	10,245	759,044	726,677	15,445,208	14,177,862	**174,952,639**	**164,169,229**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.B Value of Collateral (Fair Value) for Mitigating of Credit Risk

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Other receivables		Off balance sheet exposures		Total	
	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Value of collateral of credit exposure, individually assessed for impairment																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank)	-	-	3,841,530	2,642,126	-	-	-	-	-	-	61,194	49,598	95,049	149,784	**3,997,773**	**2,841,508**
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
government unconditional guarantees	-	-	2,005,000	-	-	-	-	-	-	-	-	-	-	-	**2,005,000**	**-**
bank guarantees	-	-	4,631	-	-	-	-	-	-	-	-	12	275,781	143,388	**280,411**	**143,396**
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Corporate guarantees (excluding bank guarantees and guarantees from insurance companies)																
Guarantees from individuals	-	-	2,846,363	1,248,980	-	-	-	-	-	-	-	-	676,983	743,458	**3,523,346**	**1,992,438**
Mortgage on real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
property for private use (flats, houses)																
business facility	-	-	29,925,700	24,545,521	-	-		-		-	185	615	1,529,548	1,398,558	**31,455,433**	**25,944,694**
Pledge over movables	-	-	53,420,545	46,089,353	-	-	-	-	-	-	1,990	4,703	9,577,937	8,836,247	**63,000,473**	**54,930,303**
Other types of collateral	-	-	14,637,343	13,912,311	-	-	-	-	-	-	410,006	93,551	3,137,843	3,726,277	**18,185,192**	**17,732,139**
	-	-	6,354,657	6,528,072	-	-	-	-	-	-	-	1	156,351	360,491	**6,511,008**	
Total value of collateral of credit exposure, individually assessed for impairment	**-**	**-**	**113,035,769**	**94,966,363**	**-**	**-**	**-**	**-**	**-**	**-**	**473,375**	**148,480**	**15,449,492**	**15,358,202**	**128,958,636**	**110,473,046**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.C Concentration of Credit Risk by Industry

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Industry																		
Non-residents	-	-	121,407	42,659	-	-	2,397,783	1,717,819	-	-	48	42	-	-	13,642	-	**2,532,880**	**1,760,520**
Agriculture, forestry and fishing	-	-	1,037,280	769,697	-	-	-	-	-	-	87	87	-	15	50,204	27,198	**1,087,571**	**796,997**
Ore and stone extraction	-	-	852,982	1,328,997	-	-	-	-	-	-	12	25	-	-	369,752	301,462	**1,222,745**	**1,630,484**
Processing industry	-	-	4,339,256	3,581,029	-	-	-	-	-	-	88	121	7	50	320,645	228,751	**4,659,996**	**3,809,951**
Wholesale and retail industry for clothing and footwear	-	-	1,244,345	874,433	-	-	-	-	-	-	219	71	1	80	276,638	298,834	**1,521,203**	**1,173,418**
Chemical industry, construction material production, fuel production and processing , pharmaceutical industry	-	-	1,778,787	1,143,591	-	-	-	-	-	-	165	180	18	37	297,080	223,130	**2,076,050**	**1,366,938**
Production of metals, machines, tools and equipment	-	-	3,945,151	2,288,023	-	-	-	-	-	-	547	200	-	16	684,975	920,854	**4,630,673**	**3,209,093**
Other processing industry	-	-	1,088,343	655,160	-	-	-	-	-	-	115	34	32	53	222,896	297,334	**1,311,386**	**952,581**
Electricity supply, gas, steam and air conditioning	-	-	4,333,036	2,156,795	-	-	-	-	-	-	968	398	135,499	135,499	417,962	423,059	**4,887,465**	**2,715,751**
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	195,807	251,613	-	-	-	-	-	-	4,894	41	2	4,482	19,131	13,416	**219,834**	**269,552**
Construction	-	-	5,928,869	5,169,646	-	-	-	-	-	-	**588**	418	**763**	630	2,576,998	2,371,967	**8,507,218**	**7,542,661**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.C Concentration of Credit Risk by Industry (continued)

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	6,595,374	6,345,694	-	-	-	-	-	-	1,994	1,361	102	1,017	4,210,985	4,039,447	**10,808,455**	**10,387,519**
Transport and warehousing	-	-	974,624	797,064	-	-	-	-	-	-	341	195	30	151	342,836	336,133	**1,317,830**	**1,133,543**
Accommodation facilities and food service industry	-	-	1,792,857	1,718,628	-	-	-	-	-	-	217	66	25	88	106,719	38,806	**1,899,818**	**1,757,588**
Information and communications	-	-	261,024	309,155	-	-	-	-	-	-	9,721	223	1	394	146,631	135,331	**417,377**	**445,103**
Finance and insurance activities	6,051,077	2,981,365	297,811	73,126	-	-	84,643	225,232	42,069,466	56,010,743	14,963	4,003	9,103	15,978	187,795	152,178	**48,714,858**	**59,462,625**
Activities related to real estate, renting and business activities	-	-	5,525,029	4,181,854	-	-	-	-	-	-	67	36	-	23	271,210	277,342	**5,796,306**	**4,459,255**
Professional, scientific and technical activities	-	-	1,800,799	1,039,039	-	-	-	-	-	-	295	119	114	252	88,839	88,842	**1,890,048**	**1,128,252**
Administrative and utility services	-	-	219,735	171,841	-	-	-	-	-	-	613	102	-	489	348,154	88,184	**568,502**	**260,616**
Public administration and defense; mandatory social security	-	-	1,113,634	1,426,224	1,754,124	-	33,114,480	27,803,795	-	-	257	148	55	299	2,363	2,457	**35,984,913**	**29,232,923**
Education	-	-	355,032	244,679	-	-	-	-	-	-	108	21	-	90	19,445	4,761	**374,585**	**249,551**
Health care and social work	-	-	1,703,393	1,598,308	-	-	-	-	-	-	341	114	-	92	130,182	67,270	**1,833,916**	**1,665,784**
Art, entertainment and recreation	-	-	563,800	563,530	-	-	-	-	-	-	205	227	1	62	770,127	511,040	**1,334,132**	**1,074,859**
Other service activities	-	-	260,080	275,251	-	-	-	-	-	-	419	63	24	339	4,224	4,519	**264,747**	**280,172**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.C Concentration of credit risk by industry (continued)

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	26,822,539	23,426,725	-	-	-	-	-	-	1,708	1,896	613,267	566,477	3,555,971	3,315,429	**30,993,484**	**27,310,527**
Individual merchants and individuals not regarded as merchants	-	-	86,716	82,732	-	-	-	-	-	-	125	54	-	63	9,805	10,118	**96,646**	**92,967**
Total	**6,051,077**	**2,981,365**	**73,237,712**	**60,515,493**	**1,754,124**	**-**	**35,596,905**	**29,746,846**	**42,069,466**	**56,010,743**	**39,103**	**10,245**	**759,044**	**726,677**	**15,445,208**	**14,177,862**	**174,952,639**	**164,169,229**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.D Concentration of Credit Risk by Geographic Location

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Geographic location																		
Republic of Macedonia	532	54,562	73,116,304	60,472,833	1,754,124	-	33,192,876	27,808,496	36,228,725	48,384,524	38,964	10,136	759,042	726,677	15,288,982	14,041,947	**160,379,549**	**151,499,174**
EU member countries	3,486,361	1,331,191	121,231	42,438	-	-	612,599	818,004	4,391,223	3,129,152	128	94	1	-	128,983	124,488	**8,740,524**	**5,445,366**
Europe (other)	2,101,420	1,132,847	177	221	-	-	6,247	-	929,467	3,536,100	4	3	-	-	13,642	-	**3,050,956**	**4,669,170**
OECD member countries (without European OECD member countries)	462,765	462,765	-	-	-	-	1,785,184	1,120,346	431,032	881,104	7	9	1	-	13,601	11,428	**2,692,591**	**2,475,651**
Other	-	-	-	-	-	-	-	-	89,020	79,863	-	4	-	-	-	-	**89,020**	**79,867**
(the exposure that represents more than 10% of total credit exposure)																		
Total	**6,051,077**	**2,981,365**	**73,237,712**	**60,515,492**	**1,754,124**	**-**	**35,596,905**	**29,746,846**	**42,069,466**	**56,010,743**	**39,103**	**10,245**	**759,042**	**726,677**	**15,445,208**	**14,177,862**	**174,952,639**	**164,169,229**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.D Concentration of Credit Risk by Geographic Location (continued)

The value of total credit exposure by geographic location of debtors show that the highest concentration is in the Republic of North Macedonia, amounting to 91.67% as of December 31, 2024 (2023: 92.28 %). Exposure to debtors located in EU member amounts to 5.00 % as of December 31, 2024 (2023: 3.32 %). Exposure to debtors located in Other European countries, OECD countries and others amounts to 3.28 % of the total credit exposure of the Bank as of December 31, 2024 (2023: 4.35%).

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.E. Analysis of credit risk in assets measured at fair value through profit or loss

	Trading assets				Financial assets at fair value designated as such at initial recognition, through profit and loss statement									
	Debt trading securities		Equity trading securities		Debt securities		Equity securities		Loans and advances to banks		Loans and advances to other customers		Total	
In thousands of denars	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Current value of financial assets measured at fair value														
Risk category														
Without credit rating	66,165	35,926	182,652	77,485	374,973	364,135	-	-	-	-	-	-	623,790	477,546
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	**6,165**	**35,926**	**182,652**	**77,485**	**374,973**	**364,135**	**-**	**-**	**-**	**-**	**-**	**-**	**623,790**	**477,546**

These investments refer to financial assets measured at fair value through profit or loss for which there is no credit rating issued by external credit rating agencies.

2. Risk Management (continued)

2.2. Liquidity Risk

Liquidity risk is the risk of loss that occurs when the Group cannot provide sufficient cash to meet its liabilities at maturity or can provide the necessary funds at much higher costs. Liquidity risk arises both from the inability to properly manage unexpected changes in the source of funds, and from the inability of the Group to timely and quickly convert assets into cash at minimal cost.

Process of Liquidity Risk Management

Liquidity risk management involves management of assets and liabilities in a way that enables regular and timely payment of liabilities, both in normal or exceptionally conditions.

Exposure to liquidity risk depends on the separate categories in the balance sheet divided by the maturity dates (residual maturity) and the level of compliance. Exposure to insolvency risk depends on the level of capital and reserves, i.e. the Group's own funds. The purpose of managing this risk is to maximize stability and profitability, by implementing optimal combination of maturity and foreign currency structure of assets and liabilities.

The Group is exposed to daily claims on its available cash resources from deposits, current accounts, and loan withdrawals. The Group does not seek to maintain cash resources to meet all of these potential claims, estimating that the really due liabilities (the stability of deposit core) can be estimated with a degree of certainty.

The Group has established Liquidity risk managing Policy, passed by the Supervisory Board of the bank and the same is reviewed regularly. The policy defines the manner of liquidity management through determination of basic goals, capacity assessment for taking liquidity risk and assessment of risk profile, basic components of liquidity risk management system, basic components of process of maintaining appropriate level of liquidity and determination of acceptable instruments for protection from or decrease of liquidity risk.

The Group has established Procedures for identification, measurement or assessment, control or decreasing and following of the liquidity risk. This act is issued by the Board of Directors and is subject to regular revision. The Procedures define the proceedings (processes) for liquidity risk management in detail as: identification, measurement or assessment of the liquidity and liquidity risk, testing of operational liquidity and liquidity stress-testing, monitoring of the liquidity and the liquidity risk and reporting, control or decreasing of liquidity risk and determining the internal liquidity (ILAAP).

The Group uses the following methods for measuring the liquidity risk: maturity structure of assets (receivables) and liabilities (obligations) at aggregate level and by each significant currency, liquidity coverage ratio (LCR) at aggregate level and by each significant currency, internal liquidity ratios, concentration of the funding sources by the largest depositors, concentration of the funding sources by instruments, i.e. products, price of the funding sources and their maturity, possibility of renewal of the finding sources, determination of available unencumbered assets, stress-testing and reverse stress-test, planning of liquidity needs on a daily basis, fulfillment of legal obligation for required reserve in Denars and foreign currencies, analysis of Denar and foreign currency operating liquidity, own funds and capital adequacy ratio and other procedures.

The Group's management monitors the balances of the current accounts and deposits on a daily basis. The management, based on their experience, determines the critical days that affect the Bank's liquidity, or the significant dates that affect the outflow of funds. Based on the identification of available funds and the previously determined daily needs for money, the Group makes decision regarding the appropriate use of funds.

Reconciliation and the controlled mismatch of assets and liabilities is fundamental to the Group's management.

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

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at December 31, 2024 and 2023 was made by remaining contractual maturity or the remaining period from the date of notification to the agreed maturity date. Amounts in the analysis are not reduced by the amounts of accumulated depreciation, impairment losses and allocated special reserve. There are indications of significant gaps for the period up to one month, from one to three and from three to twelve months as at December 31, 2024 and as at December 31, 2023. The main reason for the above mentioned non-compliance is based on the fact that the short-term funding sources are used for approval of long-term loans. For the purposes of the liquidity risk management, the Group monitors the expected inflows from loans and advances, the expected outflow of deposits, as well as the expected use of off-balance sheet liabilities where the forecast element is incorporated and it indicates stable liquidity position.

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

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
2024 (current year)							
Financial assets							
Cash and cash equivalents	40,922,159	2,413,617	206	12,145,673	-	-	55,481,655
Held-for-trading assets	250,635	-	-	-	-	-	250,635
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	374,973	374,973
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	1,216,619	603,183	3,768,585	496	-	462,811	6,051,694
Loans and advances to other customers	2,693,925	2,625,889	17,238,950	9,591,722	21,801,961	22,315,783	76,268,230
Investments in securities	3,211,147	5,526,335	2,993,905	7,959,770	13,687,842	4,037,523	37,416,522
Investments in associates	-	-	-	-	-	422,412	422,412
Income tax receivable (current)	-	391	-	-	-	-	391
Other receivables	2,748,660	-	85,083	136,186	-	-	2,969,929
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**51,043,145**	**11,169,415**	**24,086,729**	**29,833,847**	**35,489,803**	**27,613,502**	**179,236,441**
Financial liabilities							
Trading liabilities	1,647	-	-	-	-	-	1,647
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	1,233,413	-	-	-	-	-	1,233,413
Deposits from other customers	100,914,777	8,731,381	23,777,781	14,012,488	5,660,966	269,433	153,366,826
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	31,241	41,656	185,516	217,708	384,927	599,298	1,460,346
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	260,567	2,104	-	-	-	-	262,671
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,079,510	6,489	20,484	25,382	-	-	1,131,865
Total financial liabilities	**103,521,155**	**8,781,630**	**23,983,781**	**14,255,578**	**6,045,893**	**868,731**	**157,456,768**
Off balance sheet items							
Off balance sheet assets	92,620	14,814	126,350	173,079	80,958	-	487,821
Off balance sheet liabilities	9,055,611	909,940	4,097,051	3,496,284	26,699	-	17,585,585
Liquidity gap	**(61,441,001)**	**1,492,659**	**(3,867,753)**	**12,255,064**	**29,498,169**	**26,744,771**	**4,681,909**

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (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
2023 (previous year)							
Financial assets							
Cash and cash equivalents	49,200,322	1,942,514	-	11,258,681	-	-	62,401,517
Held-for-trading assets	114,321	-	-	-	-	-	114,321
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	364,135	364,135
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	624,565	-	1,893,798	490	-	462,811	2,981,664
Loans and advances to other customers	1,391,077	3,111,295	15,232,053	8,709,212	17,876,525	16,908,577	63,228,739
Investments in securities	3,857,800	1,559,708	2,858,625	9,562,305	8,017,867	4,034,367	29,890,672
Investments in associates	-	-	-	-	-	403,904	403,904
Income tax receivable (current)	-	890	-	-	-	-	890
Other receivables	2,375,586	67	45,950	136,187	-	-	2,557,790
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**57,563,671**	**6,614,474**	**20,030,426**	**29,666,875**	**25,894,392**	**22,173,794**	**161,943,632**
Financial liabilities							
Trading liabilities	599	-	-	-	-	-	599
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	521,458	-	-	-	-	-	521,458
Deposits from other customers	93,136,502	8,496,283	22,828,609	5,601,697	12,194,796	257,862	142,515,749
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	13,744	60,272	214,796	211,828	195,890	183,619	880,149
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	229,888	-	-	-	-	-	229,888
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	898,661	6,942	23,031	9,416	-	-	938,050
Total financial liabilities	**94,800,852**	**8,563,497**	**23,066,436**	**5,822,941**	**12,390,686**	**441,481**	**145,085,893**
Off balance sheet items							
Off balance sheet assets	349	10,939	97,130	133,501	193,250	-	435,169
Off balance sheet liabilities	7,716,588	837,956	3,694,671	3,793,563	191,012	-	16,233,790
Liquidity gap	**(44,953,420)**	**(2,776,040)**	**(6,633,551)**	**20,183,872**	**13,505,944**	**21,732,313**	**1,059,118**

2. Risk Management (continued)

2.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in foreign currencies, interest rates, and equity products, all of which are exposed to market movements and changes in the level of volatility of market rates or prices (such as interest rates, interest margins, foreign exchange rates and equity prices).

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

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of Denars	*in thousands of Denars*	*in thousands of Denars*	*in %*
2024 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2024)		17,577,873	91,265,641	19.26
Effects from scenario implementation				
Currency risk				
(list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	19,150	17,577,873	89,716,378	19.59
Scenario 2: Denar to appreciate by 5% compared to other currencies	(19,150)	17,577,873	89,716,378	19.59
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	114,900	17,577,873	100,561,216	17.48
Scenario 2: Denar to appreciate by 30% compared to other currencies	(114,900)	17,577,873	81,970,066	21.44
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)*				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 2,00 p.p.	666,781	17,577,873	91,278,751	19.26
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to decrease by 2,00 p.p.	(666,781)	17,577,873	91,252,531	19.26

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
b) Extraordinary conditions				
Scenario 1: Interest rates on balance sheet items with variable and ajustable interest rates decided by the Bank's management to increase by 5,00 p.p.	1,666,953	17,577,873	91,298,416	19.25
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 5,00 p.p.	(1,666,953)	17,577,873	91,232,866	19.27
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)				
Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)				

*In the assets weighted according to risks, the effect of the change in the assets weighted according to operational risk according to the scenarios for changing interest rates has been added.

The obtained effects from the scenarios with 31.12.2024 do not cause increase or decrease of the Groups's own funds since the potential effect would be absorbed by the profit for the year.

This table presents the analysis of the sensitivity to changes in the market risk of the Bank's assets and liabilities, due to the insignificant participation (below 1%) of the total assets of the Subsidiary in the Bank's assets. The Bank does not conduct stress testing for the risk of market price changes in equity investments, as well as combined scenarios of market risk changes, due to non-significant interest of the trading portfolio of maximum 0.12% during 2024. Accoring to the Stress test Programe at 31 December 2024, the Bank will start to perform stress-test when the trading portfolio will participate with 6% in the total activities.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of Denars	*in thousands of Denars*	*in thousands of Denars*	*in %*
2023 (previous year)				
Amount before **sensitivity analysis/ stress-tests (as at December 31, 2023**)		14,413,820	80,240,242	17.96
Effects from scenarios implementation				
Currency risk				
(list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	23,150	14,413,820	81,884,782	17.60
Scenario 2: Denar to appreciate by 5% compared to other currencies	(23,150)	14,413,820	78,595,702	18.34
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	138,901	14,413,820	90,107,482	16.00
Scenario 2: Denar to appreciate by 30% compared to other currencies	(138,901)	14,413,820	70,373,002	20.48
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 3,00 p.p.	618,315	14,413,820	80,253,281	17.96
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to increase by 3,00 p.p.	(618,315)	14,413,820	80,227,203	17.97
b) Extraordinary conditions				
Scenario 1: Interest rates on balance sheet items with variable and ajustable interest rates decided by the Bank's management to increase by 6,00 p.p.	1,236,630	14,413,820	80,266,319	17.96
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 6,00 p.p.	(1,236,630)	14,413,820	80,214,165	17.97

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)				
_____				
_____				
_____				
_____				
Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)				
_____				
_____				
_____				
_____				

The obtained effects from the scenarios with 31.12.2023 do not cause increase or decrease of the Groups's own funds since the potential effect would be absorbed by the profit for the year.

This table presents the analysis of the sensitivity to changes in the market risk of the Bank's assets and liabilities, due to the insignificant participation (below 1%) of the total assets of the Subsidiary in the Bank's assets. The Bank does not conduct stress testing for the risk of market price changes in equity investments, as well as combined scenarios of market risk changes, due to non-significant interest of the trading portfolio of maximum 0.07% at 31 December 2023. Accoring to the Stress test Programe at 31 December 2023, the Bank will start to perform stress-test when the trading portfolio will participate with 6% in the total activities.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

B. Analysis of Value Exposed to Market Risk in Trading Portfolio

	current year 2024				previous year 2023			
in thousands of Denars	As at December 31,	Average value for the period	Highest value for the period	Lowest value for the period	As at December 31,	Average value for the period	Highest value for the period	Lowest value for the period
Amount of interest-bearing instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of foreign currency instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of equity instruments exposed to risk	-	-	-	-	-	-	-	-
Variance (off-setting effect)								
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Pursuant to the “Decision on the Methodology for Determining Capital Adequacy," the Group does not determine capital required to cover market risks for trading portfolio, because trading portfolio does not exceed 5% of the total assets or 915 million denars.

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)

Interest rate risk considering the Group's portfolio (hereinafter: interest rate risk) is risk of loss arising from the unfavourable changes in the interest rates which influences the items in the Group's portfolio. The risk of change in the interest rates can also arise from the liquidity gap of assets and liabilities, which may have long term negative influence on Group's profitability and capital.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Assets and liabilities management is performed based on Group's sensitivity to changes in interest rates. The Group strives to maintain the net interest margin in the frames of acceptable level. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The exposure to this risk depends on the value of the balance and off-balance sheet items which are sensitive to interest rates, interest rates oscillation and the time period of the interest rate exposure.

The aim is maximization of the stability and profitability, through appliance of optimal structure and optimal interest rates in the banking book.

The Group has established Policy for managing the risk of change in the interest rates in the Group's portfolio that is adopted by the Supervisory Board and is subject of regular revision. The Policy defines: subjects and definitions, the main objectives, interest rate risk management system in the banking book (efficient management process and organizational structure of interest rate risk management) and assessment of the Group's capacity to take the risk of change in the interest rates as well as assessment of its risk profile, adequate instruments for protection or reduction of the interest rate risk. The Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring of the risk of change in the interest rates in the banking book. This act is issued by the Board of Directors and is reviewed on a regular bases. The Procedures gives in detail the proceedings and processes for interest rate risk management as: identification, measurement or assessment, control or reducing and monitoring and reporting of the interest rate risk exposure.

Methods used to measure this risk include: analysis of the realized interest income and expense, weighted average interest rates, interest margin (spread), net interest margin and other internal indicators of risk of changes in interest rates, analysis of the structure and dynamics of interest bearing assets and interest bearing liabilities and assets quality influence to Group's profitability, ratio of the interest bearing assets and interest bearing liabilities, interest rate gap, changing of the economic value of the portfolio of banking activities, analysis of compliance in the interest rates of financial assets and liabilities and the maturity (in)consistency of interest sensitive assets and liabilities positions, the risk of differences in the level of reference interest rates of instruments with similar characteristics, the risk of movement of the yield curve, risk arising from the options that are embedded in interest-bearing positions, simulation models, stress-testing, reverse stress-testing and other are methods used to measure this risk.

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)

A. Interest Rate Sensitivity Analysis

Schedules "VPV" prepared in accordance with the "Guidelines for implementing the Decision on managing the interest rate risk in the banking portfolio" for the years ended December 31, 2024 and 2023 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2024
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	760,836
1.2	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	63,890
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(112,468)
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,118,840
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	3,023
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**1,834,121**
3	OWN FUNDS		**17,577,873**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**10.43%**
	Position	**Currency**	**December 31, 2023**
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	414,813
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	28,732
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,191,776
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	21,322
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**1,656,643**
3	OWN FUNDS		**14,413,820**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**11.49%**

The table above presents the sensitivity analyses of the Bank, due to the insignificant participation (under 1%) in total assets of the subsidiary in the assets of the Bank.

2. Risk Management (continued)

2.3 Market Risk (continued)

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

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
December 31, 2024 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	41,359,666	2,413,617	-	-	-	-	**43,773,283**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	1,178,914	591,928	3,742,604	-	-	-	**5,513,446**
Loans and advances to other customers	48,133,860	587,005	7,061,690	4,918,707	6,570,232	4,790,063	**72,061,557**
Investments in securities	3,145,178	5,318,669	2,983,338	7,695,158	13,359,337	3,966,247	**36,467,927**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**93,817,618**	**8,911,219**	**13,787,632**	**12,613,865**	**19,929,569**	**8,756,310**	**157,816,213**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Deposits from banks	1,196,010	-	-	-	-	-	**1,196,010**
Deposits from other customers	21,739,693	8,170,889	20,638,858	11,071,775	4,227,771	-	**65,848,986**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	290,579	459	68,642	135,349	301,936	574,441	**1,371,406**
Subordinated debt	-	-	-	-	-	-	**-**
Other interest sensitive liabilities	-	-	-	-	-	-	**-**
Total interest sensitive financial liabilities	**23,226,282**	**8,171,348**	**20,707,500**	**11,207,124**	**4,529,707**	**574,441**	**68,416,402**
Net balance position	**70,591,336**	**739,871**	**(6,919,868)**	**1,406,741**	**15,399,862**	**8,181,869**	**89,399,811**
Off balance sheet interest sensitive assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off balance sheet interest sensitive liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net off-balance sheet gap	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total net-position	**70,591,336**	**739,871**	**(6,919,868)**	**1,406,741**	**15,399,862**	**8,181,869**	**89,399,811**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 Sensitivity 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
December 31, 2023 (previous year)							
FINANCIAL ASSETS							
Cash and cash equivalents	54,170,486	1,934,925	-	-	-	-	**56,105,411**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	610,502	-	1,867,551	-	-	-	**2,478,053**
Loans and advances to other customers	1,385,182	3,052,163	40,660,239	5,923,467	4,701,064	3,984,455	**59,706,570**
Investments in securities	119,885	1,549,463	2,856,199	9,210,034	7,817,592	4,013,517	**25,566,690**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**56,286,055**	**6,536,551**	**45,383,989**	**15,133,501**	**12,518,656**	**7,997,972**	**143,856,724**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Deposits from banks	387,418	-	-	-	-	-	**387,418**
Deposits from other customers	16,345,334	8,459,354	25,313,607	2,683,299	10,815,122	-	**63,616,716**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	5,854	58,878	375,524	56,398	121,515	147,579	**765,748**
Subordinated debt	-	-	-	-	-	-	**-**
Other interest sensitive liabilities	-	-	-	-	-	-	**-**
Total interest sensitive financial liabilities	**16,738,606**	**8,518,232**	**25,689,131**	**2,739,697**	**10,936,637**	**147,579**	**64,769,882**
Net balance position	**39,547,449**	**(1,981,681)**	**19,694,858**	**12,393,804**	**1,582,019**	**7,850,393**	**79,086,842**
Off balance sheet interest sensitive assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off balance sheet interest sensitive liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net off-balance sheet gap	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total net-position	**39,547,449**	**(1,981,681)**	**19,694,858**	**12,393,804**	**1,582,019**	**7,850,393**	**79,086,842**

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

The Group has established Policy for managing the currency risk, adopted by the Supervisory board of the Bank and it is revised regularly. The Policy defines the primary goals, the primary components of the currency risk management system (efficient process and organizational structure), assessment of the Group's capacity to undertake foreign currency risk and assessment of the risk profile and acceptable instruments for hedging or reducing foreign currency risk.

The Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring of foreign exchange risk issued by the Board of Directors and it is revised regularly. In the Procedures, processes for managing foreign exchange risk are described in detail as follows: identification, measurement or assessment, control or reducing and monitoring for exposure to foreign exchange risk.

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

The Group’s Policy, main principle for currency risk management is to achieve and maintain compliance of its claims in foreign currency (foreign currency assets) as a minimum, the amount of its total foreign currency liabilities (obligations in foreign currency). Also, 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 Group is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates.

The tables below summarize the net foreign currency position of monetary assets and liabilities of the Group as at December 31, 2024 and 2023.

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 (current year)										
Monetary Assets										
Cash and cash equivalents	37,033,368	14,262,951	2,364,142	-	-	-	-	-	1,819,949	55,480,410
Held-for-trading assets	242,814	6,004	1,817	-	-	-		-	-	250,635
Financial assets at fair value through profit or loss upon initial recognition	374,973	-	-	-	-	-	-	-	-	374,973
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	532	500,026	4,780,138	-	-	-	-	-	770,315	6,051,011
Loans and advances to other customers	43,580,526	29,394,592	-	-	-	-	-	-	-	72,975,118
Investments in securities	23,065,614	12,564,694	1,785,715	-	-	-	-	-	-	37,416,023
Investments in associates	422,412	-	-	-	-	-	-	-	-	422,412
Income tax receivable (current)	391	-	-	-	-	-	-	-	-	391
Other receivables	2,366,378	527,688	810	-	-	-	-	-	-	2,894,876
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**107,087,008**	**57,255,955**	**8,932,622**	**-**	**-**	**-**	**-**	**-**	**2,590,264**	**175,865,849**
Monetary Liabilities										
Trading liabilities	1,647	-	-	-	-	-	-	-	-	1,647
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	661,595	246,276	308,593	-	-	-	-	-	16,949	1,233,413
Deposits from other customers	87,449,099	54,819,002	8,540,129	-	-	-	-	-	2,558,596	153,366,826
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	1,456,825	-	-	-	-	-	-	-	1,456,825
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	262,671	-	-	-	-	-	-	-	-	262,671
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	672,984	357,191	94,702	-	-	-	-	-	6,988	1,131,865
Total Monetary Liabilities	**89,047,996**	**56,879,294**	**8,943,424**	**-**	**-**	**-**	**-**	**-**	**2,582,533**	**157,453,247**
Net-position	**18,039,012**	**376,661**	**(10,802)**	**-**	**-**	**-**	**-**	**-**	**7,731**	**18,412,602**

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
2023 (previous year)										
Monetary Assets										
Cash and cash equivalents	42,634,235	13,034,091	4,312,659	-	-	-	-	-	2,419,264	62,400,249
Held-for-trading assets	108,318	6,003	-	-	-	-		-	-	114,321
Financial assets at fair value through profit or loss upon initial recognition	364,135	-	-	-	-	-	-	-	-	364,135
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	54,561	494,130	2,432,673	-	-	-	-	-	-	2,981,364
Loans and advances to other customers	31,280,032	28,922,493	4,286	-	-	-	-	-	-	60,206,811
Investments in securities	16,175,072	12,592,029	1,120,848	-	-	-	-	-	-	29,887,949
Investments in associates	403,904	-	-	-	-	-	-	-	-	403,904
Income tax receivable (current)	890	-	-	-	-	-	-	-	-	890
Other receivables	2,088,543	277,331	154,855	-	-	-	-	-	-	2,520,729
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**93,109,690**	**55,326,077**	**8,025,321**	**-**	**-**	**-**	**-**	**-**	**2,419,264**	**158,880,352**
Monetary Liabilities										
Trading liabilities	-	-	599	-	-	-	-	-	-	599
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from	14,181	455,170	-	-	-	-	-	-	52,107	521,458
Deposits from other customers	78,671,742	53,838,197	7,726,028	-	-	-	-	-	2,279,782	142,515,749
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	876,461	-	-	-	-	-	-	-	876,461
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	229,888	-	-	-	-	-	-	-	-	229,888
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	716,506	119,267	96,761	-	-	-	-	-	5,485	938,019
Total Monetary Liabilities	**79,632,317**	**55,289,095**	**7,823,388**	**-**	**-**	**-**	**-**	**-**	**2,337,374**	**145,082,174**
Net-position	**13,477,373**	**36,982**	**201,933**	**-**	**-**	**-**	**-**	**-**	**81,890**	**13,798,178**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.4 Other Market Risks

Other market risks are risks of loss arising from the change in the price of trading financial instruments and goods held for trading.

The exposure depends on the trading portfolio value and on the movement of the price of the financial instruments which constitute the portfolio.

The aim of the Group is to maximize the stability and profitability, by applying the optimal structure of trading portfolio.

The Group has established Policy for managing the market risk, adopted by the Supervisory board of the Bank and it is revised regularly. The Policy defines the subject and definitions, primary goals, the market risk management system (efficient process and organizational structure), assessment of the Bank's capacity to undertake market risk, assessment of the risk profile and acceptable instruments for hedging or reducing market risk.

The Group has established Procedures for identification, measurement or assessment, control or decrease and monitoring of the market risk. This act is issued by the Bank’s Board of Directors and is subject of regular revision. The Procedures defines the proceedings (processes) for market risk management in detail as: identification the market risk, measurement or assessment, control or decrease and monitoring and reporting for the market risk exposure.

Methods used to measure foreign exchange risk include: analysis of each investment intended for trade, analysis of the trading book (type of the securities, market segmentation, market value, participation in the issuer capital etc.) currency structure, realized transactions of trading, fulfilling the law limits, fulfilling the internal limits and exceptions, trading results, daily monitoring of the trading book regarding the Bank’s total activities, stress-testing, reverse stress-testing and other are methods that are used for market risk assessment.

As at December 31, 2024 and 2023, according to regulatory requirements, the Group does not determine capital required to cover the market risk for portfolio trading.

2.4 Operational Risks

The operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems in the bank, or from external events. The operational risk also includes the legal risk, as well as the risk of money laundering and financing of terrorism, as IT risk and other operational risks.

“Legal risk” means risk of loss caused by from violation or non-adherence to the laws and bylaws, agreements, prescribed practices, ethics standards, or as a result of misinterpretation of the regulations, rules, agreements and other legal documents.

The Group has established a framework for managing operational risk based on a strategy, policy and methodology to manage this risk, and appropriate organizational structure and established process. Within the framework of different processes of the Group, this allows different risks that arise from such processes to be identified in order to avoid the potential negative effect on the Group’s financial result and capital position. The appropriateness of the established framework for operational risk management is under regular revision.

The identification and measurement of the operational risk is performed by the Group through analysis of collected data that have caused or might cause damage to the Group, analysis of the Groups key risk Indicators by using the self-assessment method through qualitative approach, as well as through analysis of external loss data from other banks.

The Group calculates capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31.12.2024 is presented under heading 3.1.1. Capital adequacy ratio report.

3. Capital adequacy

According to the Decision from NBRNM for consolidated supervision, if the total assets of the subsidiary is less than 1% of the assets of the parent company, the subsidiary will not be included in the consolidated financial statements for purposes of the consolidated supervision. Based on the above, the capital adequacy ratio is not prepared on a consolidated basis.

Capital management

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

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the directives required by the regulator, for supervisory purposes. The required information is filed to the NBRNM on a monthly basis.

According to the law regulation, the Bank has to respect the following ratios:

- Common Equity Tier 1 Capital cannot be lower than 4.5% from the risk weighted assets (Common Equity Tier 1 Capital ratio),
- Tier 1 Capital cannot be lower than 6% from the risk weighted assets (Tier 1 Capital ratio) and
- The capital adequacy cannot be lower than 8%.

As at 31 December 2024, the Bank fulfils the legally prescribed capital requirements and the prescribed capital requirements for capital conservation buffer and for systemically important bank, which are fulfilled with the Common Equity Tier 1 Capital. According to the regulation during 2024 the Bank had an obligation to maintain countercyclical capital buffer for exposures in the Republic of North Macedonia and for exposures to other countries according to the Decisions of NBRNM for the decisions of the NBRSM on the amount of the countercyclical protective layer capital rate for exposures in the Republic of North Macedonia and for exposures to other countries. The total regulatory capital requirements that the Bank meets as of 31.12.2024 amount to 18.00% (2023: 17.25%) of the risk-weighted assets.

Additionally, the Group has established a Process of determining the internal capital (ICAAP) in accordance with the Decision on risk management specified by NBRNM. The Process of determining the internal capital is based on enacted Policies and Procedures and within the same reference frame, the Bank:

- Determines the required internal capital to cover the acceptable level of risk, in accordance with its risk profile and the size and complexity of current and future financial activities;
- Focuses on establishing a sustainable level of long term capital, while taking into account the influence of all material risks and related factors.

3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy

The Group determines its own funds and the capital adequacy in accordance to the Methodology for determining the capital adequacy set by NBRNM. In accordance with the regulation, the credit risk weighted assets and the capital required for coverage of operational risks are calculated based on the standardized approach.

Capital adequacy ratio indicates the level of coverage of risk operations of the Bank and it is calculated as the relation between Bank's own funds and risk weighted assets.

a) Own funds are category that is in function of determination the rate of the capital adequacy and other regulatory and prudential limits. Own funds represent a total of core capital (Tier 1 Capital) and additional capital (Tier 2 Capital), where the core capital (Tier 1 Capital) consists of: Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1). As at December 2024 and 2023, the Bank has only Common Equity Tier 1 Capital which is a part of the Bank's core capital (Tier 1 Capital).

b) Risk weighted assets represent a sum of weighted assets according to credit risk, weighted assets by currency risk, weighted assets by operational risk and weighted assets by other risks.

- Risk weighted assets based on credit risk include the active balance and off-balance sheet position, which allocated in appropriate risk categories are weighted with appropriate risk weight depending on the credit quality rating of the debtor. The credit quality rating of the debtor is determined based on the prescribed regulation by NBRNM.
- Risk weighted assets based on currency risk are determined based on calculated capital necessary for coverage of currency risk, which the Bank determines based on the amount of the aggregate foreign currency position and the absolute amount of net-position in gold.
- Risk weighted assets based on operational risk are determined based on capital required for coverage of operational risks, which the Bank calculates using the standardised approach.
- Risk weighted assets based on other risks include the capital required for coverage of commodity risks, the capital required for coverage of market risks, the capital requirement for settlement/delivery risk and the capital requirement for counterparty risk.

The determination of capital adequacy according to regulations is done on a quarterly basis. However, in 2024, at the request of the NBRNM capital adequacy was also assessed on a monthly basis. Based on internal needs for effective risk management, other reports, analyses, and simulations are prepared for potential changes in the level of capital adequacy.

3. Capital Adequacy (continued)
3.1 Determination of Capital Adequacy (continued)
3.1.1 Capital Adequacy Ratio Report

No.	Description	in thousands of Denars	
		Current year 2024	Previous year 2023
I	**CREDIT RISK- WEIGHTED ASSETS**		
1	Credit risk-weighted assets under the standardized approach	78,702,809	70,201,125
2	Capital requirement for credit risk	**6,296,225**	**5,616,090**
II	**CURRENCY RISK-WEIGHTED ASSETS**		
3	Aggregate foreign exchange position	593,471	507,431
4	Net-position in gold	-	-
5	Capital requirement for currency risk	**47,478**	**40,595**
6	Currency risk-weighted assets	**593,471**	**507,431**
III	**OPERATIONAL RISKS-WEIGHTED ASSETS**		
7	Capital requirement for operational risk under the basic indicator approach	-	-
8	Capital requirement for operational risk under the standardized approach	957,501	762,438
9	Operational risk-weighted assets	**11,968,765**	**9,530,484**
IV	**OTHER RISKS-WEIGHTED ASSETS**		
10	Capital requirement for commodity risks	-	-
11	Capital requirement for market risks (11.1+11.2+11.3)	-	-
11.1	Capital requirement for position risk (11.1.1.+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital requirement for specific risk of investments in debt instruments	-	-
11.1.2	Capital requirement for general risk of investments in debt instruments	-	-
11.1.3	Capital requirement for specific risk of investments in equities	-	-
11.1.4	Capital requirement for general risk of investments in equities	-	-
11.2	Capital requirement for exceeding of exposure limits	-	-
11.3	Capital requirement for market risks arising from option positions	-	-
12	Capital requirement for settlement/delivery risk	-	-
13	Capital requirement for counterparty risk	48	96
14	Capital requirement for other risks (10+11+12+13)	48	96
15	Other risk-weighted assets	596	1,202
V	**RISK-WEIGHTED ASSETS**	**91,265,641**	**80,240,242**
16	Capital requirement for risks	**7,301,252**	**6,419,219**
VI	**OWN FUNDS**	**17,577,873**	**14,413,820**
VII	**CAPITAL ADEQUACY RATIO (VI/V)**	**19.26%**	**17.96%**

3. Capital Adequacy (continued)
3.1 Determination of Capital Adequacy (continued)
3.1.2 Report on Own Funds

No.	Description	in thousands of Denars	
		Current year 2024	Previous year 2023
1.	**Own funds**	**17,577,873**	**14,413,820**
2.	**Tier 1 Capital**	**17,577,873**	**14,413,820**
3.	**Common Equity Tier 1 Capital (CET1)**	**17,577,873**	**14,413,820**
3.1.	Positions of CET1	17,612,392	14,429,107
3.1.1.	Capital instruments of CET1	2,279,067	2,279,067
3.1.2.	Premium on capital instruments of CET1	771,527	771,527
3.1.3.	Mandatory reserve fund	13,802,275	10,748,513
3.1.4.	Retained unallocated earning	760,000	630,000
3.1.5.	(-) Accumulated loss from previous years	-	-
3.1.6.	Current profit or profit at the end of the year	-	-
3.1.7.	Comprehensive income or loss	(477)	-
3.2.	(-) Deductions of CET1	(34,519)	(15,287)
3.2.1.	(-) Loss at the end of the year or current loss	-	-
3.2.2.	(-) Intangibles	(34,519)	(15,287)
3.2.3.	(-) Deferred tax assets that rely on future profitability of the bank	-	-
3.2.4.	(-) Investments in own capital instruments from CET1	-	-
3.2.4.1.	(-) Direct investments in own capital instruments from CET1	-	-
3.2.4.2.	(-) Indirect investments in own capital instruments from CET1	-	-
3.2.4.3.	(-) Synthetic investments in own capital instruments from CET1	-	-
3.2.4.4.	(-) Investments in own capital instruments from CET1 for which the bank has contractual obligation to buy	-	-
3.2.5.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector, whereas those companies have investments in the bank	-	-
3.2.6.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank does not have significant investment	-	-
3.2.7.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank has significant investment	-	-
3.2.8.	(-) Amount of deductions from AT1 which exceeds the total amount of AT1	-	-
3.2.9.	(-) Amount of exceeding the limits on investments in non-financial institutions	-	-
3.2.10.	(-) Tax costs	-	-
3.2.11.	(-) Difference between the necessary and the actual allowance for impairment provision/special reserve	-	-
3.3.	Regulatory adjustments from CET1	-	-
3.3.1.	(-) Increase of CET1 that arises from the positions of securitisation	-	-
3.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
3.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
3.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value.	-	-
3.4.	Positions as a result of consolidation	-	-
3.4.1.	Non-controlling (minority) participation that is recognized in CET1 on consolidated basis	-	-
3.4.2.	Other	-	-
3.5.	Other positions from CET1	-	-

3. Capital Adequacy (continued)
3.1 Determination of Capital Adequacy (continued)
3.1.2 Report on Own Funds (continued)

No.	Description	in thousands of Denars	
		Current year 2024	Previous year 2023
4.	**Additional Tier 1 capital (AT1)**	**-**	**-**
4.1.	Positions of AT1	-	**-**
4.1.1.	Capital instruments of AT1	-	-
4.1.2.	Premium on capital instruments of AT1	-	-
4.2.	(-) Deduction of AT1	**-**	-
4.2.1.	(-) Investments in own capital instruments from AT1	-	**-**
4.2.1.1.	(-) Direct investments in own capital instruments from AT1	-	-
4.2.1.2.	(-) Indirect investments in own capital instruments from AT1	-	-
4.2.1.3.	(-) Synthetic investments in own capital instruments from AT1	-	-
4.2.1.4.	(-) Investments in own capital instruments from AT1 for which the bank has contractual obligation to buy.	-	-
4.2.2.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector, whereas those companies have investments in the bank.	-	-
4.2.3.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector, in which the bank does not have significant investment.	-	-
4.2.4.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector in which the bank has significant investment.	-	-
4.2.5.	(-) Amount of deductions from T2 which exceeds the total amount of T2	-	-
4.2.6.	(-) Tax costs	**-**	-
4.3.	Regulatory adjustments from AT1	-	**-**
4.3.1.	(-) Increase of AT1 that arises from the positions of securitisation	-	-
4.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
4.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
4.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	**-**	-
4.4.	Positions as a result of consolidation	-	**-**
4.4.1.	Acceptable additional tier 1 capital that is recognized in AT1 on consolidated basis	-	-
4.4.2.	Other	-	-
4.5.	Other positions from AT1	**-**	-

3. Capital Adequacy (continued)
3.1 Determination of Capital Adequacy (continued)
3.1.2 Report on Own Funds (continued)

No.	Description	in thousands of Denars	
		Current year 2024	previous year 2023
5.	**Tier 2 capital (T2)**	**-**	**-**
5.1.	Positions of T2	**-**	**-**
5.1.1.	Capital instruments of T2	-	-
5.1.2.	Subordinated loans	-	-
5.1.3.	Premium on capital instruments of T2	-	-
5.2.	(-) Deductions of T2	**-**	**-**
5.2.1.	(-) Investments in own capital instruments from T2	**-**	**-**
5.2.1.1.	(-) Direct investments in own capital instruments from T2	-	-
5.2.1.2.	(-) Indirect investments in own capital instruments from T2	-	-
5.2.1.3.	(-) Synthetic investments in own capital instruments from T2	-	-
5.2.1.4.	(-) Investments in own capital instruments from T2 for which the bank has contractual obligation to buy	-	-
5.2.2.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector, whereas those companies have investments in the bank	-	-
5.2.3.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector, in which the bank does not have significant investment	-	-
5.2.4.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector in which the bank has significant investment	-	-
5.3.	Regulatory adjustments from T2	**-**	**-**
5.3.1.	(-) Increase of T2 that arises from the positions of securitisation	-	-
5.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
5.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
5.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	-	-
5.4.	Positions as a result of consolidation	**-**	**-**
5.4.1.	Acceptable additional tier 1 capital that is recognized in T2 on consolidated basis	-	-
5.4.2.	Other	-	-
5.5.	Other positions from T2	**-**	**-**

4. Segmented Reporting

Segment reporting is carried out according to the Group's operating segments.

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

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

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

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

For the purposes of the financial reporting, the Group 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 at December 31, 2024 and 2023 the Group does not group two or more operating segments into one.

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

The Group discloses information for the concentration of the business activities towards separate significant clients. Significant client is an individual or a legal entity as well as parties related to them, if the Group realizes 10% or more from its total business income or expenditure. As at 31.12.2024, the Group has a significant concentration of two significant clients, while in 2023 it has significant concentration of one significant client.

Geographical segments according to which the Group 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	Operating Segments									Unallocated	Total
	BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset manage-ment	BL 8: Retail brokerage	All other insignificant operating segments		
2024 (current year)											
Interest income/(expense), net	-	-	745,903	5,221,400	21	-	-	-	-	-	5,967,324
Fee and commission income/(expense), net	-	2,662	8,327	183,531	908,630	56,459	-	13,938	94,280	12,626	1,280,453
Net trading income	-	55,261	-	-	-	-	-	-	3,904	-	59,165
Net income from other financial instruments at fair value	-	10,837	-	-	-	-	-	-	-	-	10,837
Other operating income	-	357,297	(273,352)	1,429,886	(7,261)	(647)	-	12,142	111,015	20,729	1,649,809
Inter segmented income	-										-
Total income by segment	-	426,057	480,878	6,834,817	901,390	55,812	-	26,080	209,199	33,355	8,967,588
Impairment losses of financial assets, net	-	-	(195,156)	(475,303)	-	-	-	-	-	-	(670,459)
Impairment losses of non-financial assets, net	-	-	-	(19,290)	-	-	-	-	-	-	(19,290)
Depreciation and amortization	-	(2,274)	(50,866)	(36,876)	(91,795)	(2,546)	-	(2,546)	(578)	(60,258)	(247,739)
Restructuring costs	-										-
Investments in property and equipment	-										-
Other expenses	-	(37,336)	(730,545)	(405,559)	(722,342)	(17,466)	-	(18,551)	(28,280)	(545,489)	(2,505,568)
Total expenses by segment	-	(39,610)	(976,567)	(937,028)	(814,137)	(20,012)	-	(21,097)	(28,858)	(605,747)	(3,443,056)
Financial result by segment	-	386,447	(495,689)	5,897,789	87,253	35,800	-	4,983	180,341	(572,392)	5,524,532
Income tax											(564,418)
Profit/(loss) for the year											4,960,114
Total assets by segment	-	583,550	28,182,522	142,424,807	4,089,587	32,470	-	28,921	580,752		175,922,609
Unallocated assets by segment										2,797,179	2,797,179
Total assets											178,719,788
Total liabilities by segment	-	1,652	113,293,478	43,780,144	186,728	42,695	-	180	18,256		157,323,133
Unallocated liabilities by segment										411,495	411,495
Total liabilities											157,734,628

4. Segment Reporting (continued)

A. Operating Segments (continued)

in thousands of denars	Operating Segments									Unallocated	Total
	BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset management	BL 8: Retail brokerage	All other insignificant operating segments		
2023 (previous year)											
Interest income/(expense), net	-	-	774,197	4,438,001	11	-	-	-	-	-	5,212,209
Fee and commission income/(expense), net	-	1,237	10,495	152,392	857,025	49,149		7,375	68,027	19,123	1,164,823
Net trading income	-	(3,578)	-	-	-	-	-	-	736	-	(2,842)
Net income from other financial instruments at fair value	-	9,198	-	-	-	-	-	-	-	-	9,198
Other operating income	-	344,312	302,749	(83,317)	51,116	(906)	-	10,517	92,507	16,389	733,367
Inter segment income	-										-
Total income by segment	-	351,169	1,087,441	4,507,076	908,152	48,243	-	17,892	161,270	35,512	7,116,755
Impairment losses of financial assets, net	-	-	(186,166)	(580,725)	-	-	-	-	-	-	(766,891)
Impairment losses of non-financial assets, net	-	-	-	(6,769)	-	-	-	-	-	-	(6,769)
Depreciation and amortization	-	(2,445)	(44,666)	(35,333)	(91,778)	(2,445)		(2,445)	(852)	(55,974)	(235,938)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(25,058)	(657,608)	(276,961)	(683,744)	(16,480)	-	(17,516)	(22,958)	(468,380)	(2,168,705)
Total expenses by segment	-	(27,503)	(888,440)	(899,788)	(775,522)	(18,925)	-	(19,961)	(23,810)	(524,354)	(3,178,303)
Financial result by segment	-	323,666	199,001	3,607,288	132,630	29,318	-	(2,069)	137,460	(488,842)	3,938,452
Income tax											(336,075)
Profit/(loss) for the year											3,602,377
Total assets by segment	-	466,787	24,660,676	131,992,540	3,478,560	31,588	-	28,980	529,520		161,188,651
Unallocated assets by segment										2,492,686	2,492,686
Total assets											163,681,337
Total liabilities by segment	-	605	105,156,378	39,850,778	128,412	56,055	-	213	15,931		145,208,372
Unallocated liabilities by segment										370,606	370,606
Total liabilities											145,578,978

4. Segment Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

in thousands of Denars	Operating Segments									Unallocated	Total
	BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset management	BL 8: Retail brokerage	All other insignificant operating segments		
2024 (current year)											
Customer 1	**-**	**-**	**-**	**1,296,650**	**(149,902)**	**-**	**-**	**-**	**-**	**(894)**	**1,145,854**
Income	-	-	-	1,296,650	42	-	-	-	-		1,296,692
(expenses)	-	-	-	-	(149,944)	-	-	-	-	(894)	(150,838)
Customer 2	-	-	-	**1,141,829**	**-**	-	-	-	-	**(9)**	**1,141,820**
Income	-	-	-	1,141,829	-	-	-	-	-	-	1,141,829
(expenses)	-	-	-	**-**	**-**	-	-	-	-	(9)	(9)
Total by segment	**-**	**-**	**-**	**2,438,479**	**(149,902)**	**-**	**-**	**-**	**-**	**(903)**	**2,287,674**
2023 (previous year)											
Customer 1	-	-	-	**1,187,852**	**(137,493)**	**-**	**-**	**-**	**-**	**(859)**	**1,049,500**
Income	-	-	-	1,187,852	31	-	-	-	-	-	1,187,883
(expenses)	-	-	-	-	(137,524)	-	-	-	-	(859)	(138,383)
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	**1,187,852**	**(137,493)**	**-**	**-**	**-**	**-**	**(859)**	**1,049,500**

*As at 31.12.2024, the Group has a significant concentration of two significant clients from which it earns revenues amounting to 13.0% and 11.5% accordingly of the Group's total revenues based on: interest, fees and commissions and fees for performing banking services, net - trading income from assets and trading liabilities, net - income from assets and liabilities at fair value through profit and loss, realized gains from assets and liabilities available for sale on a net basis, capital investments and capital gains and other income.

**As of December 31, 2023, the Group has a significant concentration of one significant clients from which it earns revenues amounting to 14.7% of the Group's total revenues based on: interest, fees and commissions and fees for performing banking services, net - trading income from assets and trading liabilities, net - income from assets and liabilities at fair value through profit and loss, realized gains from assets and liabilities available for sale on a net basis, capital investments and capital gains and other income.

4. Segment Reporting (continued)

C. Geographical Location

in thousands of Denars	Republic of North Macedonia	EU member states	Europe (other countries)	OECD member states (without EU countries-members of OECD	Other (significant geographical segments)	Other insignificant geographical segments	Unallocated	Total
2024 (current year)								
Total income	8,961,101	21,687	(101,145)	3,842	-	4,659	77,444	8,967,588
Total assets	166,707,243	7,998,702	3,030,670	894,153	-	89,020	-	178,719,788
2023 (previous year)								
Total income	7,059,638	56,656	(49,107)	3,520	-	4,337	41,711	7,116,755
Total assets	153,088,348	4,500,640	4,668,565	1,343,921	-	79,863	-	163,681,337

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Financial Liabilities

in thousands of denars	Current year 2024		Previous year 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	55,480,410	55,480,410	62,400,249	62,400,249
Held-for-trading assets	250,635	250,635	114,321	114,321
Financial assets at fair value through profit or loss upon initial recognition	374,973	374,973	364,135	364,135
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	6,051,011	6,051,011	2,981,364	2,981,364
Loans and advances to other customers	72,975,118	72,975,118	60,206,811	60,206,811
Investments in securities	37,416,023	36,868,301	29,887,949	28,761,023
Investments in associates	422,412	422,412	403,904	403,904
Income tax receivable (current)	391	391	890	890
Other receivables	2,894,876	2,894,876	2,520,729	2,520,729
Assets pledged as collateral	-	-	-	-
Deferred tax assets	-	-	-	-
Financial Liabilities				
Trading liabilities	1,647	1,647	599	599
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	1,233,413	1,233,413	521,458	521,458
Deposits from customers	153,366,826	152,828,917	142,515,749	142,220,920
Debt instruments issued	-	-	-	-
Borrowings	1,456,825	1,456,825	876,461	876,461
Subordinated debt			-	-
Income tax payable (current)	262,671	262,671	229,888	229,888
Deferred tax liabilities			-	-
Other liabilities	1,131,865	1,131,865	938,019	938,019

Fair value represents the amount at which an asset could be replaced or a liability settled on regular, market conditions between informed and voluntary parties. Fair value has been based on management assumptions according to the profile of the asset and liability base.

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

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

a) Cash and cash equivalents

The carrying amount of cash and cash equivalents equals their fair values as they include cash and nostro accounts representing unrestricted demand deposits and placements with NBRNM, which mature in short periods.

b) Financial assets recognized at fair value through profit or loss

Fair value of trading assets and financial assets at fair value through profit or loss designated as such upon initial recognition is determined by reference to market prices and is equal to their carrying amount.

c) Loans and advances to banks

The fair value of loans and advances to banks is determined in accordance with current market conditions and current interest rates. For some of the banks' claims on deposits due to their specific characteristics and the absence of similar instruments in the market, the Bank considers that their carrying amount approximates their fair value.

d) Loans and advances to customers

Loans and advances to customers are carried at amortized cost less impairment. The major part of the loans and advances to customers is with adjustable and variable interest rate. The estimated fair value of loans and advances to customers is determined by the discounting expected future cash flows. Expected future cash flows for determining the fair value are discounted using current market interest rate.

The Bank provides loans from credit lines financed from the Development Bank of North Macedonia (DBNM), and these loans are offered on the market by other banks as well, under the same conditions. Their interest rates are considered to be market interest rates. Also, the Bank provides retail loans with fixed interest rates in the first couple of years of the loan. Loans with similar characteristics and interest rates are offered by other banks on the market as well, thus their interest rates are considered to be market interest rates.

e) Investments in securities

Investments in securities include debt securities held to maturity at amortised cost using the effective interest rate method and assets classified as available for sale which are measured at fair value. Fair value for assets classified as available for sale is based on published prices on active market or published prices available from stock exchange, dealer and broker. In cases where this information is not available, fair value is estimated by: information for realized prices of recent normal commercial transactions among voluntary parties; analysis of discounted cash flows; other alternative models for price determination.

The fair value of debt securities held-to-maturity is determined using discounted cash flow techniques with the current yield on the primary debt securities market for debt securities with similar residual maturity.

Investments in securities include the amount of 64,993 thousands of denars (2023: 64,965 thousands of denars), related to investments in securities for which there is no active market and do not have recent transaction that can be used for determination of the fair value. These investments in securities are presented at cost, decreased by the impairment loss. Their share in total investments in securities is only 0.17% (2023: 0.22%).

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

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

f) Other receivables

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

g) Deposits from banks

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

h) Deposits from other customers

The fair value of interest bearing demand deposits and interest bearing time deposits with adjustable and variable interest rates is their carrying amount. Out of total deposits to other customers, the amount of interest bearing time deposits with fixed interest rates is 31,647,104 thousands of denars (2023: 24,937,506 thousands of denars). Fixed interest rates refer to time deposits up to one year applicable (16,347,558 thousands of denars) starting from October 1, 2017, and products with such characteristics and interest rates are offered in other banks on the market. Therefore, these interest rates can be considered as market rates, because of which the fair value of these deposits equals their carrying amount.

i) Borrowings

Fair value of borrowings with variable interest rate does not differ from its 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.

j) Other liabilities

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

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

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value

B.1. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value

in thousands of Denars	Note	Level 1	Level 2	Level 3	Total
December 31, 2024 (current year)					
Financial assets measured at fair value					
Held-for-trading assets	19	184,469	66,165	-	**250,634**
Financial assets at fair value through profit or loss upon initial recognition	20	-	374,973	-	**374,973**
Derivative assets held for risk management	21	-	-	-	
Investments in available-for-sale securities	23.1	-	1,754,124	64,993	**1,819,117**
Total		**184,469**	**2,195,262**	**64,993**	**2,444,724**
Financial liabilities measured at fair value					
Trading liabilities	32	1,647	-	-	1,647
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	
Derivative liabilities held for risk management	21	-	-	-	
Total		**1,647**	**-**	**-**	**1,647**
December 31, 2023 (previous year)					
Financial assets measured at fair value					
Held-for-trading assets	19	77,485	36,836	-	**114,321**
Financial assets at fair value through profit or loss upon initial recognition	20	-	364,135	-	**364,135**
Derivative assets held for risk management	21	-	-	-	
Investments in available-for-sale securities	23.1	-	-	64,965	**64,965**
Total		**77,485**	**400,971**	**64,965**	**543,421**
Financial liabilities measured at fair value					
Trading liabilities	32	599	-	-	599
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	
Derivative liabilities held for risk management	21	-	-	-	
Total		**599**	**-**	**-**	**599**

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

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

B.1. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

The Group classifies all financial assets and liabilities at fair value, using fair value hierarchy which reflects the significance of inputs used in determining fair value. The fair value hierarchy includes the following levels:

a) Level 1 – Fair value is determined directly with reference to quoted market prices of the financial instruments in active markets;
b) Level 2 - Fair value is determined using valuation techniques that include active markets inputs, which can be direct, i.e. prices, or indirect, i.e. derived from prices;
c) Level 3 - Fair value is determined using valuation techniques that include inputs that cannot be directly or indirectly followed on the active markets, or are not visible.

Б.2. Transfers between Levels 1 and 2 of Fair Values

in thousands of Denars	Current year 2024		Previous year 2023	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Financial assets measured at fair value				
Held-for-trading assets	-	-	-	-
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investments in available-for-sale securities	-	-	-	-
Total	-	-	-	-
Financial liabilities carried at fair value				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

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

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

B.3. Reconciliation of the Movements in Fair Values Measured at Level 3 during the Year

in thousands of denars	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	**Total assets**	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	**Total liabilities**
As of January 1, 2023 (previous year)	-	-	64,982	**64,982**	-	-	-
Gains/(losses) recognized in:						-	-
- Income statement	-	-	(17)	**(17)**	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	**-**	-	-	-
Purchase of financial instruments in the period	-	-	-	-	-	-	-
Disposals of financial instruments in the period	-	-			-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As of December 31, 2023 (previous year)	**-**	**-**	**64,965**	**64,965**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2023 (previous year)	**-**	**-**	**(17)**	**(17)**	**-**	**-**	**-**

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

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

B.3. Reconciliation of the Movements in Fair Values Measured at Level 3 during the Year

in thousands of denars	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	**Total assets**	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	**Total liabilities**
As of January 1, 2024 (current year)	-	-	64,964	**64,964**	-	-	-
Gains/(losses) recognized in:						-	-
- Income statement	-	-	29	**29**	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	**-**	-	-	-
Purchase of financial instruments in the period	-	-	-	-	-	-	-
Disposals of financial instruments in the period	-	-			-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As of December 31, 2024 (current year)	-	-	**64,993**	**64,993**	-	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2024 (current year)	-	-	**29**	**29**	**-**	**-**	**-**

6. Interest income/(expense), net

A. Structure of interest income and expense according to the type of financial instrument

	in thousands of denars	
	current year 2024	previous year 2023
Interest income		
Cash and cash equivalents	1,584,206	1,590,273
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	201,624	74,435
Loans and advances to other customers	3,639,543	3,243,717
Investments in securities	1,232,247	841,761
Other receivables	-	-
(Allowance for impairment of Interest Income, net)	(15,143)	(51,052)
Collected interest previously written off	116,684	73,003
Total interest income	**6,759,161**	**5,772,137**
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	3,940	4,797
Due to other customers	741,576	518,513
Debt instruments issued	-	-
Borrowings	31,518	29,438
Subordinated debt	-	-
Other liabilities	14,803	7,180
Total interest expense	**791,837**	**559,928**
Interest income/(expense), net	**5,967,324**	**5,212,209**

6 Interest income/(expense), net (continued)

B. Sector analysis of interest income and expense according to sector

	in thousands of denars	
	current year 2024	previous year 2023
Interest income		
Non-financial companies	2,207,150	1,979,188
Government	1,192,832	844,236
Not for profit institutions that serve to household	13,039	9,375
Banks	1,109,033	964,634
Other financial institutions (non-banks)	189,403	227,735
Households	1,370,134	1,200,328
Non-residents	576,029	524,690
(Allowance for impairment of Interest Income, net)	(15,143)	(51,052)
Collected interest previously written off	116,684	73,003
Total interest income	**6,759,161**	**5,772,137**
Interest expense		
Non-financial companies	79,439	60,980
Government	724	465
Not for profit institutions that serve to household	6,676	5,489
Banks	14,817	4,928
Other financial institutions (non-banks)	12,144	10,815
Households	640,475	438,741
Non-residents	37,562	38,510
Total interest expense	**791,837**	**559,928**
Net interest income/(expense)	**5,967,324**	**5,212,209**

7 Fee and Commission Income/(Expense), Net

A Structure of Fee and Commission Income and Expense According to the Type of Financial Activity

	in thousands of denars	
	current year 2024	previous year 2023
Fee and commission income		
Loans	136,402	130,966
Payment's operation		-
domestic	491,350	480,976
abroad	304,370	294,231
Letter of credit and guarantees	181,176	153,400
Brokerage operations	18,874	8,700
Asset management	91,206	68,365
Fiduciary activities	33,768	25,810
Issuing securities	-	-
Other		
Credit cards transactions with merchants	649,534	482,614
Fees under credit cards activities	248,593	239,584
Income for keeping transaction accounts of citizens	87,171	82,108
Income for payment operations of citizens	42,351	40,831
Other	139,901	118,388
Total fee and commission income	**2,424,696**	**2,125,973**
Fee and commission expense		
Loans	855,598	710,197
Payment's operation		-
domestic	199,957	179,450
international	50,733	44,238
Letter of credit and guarantees	-	1
Brokerage operations	1,171	845
Asset management	-	-
Fiduciary activities	3,883	3,558
Issuing securities	-	-
Other	32,902	22,861
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	**1,144,244**	**961,150**
Net fee and commission income/(expense)	**1,280,453**	**1,164,823**

7 Net fee and commission income/(expense)

B Sector analysis of fee and commission income and expense

	in thousands of denars	
	current year 2024	previous year 2023
Fee and commission income		
Non-financial companies	1,474,671	1,252,385
Government	4,494	4,551
Not for profit institutions that serve to household	32,165	30,342
Banks	150,558	161,660
Other financial institutions (non-banks)	170,802	133,523
Households	438,612	412,544
Non-residents	153,395	130,968
Total fee and commission income	**2,424,697**	**2,125,973**
Fee and commission expense		
Non-financial companies	24,757	12,470
Government	45	9
Not for profit institutions that serve to household	-	-
Banks	224,893	204,483
Other financial institutions (non-banks)	207,339	183,734
Households	1,828	375
Non-residents	685,382	560,079
Total fee and commission expense	**1,144,244**	**961,150**
Net fee and commission income/(expense)	**1,280,453**	**1,164,823**

8 Net trading income/(expense)

	in thousands of denars	
	current year 2024	previous year 2023
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	7,002	1,242
unrealized	4,489	7
Profit/(loss) from fair value changes of equity instruments, net		
realized	(3,569)	406
unrealized	43,539	1,400
Income from dividends from trading assets	2,133	2,085
Income from interest of trading assets	1,922	321
Trading liabilities		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of trading deposits, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of remaining financial liabilities for trading, net		
realized	-	-
unrealized	-	-
Interest expense of financial liabilities held for trading	-	-
Profit/(loss) from fair value change of derivatives held for trade, net		
realized	3,479	(8,614)
unrealized	170	311
Net income/(expense) from trading	**59,165**	**(2,842)**

9 Net income from other financial instruments at fair value

	in thousands of denars	
	current year 2024	previous year 2023
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	10,837	9,198
Gains/(losses) from changes in fair value of equity instruments, net		
realized	-	-
unrealized	-	-
Dividend income from trading assets at fair value through profit or loss	-	-
Profit/(loss) from changes in fair value of loans and receivables at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Financial liabilities at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of deposits at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of borrowings at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Profit/ s(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value change of derivatives held for risk management at the fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Net income from other financial instruments at fair value	**10,837**	**9,198**

10 Net foreign exchange gains/ (losses)

	in thousands of denars	
	current year 2024	previous year 2023
Realized foreign exchange gains/(losses), net	382,471	360,954
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	167	2,190
Foreign exchange differences of special reserve for off-balance sheet exposures, net	(168)	42
Other foreign exchange differences, net	(5,680)	2,791
Net foreign exchange gain/(loss)	**376,790**	**365,977**

11. Other operating income

	in thousands of denars	
	current year 2024	previous year 2023
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	307	3,220
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
Property, plant and equipment	5,241	655
Intangible assets	-	-
Foreclosed assets	630,433	46,126
Non-current assets held-for-sale and group for disposal	3,585	-
Income from rent	5,883	4,078
Income from litigations	91	-
Collected receivables previously written off	455,090	196,259
Release provisions for:		
Contingent commitments based on litigations	-	-
Pensions and other employee benefits	-	-
Restructuring	-	-
Onerous contracts	-	-
Other provisions	-	-
Other (income that represents more than 10% of the total remaining operating income)		
Income from foreign exchange operations	843	801
income that does not represent more than 10% of the total remaining operating income	60,531	23,744
Total other operating income	**1,162,004**	**274,883**

The amount of 630,433 thousands of denars (2023: 46,126 thousands of denars) in the item "Capital gain from the sale of foreclosed assets" is mostly derived from the sale of foreclosed assets of the Group which covers a large area of administrative and business premises in attractive locations in Skopje and other cities, production plants with production lines and work equipment, as well as land. The sold foreclosed assets from which the capital gain was realized was foreclosed from legal entities that had significant credit exposure in the Group.

The amount of 455,090 thousand denars (2023: 196,259 thousand denars) in the item "Collected receivables previously written off" is derived from collected receivables which in previous periods were transferred off-balance sheet, in accordance with the Decision for methodology for credit risk management from NBRNM (Official Gazette 57/23 and 27/24).

12 Net impairment loss on financial assets

in thousands of denars	Loans and advances to banks	Loans and advances to other customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	Total impairment loss on financial assets	Special reserve for off-balance sheet exposures	**Total**
2024 (current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	874	2,230,398	-	187	8,990	13,332	89,886	2,343,667	356,624	2,700,291
(Release of allowance for impairment and special reserve)	(575)	(1,618,505)	-	(2,416)	(9,005)	(4,197)	(29,550)	(1,664,247)	(365,585)	(2,029,832)
	299	**611,893**	**-**	**(2,229)**	**(14)**	**9,135**	**60,336**	**679,419**	**(8,961)**	**670,459**
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net										
2023 (previous year)										
Allowance for impairment and special reserve	399	3,867,700	-	203	9,108	13,085	70,943	3,961,438	329,970	4,291,408
Additional allowance for impairment and special reserve	(166)	(3,184,309)	-	(223)	(9,160)	(4,870)	(32,876)	(3,231,604)	(292,913)	(3,524,517)
(Release of allowance for impairment and special reserve)	**233**	**683,391**	**-**	**(20)**	**(52)**	**8,215**	**38,067**	**729,834**	**37,057**	**766,891**

13. Impairment losses of non-financial assets, net

in thousands of denars	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and group for sale	Other non-financial assets	Non-controlling interest*	**Total**
2024 (current year)							
Additional impairment loss	-	-	19,290	-	-	-	19,290
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**19,290**	**-**	**-**	**-**	**19,290**
2023 (previous year)							
Additional impairment loss	-	-	6,769	-	-	-	6,769
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**6,769**	**-**	**-**	**-**	**6,769**

*) only for consolidated financial statements

14. Personnel expenses

	in thousands of denars	
	current year 2024	previous year 2023
Short-term benefits for employees		
Salaries	996,782	886,723
Compulsory social and health insurance contributions	346,332	308,046
Short-term paid absences	2,929	2,159
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	2,402	460
	1,348,445	**1,197,388**
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	-	307
	-	**307**
Termination benefits	-	337
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	117,902	106,395
(costs for employees that represent more than 10% of the total costs for employees)		
Total costs for employees	**1,466,347**	**1,304,427**

The item “Other” includes additional short-term benefits for employees.

15. Depreciation and amortization

	in thousands of denars	
	current year 2024	previous year 2023
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	15,539	13,913
Other internal developed intangible assets	-	-
Other intangible assets	8,476	11,765
Investments in intangible assets taken under lease	-	-
	24,015	**25,678**
Depreciation of property and equipment		
Buildings	82,763	81,377
Vehicles	21,729	14,848
Furniture and equipment	22,784	19,873
Other equipment	87,105	531
Other items of property and equipment	-	
Investments in property and equipment taken under lease	9,344	8,631
	223,725	**210,260**
Total depreciation	**247,740**	**235,938**

16. Other operating expenses

	in thousands of denars	
	current year 2024	previous year 2023
Loss from sale of assets available for sale	-	-
Software licensing expense	62,238	58,760
Deposit insurance premium	261,472	243,992
Premium on property and employee insurance	9,133	6,503
Materials and services	312,440	288,849
Administrative and marketing expenses	160,971	201,116
Other taxes and contributions	1,628	1,646
Rental expense	22,763	21,745
Court litigation expenses	1,772	1,563
Provisions for pension and other employee benefits, net	9,910	9,834
Provisions for contingent liabilities based on court litigations, net	-	-
Other provisions, net		
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
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)		
Expenses under foreign exchange operations	110,890	-
Costs in the process of realization of the alienation of property	32,101	4,459
(expenses that do not represent more than 10% of total other operating expense)	53,903	25,811
Other operating expense	**1,039,221**	**864,278**

17 Income tax

A Expense/income based on current and deferred tax

	in thousands of denars	
	current year 2024	previous year 2023
Current income tax		
Expense/(income) based on current income tax for the year	564,418	336,075
Adjustments for previous years	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	564,418	**336,075**
Deferred income tax		
Deferred income tax that arises from temporary differences for the year		
Recognition of previous unrecognized tax losses	-	-
Change in tax rate	-	-
Introduction of new taxes	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	-	-
Total expense/(return) on income tax	**564,418**	**336,075**

17 Income tax (continued)

***A Expense/income based on current and deferred tax* (continued)**

	in thousands of denars	
	current year 2024	previous year 2023
Current income tax		
Recognized in the income statement	564,418	336,075
	-	-
Recognized in the equity and reserves	**564,418**	**336,075**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
Total expense/(return) on income tax	**564,418**	**336,075**

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 2024		previous year 2023	
Profit/ (loss) before taxation	100	5,524,532	100	3,938,452
Income tax as per applicable tax rate	10	552,453	10	393,845
Effects from different tax rates in other countries	-	-	-	-
Corrections for previous years and changes in tax rate	-	-	-	-
Income taxed abroad	-	-	-	-
Expense unrecognized for tax purposes	0.7	37,246	0.6	23,683
Tax-exempt income	(0.5)	(25,281)	(0.6)	(23,294)
Tax exemption unrecognized in income statement	-	-	-	-
Reco*gnition of previous unrecognized tax losses	-	-	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes in deferred tax	-	-	-	-
Other	-	-	(1.5)	(58,159)
Total expense/(return) on income tax		**564,418**		**336,075**
Average effective tax rate	**10.2**		**8.5**	

17 Income tax (continued)

C Income tax from other profit/(losses)in the period which are not disclosed in the Income statement

in thousands of denars	current year 2024			previous year 2023		
	Before taxation	(expenditure)/return of income tax	Less income tax	Before taxation	(expenditur e)/return of income tax	Less income tax
Revalued reserve for assets available for sale	-	-	-	-	-	-
Reserve for instruments for protection against cash flow risk	-	-	-	-	-	-
Reserve for instruments for protection against the risk net-investment in international operations	-	-	-	-	-	-
Reserve from currency differences from investment in foreign operations	-	-	-	-	-	-
Share in the remaining profits/(losses) from affiliates which are not disclosed in the Income statement	-	-	-	-	-	-
Other profits/(losses) which are not disclosed in the Income statement	-	-	-	-	-	-
Total other profits/(losses) which are not disclosed in the Income statement	-	-	-	-	-	-

18. Cash and cash equivalents

	in thousands of denars	
	current year 2024	previous year 2023
Cash on hand	3,035,871	2,400,505
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	34,074,716	38,788,947
Current accounts and transaction deposits with foreign banks	917,120	1,776,789
Current accounts and transaction deposits with local banks	4,676	6,612
Treasury bills that may be traded on the secondary market	2,413,617	2,514,379
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	4,639,761	5,277,207
Other short-term highly liquid assets	356	54
Interest receivables	23,752	33,222
(Allowance for impairment)	(1,213)	(1,098)
Included in cash and cash equivalents for the purposes of the Statement of cash flows	**45,108,656**	**50,796,617**
Obligatory foreign currency deposits	10,052,025	9,909,257
Restricted deposits	319,761	1,694,545
(Allowance for impairment)	(32)	(170)
Total	**55,480,410**	**62,400,249**

As at 31 of December 2024, the Group has restricted deposits in the amount of 319,761 thousands of denars (2023: 1,694,545 thousands of denars), as follows:

- In the account in KIBS on behalf of the Reserve Guarantee Fund (RGF) there are no funds due to changes of the Rules of the payment system KIBS, and the paid amount for RGF is fully returned every work day (2023: 889,634 thousands of denars)
- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 230,733 thousands of denars (2023: 168,524 thousands of denars),
- In the United Overseas Bank Limited account, for for operational purposes for Visa cards, assets in the amount of 89,021 thousands of denars (2023: 79,871 thousands of denars)

18 Cash and cash equivalents (continued)

The amount of 2,413,617 thousands of denars (2023: 2,514,379 thousands of denars) refers to treasury bills issued by NBRSM acquired on the primary market with due of 49 days and interest rate of 5.55%.

The amount of 10,052,025 thousands of denars refers to the obligation for mandatory reserves in foreign currency which is set aside in accordance with the NBRSM regulation with which changes were made during the year in the direction of increasing the obligation for mandatory reserves in euros (2023: 9,909,257 thousands of denars).

in thousands of denars

	current year 2024				previous year 2023			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	**1,268**	-	-	**1,268**	**1,342**	-	-	**1,342**
Impairment loss for the year								
Additional impairment	8,741	-	249	**8,990**	9,108	-	-	**9,108**
(Release of impairment)	(8,979)	-	(25)	**(9,004)**	(9,160)	-	-	**(9,160)**
Transfer to:		-				-	-	
Impairment loss for Group 1	(10)	-	10	-	-	-	-	-
Impairment loss for Group 2	-	-	-	-	-	-	-	-
Impairment loss for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets based on outstanding receivables)		-				-	-	
Foreign exchange gain/losses	19	-	(28)	**(9)**	(22)	-	-	**(22)**
(Written off receivables)	-	-	-	**-**	-	-	-	**-**
As at December 31	**1,039**	-	**206**	**1,245**	**1,268**	-	-	**1,268**

19 Trading assets (continued)

A. Structure of trading assets by the type of the financial instrument

	in thousands of denars	
	current year 2024	previous year 2023
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	36,625	31,319
Corporate bonds	-	-
Other debt instruments	29,541	4,607
	66,166	**35,926**
Quoted	36,625	31,319
Unquoted	29,541	4,607
Equity instruments for trading		
Equity instruments issued by banks		-
Other equity instruments	182,652	77,485
	182,652	**77,485**
Quoted	182,652	77,485
Unquoted	-	-
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	1,817	910
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	1,817	**910**
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	**250,635**	**114,321**

The debt trading instruments in the amount of 66,166 thousands of denars (2023:35,926 thousands of denars) refer to government bonds issued in the amount of 36,625 thousands of denars (2023:31,319 thousands of denars) and shares in Open investment funds in the amount of 29,541 thousands of denars (2023: 4,607 thousands of denars).
Quoted equity trading instruments in the amount of 182,652 thousands of denars (2023: 77,485 thousands of denars) refer to investment in shares issued by domestic non-financial companies.

Derivatives for trading in the amount of 1,817 thousands of denars (2023: 910) refer to contracts dependent on exchange rate changes.

All income from financial assets held for trading is recognized as net trading income.

20 Financial assets at fair value through the income statement classified as such at initial recognition

	in thousands of denars	
	current year 2024	previous year 2023
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	374,973	364,135
	374,973	**364,135**
Quoted	-	-
Unquoted	374,973	364,135
Equity instruments		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
Total financial assets at fair value through the income statement classified as such as initial recognition	**374,973**	**364,135**

Other unquoted debt instruments in the amount of 374,973 thousands of denars refer to investments in participation in investment funds (2023: 364,135 thousands of denars), as follows: participations in the open investment fund KB Publikum - Balanced in the amount of 13,730 thousands of denars (2023: 11,744 thousands of denars) and participation in the open investment fund KB Publikum - Paricen in the amount of 361,242 thousands of denars (2023: 352,391 thousands of denars).

21 Derivative assets and liabilities held for risk management

		in thousands of denars			
		current year 2024		previous year 2023	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A.	**Derivatives for protection against risk/Derivatives held for risk management**				
A.1	*By type of the variable*				
	Derivatives held for risk management				
	Agreements dependent on interest rate change	-	-	-	-
	Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities	-	-	-	-
	Other agreements that meet the IAS 39 criteria	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
A.2	*By type of protection against risk*				
	Protection against risk of fair value	-	-	-	-
	Protection against risk of cash flows	-	-	-	-
	Protection against risk of net investment in international operations	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
Б.	***Inherent 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 the IAS 39 criteria	-	-	-	-
	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 2024		previous year 2023	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks	-	48	54,000	47
Foreign banks	-	-	-	-
Time deposits over 3 months				
Domestic banks	-	496	-	490
Foreign banks	5,507,495	462,812	2,423,766	462,811
Repo				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other receivables				
Domestic banks	-	-	-	-
Foreign banks	5,904	-	-	-
Interest receivables	74,874	-	40,551	-
Current maturity	48	(48)	47	(47)
Total loans and advances to banks before impairment	**5,588,321**	**463,308**	**2,518,364**	**463,301**
(Allowance for impairment)	(559)	(59)	(252)	(49)
Total loans and advances to banks, net of allowance for impairment	**5,587,762**	**463,249**	**2,518,112**	**463,252**

22 Loans and advances (continued)

22.1 Loans and advances to banks (continued)

in thousands of denars

	current year 2024				previous year 2023			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	**301**	-	-	**301**	**70**	-	-	**70**
Impairment loss for the year								
Additional impairment	874	**-**	**-**	874	399	**-**	**-**	**399**
(Release of impairment)	(575)	**-**	**-**	(575)	(166)	**-**	**-**	**(166)**
Transfer to:	**-**	-	-	-		-	-	**-**
Impairment loss for Group 1	**-**	-	-	-	-	-	-	**-**
Impairment loss for Group 2	**-**	-	-	-	-	-	-	**-**
Impairment loss for Group 3	**-**	-	-	-	-	-	-	**-**
(Foreclosed assets based on outstanding receivables)	**-**	-	-	-	-	-	-	**-**
Foreign exchange gain/losses	**18**	-	-	**18**	(2)	-	-	**(2)**
(Written off receivables)	**-**	-	-	**-**	**-**	-	-	**-**
As at December 31	**618**	**-**	**-**	**618**	**301**	**-**	**-**	**301**

22 Loans and advances (continued)

22.2 Loans and advances to other customers

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

	in thousands of denars			
	current year 2024		previous year 2023	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	9,463,206	37,562,147	7,814,214	29,557,387
Interest receivables	149,605	-	117,093	-
Government				
Receivables upon principal	286	1,117,211	-	1,434,085
Interest receivables	6,117	-	6,113	-
Non-profit institutions that serve households				
Receivables upon principal	50,713	222,895	79,995	240,701
Interest receivables	712	-	748	-
Financial companies, besides banks			-	-
Receivables upon principal	2,996	8,854	5,802	2,916
Interest receivables	29	-	28	-
Households				
Receivables upon principal				
Housing loans	95,060	11,000,589	57,139	9,454,156
Customer loans	735,204	12,925,602	593,519	11,346,519
Vehicle loans	0	419	-	630
Mortgage loans	0	-	-	-
Credit cards	55,666	954,753	37,164	1,014,938
Other loans	861,961	602,934	868,015	453,193
Interest receivables	65,392	-	57,521	-
Non-residents, except banks				
Receivables upon principal	123,197	-	43,642	-
Interest receivables	87	-	38	-
Current maturity	10,638,947	(10,638,947)	9,937,297	(9,937,297)
Total loans and advances to other customers before impairment	**22,249,178**	**53,756,457**	**19,618,328**	**43,567,228**
(Allowance for impairment)	(1,286,763)	(1,743,754)	(1,348,464)	(1,630,281)
Total loans and advances to other customers, net of allowance for impairment	**20,962,415**	**52,012,703**	**18,269,864**	**41,936,947**

The Bank has pledged a lien in the form of a notary deed in favour of DBNM based on receivables from sub-loan agreements concluded with final users approved from the credit line from EIB, both administered through DBNM. As at 31 December 2024 the amount of borrowings for which the Bank has pledged receivables is 796,190 thousands of denars (2023: 103,647 housands of denars) (see note 36).

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 2024				previous year 2023			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	404,960	2,189,430	384,356	**2,978,746**	513,186	1,982,505	1,103,219	**3,598,910**
Impairment loss for the year								
Additional impairment	579,173	144,785	1,506,440	**2,230,398**	1,019,956	1,341,526	1,506,218	**3,867,700**
(Release of impairment)	(541,663)	(626,917)	(449,925)	**(1,618,505)**	(1,159,599)	(938,171)	(1,086,539)	**(3,184,309)**
Transfer to:								
Impairment loss for Group 1	(20,237)	17,846	2,391	**-**	(34,877)	31,257	3,620	**-**
Impairment loss for Group 2	64,055	(226,730)	162,675	**-**	50,385	(238,719)	188,334	**-**
Impairment loss for Group 3	6,243	24,667	(30,910)	**-**	11,221	10,082	(21,303)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	(46,792)	**(46,792)**	-	-	(958,045)	**(958,045)**
Foreign exchange gain/losses	(5)	52	(223)	**(176)**	4,688	949	(7,804)	**(2,167)**
(Written off receivables)	-	-	(513,153)	**(513,153)**	-	-	(343,344)	**(343,344)**
As at December 31	**492,526**	**1,523,132**	**1,014,859**	**3,030,517**	**404,960**	**2,189,429**	**384,356**	**2,978,745**

The written off receivables are receivables transferred to off-balance sheet, but with right for collection, according to the regulations from NBRNM.

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 2024	previous year 2023
(current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the bank)	2,060,913	1,794,189
Government securities	-	-
Government unconditional guarantees	2,005,000	-
Bank guarantees	4,007	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except banks and guarantees from insurance companies)	1,282,296	239,866
Guarantees from individuals	-	-
Mortgage on real estate		-
Property for private use (flats, houses)	14,941,875	12,331,162
Property for business	24,988,243	21,341,566
Pledge over movables	6,990,828	5,914,788
Other types of collateral	1,483,945	1,341,330
Unsecured	19,218,011	17,243,910
Total loans and advances to other customers, net of allowance for impairment	**72,975,118**	**60,206,811**

23 Investments in securities

23.1 Investments in financial assets available for sale

A. Structure of the investments in financial assets available for sale according to type of financial instrument

	in thousands of denars	
	current year 2024	previous year 2023
Debt securities		
Treasury bills	-	-
Government bills	1,241,605	-
Other instruments in the money market	-	-
Government bonds	512,519	-
Corporate bonds	-	-
Other equity investments	-	-
	1,754,124	**-**
Quoted	512,519	-
Unquoted	1,241,605	-
Equity investments		
Equity investments issued by banks	-	-
Other equity investments	64,994	64,965
	64,994	**64,965**
Quoted	-	
Unquoted	64,994	64,965
Total investment in financial instruments available for sale	**1,819,118**	**64,965**

23 Investments in securities (continued)

23.1 Investments in financial assets available for sale (continued)

A. Structure of the investments in financial assets available for sale according to type of financial instrument (continued)

in thousands of denars

	current year 2024				previous year 2023			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	-	-	-	-	-	-	-	-
Impairment loss for the year								
Additional impairment	-	-	-	-	-	-	-	-
(Release of impairment)	-	-	-	-	-	-	-	-
Transfer to:								
Impairment loss for Group 1	-	-	-	-	-	-	-	-
Impairment loss for Group 2	-	-	-	-	-	-	-	-
Impairment loss for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	-	-
Foreign exchange gain/losses	-	-	-	-	-	-	-	-
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

23 Investments in securities (continued)

23.1 Investments in financial assets available for sale (continued)

A. Structure of the investments in financial assets available for sale according to type of financial instrument (continued)

B.

The investments in equity instruments available-for-sale in the amount of 64,994 thousands of denars (2023: 64,965 thousands of denars) are related to the investments in securities issued by financial companies. Taking into account that for these investments there is no active market, as well as a lack of recent transactions that could be applied in determining the fair value, the investments in available-for-sale securities are stated at cost, less any impairment. The market for these securities is not consistent and it is not fully developed, so that the fair value cannot be reliably measured.

The Group does not plan to sell the part of investments in available-for-sale equity instruments issued by financial companies whose operations are related to the regular operations of the Group, and the rest of the investments will be sold when the Group estimates that there are favourable conditions on the capital market for their sale.

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity

	in thousands of denars	
	current year 2024	previous year 2023
Debt securities		
Treasury bills	-	-
Government bills	618,480	3,130,562
Other instruments in the money market	-	-
Government bonds	32,569,695	24,743,273
Corporate bonds	5,252	228,012
Other debt securities	2,404,029	1,723,917
	35,597,456	**29,825,764**
Quoted	34,978,976	26,695,202
Unquoted	618,480	3,130,562
***Total investment in financial instruments held to maturity before* impairment**	**35,597,456**	**29,825,764**
(Impairment)	(551)	(2,780)
Total investment in financial instruments held to maturity after impairment	**35,596,905**	**29,822,984**

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

in thousands of denars

	current year 2024				previous year 2023			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	2,229	551	-	**2,780**	2,249	551	-	**2,800**
Impairment loss for the year								
Additional impairment	158	29		**187**	174	29	-	**203**
(Release of impairment)	(2,387)	(29)		**(2,416)**	(194)	(29)	-	**(223)**
Transfer to:								
Impairment loss for Group 1	-	-	-	-	-	-	-	-
Impairment loss for Group 2	-	-	-	-	-	-	-	-
Impairment loss for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets based on outstanding receivables)								
Foreign exchange gain/losses	-	-	-	**-**	-	-	-	**-**
(Written off receivables)	-	-	-	**-**	-	-	-	**-**
As at December 31	**-**	**551**		**551**	**2,229**	**551**	**-**	**2,780**

Debt securities in the amount of 35,597,457 thousands of denars (2023: 29,825,764 thousands of denars) include government bonds issued by the Republic of North Macedonia in the amount of 32,569,696 thousands of denars (2023: 24,743,273 thousands of denars), corporate bonds issued by domestic financial company in the amount of 5,252 thousands of denars (2023: corporate bonds issued by foreign banks and domestic financial company in the amount of 228,012 thousands of denars), other debt instruments – government bonds issued by foreign countries in the amount of 2,404,029 thousands of denars (2023: 1,712,917 thousands of denars) and government bills issued by the Republic of North Macedonia in the amount of 618,480 thousands of denars (2023: 3,130,562 thousands of denars).

The government bills in the amount of 618,480 thousands of denars mature in 2024 with interest rate of 4.10% (2023: 618,480 thousands of denars that mature in 2024 with interest rate from 3,50% to 4,25% annually).

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

The bonds issued by the Republic of North Macedonia refer to government bonds issued on the domestic market in the amount of 23,371,148 thousands of denars with a maturity period from 2025 to 2034 and bear interest at a rate of 1.20 % to 5.25 % annually (2023: 16,258,262 thousands of denars with a maturity period from 2024 to 2034 and bear interest at a rate of 1.20 % to 5.25 % annually) and government bonds issued on foreign markets (Eurobonds) in the amount of 9,198,548 thousands of denars with a maturity period from 2025 to 2028 and bear interest at a rate from 1.625 % to 6.96 % annually (2023: 8,485,010thousands of denars with a maturity period from 2025 to 2028 and bear interest at a rate from 1.625 % to 6.96 % annually).

Corporate bonds consist of bond issued by a domestic financial company in the amount of 5,252 thousands of denars with a maturity until 2027 and a coupon interest rate of 6 % (2023: bonds issued by foreign banks in the amount of 222,760 thousands of denars with a maturity until 2025 and a coupon interest rate of 6 % to 8.75 % and a bond issued by a domestic financial company in the amount of 5,252 thousands of denars with a maturity until 2027 and a coupon interest rate of 6 %).

The other debt instruments refer to government bonds issued by the Ministry of Finance France in the amount of 612,599 thousands of denars with maturity of 2025, government bonds issued by the U.S. Department of the Treasury in the amount of 1,785,184 thousands of denars with maturity until 2025 and 2028 and government bonds issued by the state of Turkey in the amount of 6,247 thousands of denars (2023: government bonds issued by the Ministry of Finance France in the amount of 582,748 thousands of denars with a maturity of 2025, government bonds issued by the U.S. Department of the Treasury in the amount of 1,120,345 thousands of denars with a maturity until 2024 and 2025 and government bonds issued by the state of Turkey in the amount of 6,098 thousands of denars).

24 Investment in associates and subsidiaries

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

		in %			
		Share in ownership in %		Percentage of voting right	
Name of subsidiaries and associates	Country	Current year 2024	previous year 2023	current year 2024	previous year 2023
KB PRVO PENZISKO DRUSTVO AD SKOPJE	Republic of North Macedonia	49.00 %	49.00 %	49.00 %	49.00 %
KB PUBLIKUM INVEST AD SKOPJE	Republic of North Macedonia	78.43%	78.43%	78.43%	78.43%

During 2023, the Bank increased its share in the company KB Publikum Invest AD Skopje by 99 shares, i.e. 14.14% ownership share, and as of 31 December 2023, the Bank's participation in the subsidiary KB Publikum Invest AD Skopje is 78.43%.

B Financial information for associates - 100%

	in thousands of denars				
Name of associates	Total assets	Total liabilities	Total capital and reserves	Income	Profit/(loss) for the financial year
Current year 2024					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	898,833	43,533	855,300	453,945	226,561
	898,833	**43,533**	**855,300**	**453,945**	**226,561**
Previous year 2023					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	842,402	24,873	817,529	398,022	188,790
	842,402	**24,873**	**817,529**	**398,022**	**188,790**

According to the equity method, in the Income Statement, the Group shows a profit corresponding to the Bank's share in the company. In 2024, the Group presented in the income statement a share in the profit of the associated company in the amount of 111,015 thousand of denars (2023: 92,507 thousands of denars), and accordingly increased the share in the associate company.

In the same reporting period, the Bank received a dividend in the amount of 92,507 thousands of denars (2023: 73,990 thousands of denars), and according to the principal method, a correction/reduction of the stake was made for the same amount.

With the corrections made in the year, the accounting value of the share in the associated company on 31 December 2024 is 422,412 thousands of denars (31 December 2023: 403,904 thousands of denars)

25 Other receivables

	In thousands of denars	
	current year 2024	previous year 2023
Trade receivables	4	5
Prepaid expenses	-	-
Deferred income	-	-
		-
Fees and commission receivables	44,649	30,593
Receivables from employees	2	2
Advances for intangible assets	319	154
Advances for property and equipment	13,496	16,820
Other (receivables representing more than 10% of the total other receivables)	-	
Pre-paid pensions	2,044,825	1,735,383
Bank credit card settlement transactions	565,651	532,049
Other receivables by other basis in denars	182,631	169,222
Other receivables by other basis in foreign exchange currency	10,455	9,428
Suspicious and doubtful receivables from receivables from clients and other receivables	69,600	29,638
Inventory, petty inventory and numismatic collection	35,383	42,911
VAT receivables	-	2,873
(state separately the receivables that not represent more than 10% of the total other receivables)	51,790	51,315
Total other receivables before value allowance	**3,018,805**	**2,620,393**
(Allowance for impairment)	(75,052)	(37,060)
Total other receivables, net of allowance for impairment	**2,943,753**	**2,583,333**

The line “Pre-paid pensions” in the amount of 2,044,825 thousands of denars (2023: 1,735,383 thousands of denars) refer to paid pensions for December 2024 from the Bank’s funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 2 January 2025 (for 2023 on 3 January 2024).

25 Other receivables (continued)

in thousands of denars

	current year 2024				previous year 2023			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	**6,187**	**338**	**30,535**	**37,060**	**1,409**	**400**	**18,610**	**20,419**
Impairment loss for the year								
Additional impairment	16,089	3,280	83,849	**103,218**	31,678	2,304	50,046	**84,028**
(Release of impairment)	(20,906)	(3,144)	(9,697)	**(33,747)**	(26,929)	(2,212)	(8,604)	**(37,745)**
Transfer to:								
Impairment loss for Group 1	(3)	0	3	**-**	(3)	0	3	**-**
Impairment loss for Group 2	3	(85)	82	**-**	10	(167)	157	**-**
Impairment loss for Group 3	9	29	(38)	**-**	23	13	(36)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	(106)	**(106)**	-	-	(1,950)	**(1,950)**
Foreign exchange gain/losses	-	-	-	**-**	(1)	-	4	**3**
(Written off receivables)	-	-	(31,373)	**(31,373)**	-	-	(27,695)	**(27,695)**
As at December 31	**1,379**	**418**	**73,255**	**75,052**	**6,187**	**338**	**30,5350**	**37,060**

The written off receivables are receivables transferred to off-balance sheet, but with right for collection, according to the regulations from NBRNM.

26 Assets pledged as collateral

	in thousands of denars	
	current year 2024	previous year 2023
Debt securities	-	-
Equity instruments	-	-
Loans and advances from banks	-	-
Loans and advances from other customers	-	-
Other receivables	-	-
Total collateralized assets	-	-

27 Foreclosed assets

in thousands of denars	Land	Buildings	Equipment	Residential buildings and apartments	Other valuables	**Total**
Opening carrying amount						
As at January 1 2023 (previous year)	43,434	1,040,627	87,123	57,154	3,205	1,231,543
Foreclosed during the year	259,225	1,201,083	1,780,449	39,449	-	3,280,206
(sold during of the year)	(12,654)	(52,291)	(2,189)	(1,030)	-	(68,164)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2023 (previous year)	**290,005**	**2,189,419**	**1,865,383**	**95,573**	**3,205**	**4,443,585**
As at January 1, 2024 (current year)	290,005	2,189,419	1,865,383	95,573	3,205	4,443,585
Foreclosed during the year	2,765	60,110	790	9,345	45,865	118,875
(sold during of the year)	(233,227)	(1,190,988)	(1,821,195)	(30,399)	(47,063)	(3,322,872)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2024 (current year)	**59,543**	**1,058,541**	**44,978**	**74,519**	**2,007**	**1,239,588**
Impairment						
As at January 1, 2023 (previous year)	42,751	1,025,864	86,654	57,154	3,144	1,215,567
Impairment loss during the year	101,543	561,497	631,024	39,447	12	1,333,523
(sold during the year)	-	-	-	-	-	-
(transfer into assets for own use)	(12,654)	(52,290)	(2,189)	(1,030)	-	(68,163)
As at December 31, 2023 (previous year)	**131,640**	**1,535,071**	**715,489**	**95,571**	**3,156**	**2,480,927**
As at January 1, 2024 (current year)	131,640	1,535,071	715,489	95,571	3,156	2,480,927
Impairment loss during the year	4,165	76,358	961	9,345	45,458	136,287
(transfer into assets for own use)	-	-	-	-	-	-
(sold during the year)	(77,120)	(562,230)	(671,763)	(30,397)	(46,607)	(1,388,117)
As at December 31, 2024 (current year)	**58,685**	**1,049,199**	**44,687**	**74,519**	**2,007**	**1,229,097**
Net carrying amount						
As at January 1, 2023 (previous year)	**683**	**14,763**	**469**	**-**	**61**	**15,976**
As at December 31, 2023 (previous year)	**158,365**	**654,348**	**1,149,894**	**2**	**49**	**1,962,658**
As at December 31 2024 (current year)	**858**	**9,342**	**291**	**-**	**-**	**10,491**

27 Foreclosed assets (continued)

Foreclosed assets are assets that are not used in the Group's regular operations. Foreclosed assets are owned by the Group.

Some of these assets, until their disposal, are leased by the Group. The net value of leased assets as at 31 December 2024 is 5,537 thousands of denars (as at 31 December 2023 in the amount of 18,508 thousands of denars).

The fair value of foreclosed assets as at 31 December 2024 is in the amount of 1,035,190 thousands of denars (as at 31 December 2023 is in the amount of 4,158,248 thousands of denars).

Part of the recognised impairment in 2024, in the amount of 19,290 thousands of denars (2023: 6,769 thousands of denars) is recognized as an expense in the Income statement (see note 13), and the remainder is recognized in the balance sheet.

During 2024 the Group realized capital gain from the sale of foreclosed assets in the amount of 630,433 thousands of denars (2023: 46,126 thousands of denars) (see note 11).

For this reporting period, the net value of the foreclosed assets (31 December 2024: 10,491 thousands of denars) is significantly decreased compared to 2023 (1,962,658 thousands of denars) due to sale of foreclosed asset which includes large area of administrative and business premises, production facilities with production lines and equipment, as well as land.

28 Intangible assets

A Reconciliation of the present carrying amount

in thousands of denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Non-controlling interest *	**Total**
Purchase value								
As at January 1, 2023 (previous year)	-	272,189	-	93,859	8,579	-	-	**374,627**
Increases by new supplies	-	10,683	-	569	3,860	-	-	**15,112**
Increases by internal development	-	-	-	-	-	-	-	**-**
Increases by business combinations	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	**-**
(disposal through business combination)	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	**-**
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	**-**
As at December 31, 2023 (previous year)	**-**	**282,872**	**-**	**94,428**	**12,439**	**-**	**-**	**389,739**
As at January 1, 2024 (current year)	**-**	282,872	-	94,428	12,439	-	-	**389,739**
Increases by new supplies	-	6,290	-	18,058	14,154	-	-	**38,502**
Increases by internal development	-	-	-	-	-	-	-	-
Increases by business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(22)	-	-	-	-	-	**(22)**
(disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-
As at December 31, 2024 (current year)	**-**	**289,140**	**-**	**112,486**	**26,593**	**-**	**-**	**428,219**

28 Intangible assets (continued)

A Reconciliation of the present carrying amount (continued)

in thousands of denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Non-controlling interest *	**Total**
Depreciation and impairment								
As at January 1, 2023 (previous year)	-	223,646	-	68,743	-	-	-	**292,389**
Depreciation for the year	-	13,913	-	11,765	-	-	-	**25,678**
Impairment loss during the year	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	**-**
As at December 31, 2023 (previous year)	**-**	**237,559**	**-**	**80,508**	**-**	**-**	**-**	**318,067**
As at January 1, 2024 (current year)	**-**	237,559	-	80,508	-	-	-	**318,067**
Depreciation for the year	-	15,539	-	8,476	-	-	-	**24,015**
Impairment loss during the year	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)		(22)						**(22)**
Balance at December 31, 2024 (current year)	**-**	**253,076**	**-**	**88,984**	**-**	**-**	**-**	**342,060**
Current carrying amount								
Balance at January 1, 2023	**-**	**47,800**	**-**	**25,091**	**8,579**	**-**	**-**	**81,470**
Balance at December 31, 2023 (previous year)	**-**	**44,565**	**-**	**13,913**	**12,439**	**-**	**-**	**70,918**
Balance at December 31, 2024 (current year)	**-**	**36,064**	**-**	**23,502**	**26,593**	**-**	**-**	**86,159**

*only for consolidated financial statements

28 Intangible assets (continued)

B Carrying amount of the intangible assets where there is a limit of ownership and / or are pledged as collateral for liabilities of the Bank

in thousands of denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	**Total**
Present carrying value as at:							
As at December 31 2023 (previous year)	-	-	-	-	-	-	**-**
As at December 31 2024 (current year)	-	-	-	-	-	-	**-**

As at 31 December 2024, the Group has not pledged intangible assets as collateral for the Bank's liabilities (as at 31 December 2023: none).

29 Property and equipment

A Reconciliation of the 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	Investments in property and equipment taken under lease	**Total**
Purchase value									
As at 1 January 2023 (previous year)	89,200	3,263,014	147,763	347,655	791,539	13,509	22,568	74,843	**4,750,091**
Increases	-	45,901	10,247	29,371	92,941	-	8,227	14,282	**200,969**
Increase through business combinations									
(Disposal and write off)	-	(177)	(3,769)	(27,243)	(55,939)	-	-	(9,856)	**(96,984)**
(Disposal through business combinations)	-	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	**-**
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-		-	-	**-**
As at 31 December 2023 (previous year)	**89,200**	**3,308,738**	**154,241**	**349,783**	**828,541**	**13,509**	**30,795**	**79,269**	**4,854,076**
As at 1 January 2024 (current year)	89,200	3,308,738	154,241	349,783	828,541	13,509	30,795	79,269	**4,854,076**
Increases	-	73,950	68,946	34,126	53,808	-	(7,317)	15,305	**238,818**
Increase through business combinations									
(Disposal and write off)	-	(185)	(13,923)	(26,534)	(20,860)	-	-	(346)	**(61,848)**
(Disposal through business combinations)	-	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	(9,242)	-	-	-	-	-	-	**(9,242)**
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-		-	-	-
As at 31 December 2024 (current year)	**89,200**	**3,373,261**	**209,264**	**357,375**	**861,489**	**13,509**	**23,478**	**94,228**	**5,021,804**

29 Property and equipment

A Reconciliation of the carrying amount (continued)

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	Investments in property and equipment taken under lease	**Total**
Depreciation and impairment									
As at 1 January 2023 (previous year)	-	988,907	117,819	290,102	595,392	-	-	48,985	**2,041,205**
Depreciation for the year	-	81,377	14,848	19,873	85,531	-	-	8,631	**210,260**
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(43)	(3,769)	(27,100)	(55,219)	-	-	(9,856)	**(95,987)**
(Transfer to non-current assets held for sale)	-	(2,679)	-	-	-	-	-	-	**(2,679)**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2023 (previous year)	**-**	**1,070,241**	**128,898**	**282,875**	**625,704**	**-**	**-**	**47,760**	**2,155,478**
Balance at 1 January 2024 (current year)	-	1,070,241	128,898	282,875	625,704	-	-	47,760	**2,155,478**
Depreciation for the year	-	82,763	21,729	22,784	87,105	-	-	9,344	**223,725**
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	(57)	(13,923)	(25,892)	(20,858)	-	-	(346)	**(61,076)**
(Transfer to non-current assets held for sale)	-	(4,735)	-	-	-	-	-	-	**(4,735)**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2024 (current year)	**-**	**1,148,212**	**136,704**	**279,767**	**691,951**	**-**	**-**	**56,758**	**2,313,392**
Current carrying amount									
As at 1 January 2023 (previous year)	**89,200**	**2,274,107**	**29,944**	**57,553**	**196,147**	**13,509**	**22,568**	**25,858**	**2,708,886**
As at 31 December 2023 (previous year)	**89,200**	**2,238,497**	**25,343**	**66,908**	**202,837**	**13,509**	**30,795**	**31,509**	**2,698,598**
As at 31 December 2024 (current year)	**89,200**	**2,225,049**	**72,560**	**77,608**	**169,538**	**13,509**	**23,478**	**37,470**	**2,708,412**

29 Property and equipment (continued)

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 the 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	Investments in property and equipment taken under lease	Total
Current carrying amount at:									
As at December 31 2023 (previous year)	-	-	-	-	-	-	-	-	-
As at December 31 2024 (current year)	-	-	-	-	-	-	-	-	-

The amount of unpaid liabilities for the purchase of property and equipment in 2024 is in the amount of 20,614 thousands of denars (2023: 12,995 thousands of denars).

As at 31 December 2024, the Group has not pledged property and equipment as collateral for the Group's liabilities (as at 31 December 2023: none).

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

	in thousands of denars	
	current year 2024	previous year 2023
Income tax receivables (current)	391	890
Income tax liabilities (current)	262,671	229,888

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	current year 2024			previous year 2023		
in thousands of denars	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unutilized tax losses and unutilized tax loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets/liabilities recognized in the income statement	-	-	-	-	-	-
	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Protection against cash flow risk	-	-	-	-	-	-
Deferred tax assets liabilities recognized in the capital	**-**	**-**	**-**	**-**	**-**	**-**
Total recognized tax assets/liabilities	**-**	**-**	**-**	**-**	**-**	**-**

30 Deferred tax assets and deferred tax liabilities (continued)

B Unrecognized deferred tax assets

	in thousands of denars	
	current year 2024	previous year 2023
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	**-**	**-**

30 Deferred tax assets and deferred tax liabilities (continued)

C Reconciliation of movements of deferred tax assets and deferred tax liabilities during the year

in thousands of denars	As at January 1	Recognized in the course of the year in: Income statement	Capital	As at December 31
Previous year 2023				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and utilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets-liabilities	**-**	**-**	**-**	**-**
Current year 2024				
Derivative assets held for risk management	-	-	-	-
Placement with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets/liabilities	**-**	**-**	**-**	**-**

31 Non-current assets held for sale and disposal group

A Non-current assets held for sale

	in thousands of denars	
	current year 2024	previous year 2023
Intangible assets	-	-
Property and equipment	-	5,453
Total non-current assets held for sale	**-**	**5,453**

The asset is in the process of being sold, and the sale is expected to be realized in the first quarter of 2024.

B Disposal Group

	in thousands of denars	
	current year 2024	previous year 2023
Group of assets for disposal		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investment in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for disposal	-	-
Liabilities directly related to the group of assets for disposal		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
Total liabilities directly related to the group of assets for disposal	-	-

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

	in thousands of denars	
	current year 2024	previous year 2023
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

32 Trading liabilities

	in thousands of denars	
	current year 2024	previous year 2023
Deposits from banks		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
Deposits from other clients		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
Issued debt securities		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
Other financial liabilities	-	-
Trading derivatives		
Agreements depending on interest rate change	-	-
Agreements depending on exchange rate change	1,647	599
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
Total trading liabilities	**1,647**	**599**

Trading liabilities in 2024 in the amount of 1,647 thousands of denars refer to trading derivatives, agreements depending on exchange rate change (2023: 599 thousands of denars).

33 Financial liabilities at fair value through profit and loss determined as such at initial recognition

	in thousands of denars			
	current year 2024		previous year 2023	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
Deposits from banks				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Deposits from other clients				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Issued debt securities				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Subordinated debt	-	-	-	-
Other financial liabilities	-	-	-	-
Total financial liabilities at fair value through the profit and loss determined as such at initial recognition	**-**	**-**	**-**	**-**

	in thousands of denars	
	Current year 2024	Previous year 2023
Movement in changes of bank's creditworthiness for financial liabilities measured at fair value		
As at 01 January	-	-
	-	-
Recognized in Other comprehensive income for the year		
(Transfer to other reserve funds)	-	-
Balance as at 31 December	-	-

34 Deposits

34.1 Deposits from banks

	in thousands of denars			
	current year 2024		previous year 2023	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	21,376	-	118,835	-
foreign banks	15,940	-	15,006	-
Demand deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Time deposits				
domestic banks	1,196,010	-	387,419	-
foreign banks	-	-	-	-
Restricted deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities				
domestic banks	87	-	198	-
foreign banks	-	-	-	-
Current maturity	-	-	-	-
Total deposits from banks	**1,233,413**	**-**	**521,458**	**-**

34 Deposits (continued)

34.2 Other deposits

	in thousands of denars			
	current year 2024		previous year 2023	
	Short term	Long term	Short term	Long term
Non-financial companies				
Current accounts	32,492,296	-	30,457,139	-
Demand deposits	209,863	-	394,361	-
Time deposits	3,301,628	927,790	2,482,680	825,971
Restricted deposits	530,668	1,190,642	512,424	1,215,430
Other deposits	-	-	-	-
Interest payable on deposits	24,097	-	17,730	-
	36,558,552	**2,118,432**	**33,864,334**	**2,041,401**
Government				
Current accounts	514,533	-	528,559	-
Demand deposits	3,135	-	2,534	-
Time deposits	25,000	20,000	35,000	20,000
Restricted deposits	2,496	-	186	-
Other deposits	-	-	-	-
Interest payable on deposits	814	-	440	-
	545,978	**20,000**	**566,719**	**20,000**
Non-profit institutions in service of households				
Current accounts	2,440,352	-	2,578,486	-
Demand deposits	696	-	471	-
Time deposits	336,240	211,378	362,996	191,952
Restricted deposits	20,144	723	16,260	2,035
Other deposits	-	-	-	-
Interest payable on deposits	2,562	-	3,869	-
	2,799,994	**212,101**	**2,962,082**	**193,987**
Financial companies, other than banks				
Current accounts	568,658	-	371,320	-
Demand deposits	432	-	397	-
Time deposits	270	373,779	-	388,779
Restricted deposits	1,587	14,819	11,433	13,807
Other deposits	-	-	-	-
Interest payable on deposits	5,152	-	4,607	-
	576,099	**388,598**	**387,757**	**402,586**
Households				
Current accounts	47,957,448	-	42,084,096	-
Demand deposits	8,588,619	-	8,880,744	-
Time deposits	28,054,475	21,113,238	28,088,605	19,051,498
Restricted deposits	710,006	1,660,522	891,861	1,336,281
Other deposits	-	-	-	-
Interest payable on deposits	395,659	-	207,222	-
	85,706,207	**22,773,760**	**80,152,528**	**20,387,779**
Non-residents, other than banks				
Current accounts	919,124	-	962,241	-
Demand deposits	1,494	-	1,493	-
Time deposits	69,048	475,998	70,192	287,478
Restricted deposits	199,248	1,184	206,834	7,560
Other deposits	-	-	-	-
Interest payable on deposits	1,009	-	778	-
	1,189,923	**477,182**	**1,241,538**	**295,038**
Current maturity	6,028,112	(6,028,112)	5,317,536	(5,317,536)
Total other deposits	**133,404,865**	**19,961,961**	**124,492,494**	**18,023,255**

34 Deposits (continued)

34.2 Other deposits (continued)

Restricted deposits are deposits that the Group makes payments abroad, opens letters of credit, acquires foreign currency assets for payment on behalf of its clients, and part of it serve as a collateral under loans and guaranties issued that the Group has approved to certain companies, deposits as collateral under approved consumption loans and retail loans.

35 Issued debt securities

	in thousands of denars	
	current year 2024	previous year 2023
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on issued securities	-	-
Total issued debt securities	**-**	**-**

36. Borrowings

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

	in thousands of denars			
	current year 2024		previous year 2023	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	182	1,146,204	34	463,738
Repo-transactions	-	-	-	-
Interest payables	3,063	-	192	-
Non-residents				
Loans payable	-	304,552	-	409,385
Repo-transactions	-	-	-	-
Interest payables	2,824	-	3,112	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Loans payable	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-residents, except for banks				
Non-financial entities				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Households				
Loans payable	-	-	-	-
Interest payables	-	-	-	-
Current maturity	252,345	(252,345)	285,474	(285,474)
Total loans payable	**258,414**	**1,198,411**	**288,812**	**587,649**

36 Borrowings (continued)

B Borrowings according to the creditor

	in thousands of Denars			
	Current year 2024		Previous year 2023	
	short-term	long-term	short-term	long-term
domestic sources:				
Development Bank of North Macedonia - DBNM (previously MDBP) – ZKDF – IFAD 2	187	3,636	34	34
DBNM-EIB (European investment bank)	2,900	1,060,197	135	433,917
DBNM-Digitalization/ Energy efficiency/Renewable energy sources	158	82,371	57	29,787
	3,245	**1,146,204**	**226**	**463,738**
foreign sources:				
EBRD - TARA (Transfer and Amendment and Restatement Agreement)	453	39,963	687	60,342
EBRD - CSP (SME Competitiveness Support Programme)	26	79,898	94	137,996
EBRD - GEFF (Western Balkans Green Economy Financing Facility)	-	-	1	1,928
EBRD – CSP II (SME Competitiveness Support Programme)	-	-	11	17,560
EBRD - GEFF II (Western Balkans Green Economy Financing Facility)	217	12,184	647	36,551
EBRD – REBOOT (Sustainable Reboot SME Programme)	184	27,330	642	81,989
EBRD - GEFF III (Western Balkans GEFF III – REpower Residential Programme)	363	24,339	1,030	73,019
EBRD - GEFF III Loan 2 (Western Balkans GEFF III – REpower Residential Programme)	1,581	120,838	-	-
	2,824	**304,552**	**3,112**	**409,385**
Current maturity	252,345	(252,345)	**285,474**	**(285,474)**
Total borrowings	**258,414**	**1,198,411**	**288,812**	**587,649**

36 Borrowings (continued)

B Borrowings according to the creditor

Lender	Currency	Interest rate	Year of maturity	Type of collateral
DBNM – ZKDF	MKD/EUR	0,5%	According to the agreements concluded with final users	3 bills of exchange
DBNM – PKF	MKD	-	According to the agreements concluded with final users	4 bills of exchange
DBNM - EIB	EUR	0%, 1,5% fixed	According to the agreements concluded with DBNM	4 bills of exchange in form of Notary deed * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
DBNM - Digitization/Energy efficiency/Renewable energy sources	EUR	0,9% fixed	According to the agreements concluded with DBNM	2 bills of exchange in form of Notary deed * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
EBRD-TARA	EUR	6,5% fixed, 5% adjustable	According to the agreements concluded with final users	Unsecured
EBRD - CSP	EUR	3-month EURIBOR + 2 p.p annually, value zero for negative Euribor rate	28.09.2026	Unsecured
EBRD-GEFF	EUR	6-month EURIBOR + 1.85 p. p annually, value zero for negative Euribor rate	30.12.2025 Paid on 28.06.2024	Unsecured
EBRD –CSP II	EUR	3-month EURIBOR + 1.7 p. p annually, value zero for negative Euribor rate	28.03.2024	Unsecured
EBRD-GEFF II	EUR	6-month EURIBOR + 1.7 pp. annually, value zero for negative Euribor rate	10.03.2025	Unsecured
EBRD-REBOOT	EUR	3-month EURIBOR + 1.7 pp. annually, value zero for negative Euribor rate	12.05.2025	Unsecured
EBRD-GEFF III	EUR	6-month EURIBOR + 1.55 p. p annually, value zero for negative Euribor rate	03.04.2025	Unsecured
EBRD-GEFF III Loan 2	EUR	6-month EURIBOR + 1.35 p. p annually, value zero for negative Euribor rate	23.07.2027	Unsecured

The Bank has pledged a lien in the form of a notary deed in favour of DBNM based on receivables from sub-loan agreements concluded with final users approved from the credit line from EIB, both administered through DBNM. As at 31 December 2024 the amount of borrowings for which the Bank has pledged receivables is 796,190 thousands of denars 2023: 103,647 housands of denars) (see note 22.2).

As at 31 December 2024, the Bank is in compliance with the covenants as per the agreements with the EBRD.

37 Subordinated liabilities

	in thousands of denars	
	current year 2024	previous year 2023
Subordinated deposits liabilities		
Interest payables	-	-
Subordinated loans liabilities		
Interest payables	-	-
Subordinated issued debt securities liabilities		
Interest payables	-	-
Redeemable preference shares	-	-
Total subordinated debt	-	-

38 Special reserves and provisions

in thousands of denars	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on litigations	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for unfavourable agreements	Other provisions	**Total**
Balance at January 1, 2023 (previous year)	**414,290**	**-**	**32,590**	**-**	**-**	**-**	**446,880**
Additional provisions during the year	329,970	-	10,283	-	-	-	340,253
(provisions used during the year)	-	-	(4,058)	-	-	-	(4,058)
(release of provisions during the year)	(292,913)	-	(449)	-	-	-	(293,362)
Exchange rate effect	(43)	-	-	-	-	-	(43)
As at 31 December 2023 (previous year)	**451,304**	**-**	**38,366**	**-**	**-**	**-**	**489,670**
Balance at January 1, 2024 (current year)	451,304	**-**	38,366	**-**	**-**	**-**	**489,670**
Additional provisions during the year	356,624	-	10,513	-	-	-	**367,137**
(provisions used during the year)	-	-	(2,949)	-	-	-	**(2,949)**
(release of provisions during the year)	(365,585)	-	(603)	-	-	-	**(366,188)**
Exchange rate effect	169	-	-	-	-	-	**169**
(Written off receivables)	(208,876)		-				**(208,876)**
As at 31 December 2024 (current year)	**233,636**	**-**	**45,327**	**-**	**-**	**-**	**278,963**

38 Special reserves and provisions (continued)

Off-balance sheet items in the assets, exposed to credit risk for which the special reserve is determined, are classified in different risk categories appropriately to the estimated risk for potential losses. As at 31 December 2024, 90.47% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 6.96%, and risk categories C, D and E with 2.57%.

39 Other liabilities

	in thousands of denars	
	current year 2024	previous year 2023
Trade payables	50,049	50,019
Received advances	9,519	13,732
Fee and commission liabilities	18,818	17,848
Accrued expenses	204,987	35,316
Deferred income from previous years	-	-
Short - term liabilities to employees	-	-
Short - term liabilities for employee benefits	616	538
Other:		
(liabilities more than 10% of the total other liabilities)		
Other liabilities on other basis	60,398	37,293
Credit card settlement transactions	449,427	519,240
Liabilities to entities in the process of founding a company	10,282	13,033
Delayed payments liabilities based on collections from abroad	295,070	207,768
VAT liabilities	1,805	6,596
Liabilities in foreign currency for establishing legal entities	4,208	8,756
Other liabilities		
(liabilities less than 10% of the total other liabilities)	29,104	35,014
Total other liabilities	**1,134,283**	**945,153**

40 Subscribed Capital

A Subscribed Capital

	in Denars		*number of issued shares*				*in thousands of denars*	
	Nominal value per share		Ordinary shares		Preference shares non-redeemable		Total subscribed capital	
	ordinary shares	Preference shares- non-redeemable	Current year 2024	previous year 2023	Current year 2024	Previous year 2023	Current year 2024	Previous year 2023
As at 1 January-fully paid	1,000	-	2,279,067	2,279,067	-	-	2,279,067	2,279,067
Subscribed shares during the year	-	-	-	-	-	-	-	-
Realization of share options	-	-	-	-	-	-	-	-
Division/ increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
Conversion of preference shares into ordinary	-	-	-	-	-	-	-	-
As at 31 December – fully paid	**1,000**	**-**	**2,279,067**	**2,279,067**	**-**	**-**	**2,279,067**	**2,279,067**

The issued ordinary shares of the Bank are fully paid. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the shareholders' Assembly of the Bank. All shares rank equally with regard to the Bank's residual assets. According to the Bank's shareholders book as at 31 December 2024, 206,756 ordinary shares from the total shareholders' equity of the Bank or 9.07% (as at 31 December 2023, 144.236 ordinary shares i.e., 6.30%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2024 the Bank does not hold treasury shares. The Open-end Investment Funds managed by the Bank's subsidiary KB Invest AD Skopje owns a total of 13.030 ordinary shares or 0.57% from the total shareholders' equity of the Bank, where KB Invest - Balanced owns 1,900 ordinary shares, i.e. 0.08% of the total share capital and KB Invest MBI 10 owns 11.130 ordinary shares, i.e. 0.49% of the total share capital of the Bank (as at 31 December 2023 total of 13.051 ordinary shares, i.e 0.57 % of the total share capital, as follows: KB Invest – Balanced owns 1,921 ordinary shares, i.e 0.08 % of the total share capital and KB Invest – MBI 10 owns 11.130 ordinary shares, i.e 0.49 % of the total share capital.

40 Subscribed Capital (continued)

B Dividends

B.1 Announced and paid dividends by the Group

	in thousands of denars	
	current year 2024	previous year 2023
Declared dividends and paid dividends for the year	-	-

	In denars	
	current year 2024	previous year 2023
Dividend per ordinary share	-	-
Dividend per preference 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 2024	previous year 2023
Announced dividends after December 31	2,848,834	2,073,951

	In denars	
	current year 2024	previous year 2023
Dividend per ordinary share	1,250	910
Dividend per preference share	-	-

Draft - Decision on determining the dividend amount and dates of dividend payout for 2024 is passed by the Supervisory Board. Up to the date of issuance of these financial statements, the dividend is yet to be adopted by the Shareholders' Assembly.

B Shareholders with ownership over 5% of the shares with the right of vote

	in thousands of denars		*in %*	
	current year 2024	Previous year 2023	Current year 2024	Previous year 2023
Shareholder's name	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
ADORA INZENERING DOOEL eksport-import	341,700	341,700	14.99%	14.99%
Total	**341,700**	**341,700**	**14.99%**	**14.99%**

41 Earnings per share

A Basic earnings per share

	in thousands of denars	
	current year 2024	previous year 2023
Net - Profit attributable to holders of ordinary shares		
Net profit for the year	4,946,892	3,587,308
(Dividend for non-redeemable priority shares)		
Correction of net profit entitled to the holders of the ordinary shares	-	-
Value of issued shares	-	-
Value of withdrawn shares	-	-
Value of dividend paid in shares	-	-
Net - Profit attributable to holders of ordinary shares	**4,946,892**	**3,587,308**

	Number of shares	
	current year 2024	previous year 2023
Weighted average number of ordinary shares		
Issued ordinary shares as of January 1	2,279,067	2,279,067
Effects of the changes in the number of ordinary shares during the year		
Effect from conversion of non-redeemable priority shares into ordinary shares	-	-
Effect from sale of treasury shares on the market	-	-
Effects of new issue of ordinary shares	-	-
Weighted average number of ordinary shares on 31 December	**2,279,067**	**2,279,067**
Basic earnings per share (in Denars)	**2,171**	**1,574**

B Diluted earnings per share

	in thousands of denars	
	current year 2024	previous year 2023
Net profit entitled to the holders of the ordinary shares (diluted)		
Net gain for the year entitled to the holders of the ordinary shares (diluted)	4,946,892	3,587,308
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares (list separately)		
Dividend from priority shares converted into ordinary shares	-	-
Income from realized options	-	-
Value of redeemable treasury shares	-	-
Net gain entitled to the holders of the ordinary shares (diluted)	**4,946,892**	**3,587,308**

	Number of shares	
	current year 2024	previous year 2023
Weighted average number of the ordinary shares (diluted)		
Ordinary shares issued on 1 January	2,279,067	2,279,067
Effect from issue of potential ordinary shares	-	-
Weighted average number of the ordinary shares (diluted) on 31 December	**2,279,067**	**2,279,067**
Diluted earnings per share (in Denars)	**2,171**	**1,574**

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars	
	current year 2024	previous year 2023
Unsecured payment guarantees		
in Denars	1,423,166	1,173,754
in foreign currency	1,230,366	1,236,572
in Denars with foreign currency clause	264,003	269,211
Unsecured performance guarantees		
in Denars	4,400,483	4,456,528
in foreign currency	223,689	79,229
in Denars with foreign currency clause	1,128,190	1,181,139
Unsecured letter of credit		
in Denars	-	-
in foreign currency	658,511	424,060
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	2,236,339	2,093,893
Unused credit card limits	1,246,800	1,261,384
Foreclosed liabilities for crediting and unused credit limits	2,867,298	2,453,396
Issued secured guarantees	972,766	922,184
Covered letter of credit	66,619	46,907
Other secured contingent liabilities	1,857,547	1,604,626
Total contingent liabilities before provisions	**18,575,777**	**17,202,883**
(Provisions)	(233,636)	(451,304)
Total contingent liabilities, net of provisions	**18,342,141**	**16,751,579**

As at 31 December 2024, the Group is conducting 17 court proceedings (2023: 13 court proceedings) in which The Group is sued by legal entities and individuals, arising from the Group's operations. The total amount of contingent liabilities that may arise from these proceedings as at 31 December 2024 was 334,461 thousands of denars including interest (2023: 127,704 thousands of denars including interest).

The Group provides banks guarantees and letters of credit to guarantee the operation of customers to third parties. These agreements have fixed limits and generally are approved for a period up to one year. Due dates are not concentrated in any period.

These contingent liabilities have off balance sheet credit risk, because in the balance sheet are recognized only the fees and accruals for potential losses until such contingent liabilities and commitments are fulfilled or expire. A large part of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The amount of the revocable contingent liabilities is in the amount of 1,857,547 thousands of denars, and amount of irrevocable are in the amount of 6,350,437 thousands of denars (2023: 1,604,626 thousands of denars, and the amount of irrevocable is 5,808,673 thousands of denars).

Taxation risk

The Bank's accounting records and regulations are subject to tax audit by the tax authorities for a period of 5 years subsequent to the reported tax year, and may eventually impose additional tax liabilities. According to the estimates of the Bank's management at the date of these financial statements, they are not aware of any additional conditions that may cause potential materially significant liabilities on this basis.

42.2 Contingent Assets

	in thousands of denars	
	current year 2024	previous year 2023
List separately the more significant contingent assets:		
Total contingent assets	-	-

43 Operations on behalf and for account of third parties/commission operations

	in thousands of denars					
	current year 2024			previous year 2023		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Denar deposits	44,419	44,419	-	44,419	44,419	-
Foreign currency deposits	-	-	-	-	-	-
Denar loans	69,765	68,693	1,072	113,983	115,454	(1,471)
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	2	(2)	-	80	(80)
Other foreign currency receivables	-	-	-	-	-	-
Asset management on behalf and for account of third parties				-	-	-
Denar deposits	-	-	-	-	-	-
Foreign currency deposits	-	-	-	-	-	-
Denar loans	-	-	-	-	-	-
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	-	-	-	-	-
Other foreign currency receivables	-	-	-	-	-	-
Trust accounts	47,405	47,429	(24)	94,473	94,473	-
Other	912	3,516	(2,604)	1,422	3,940	(2,518)
Total	**162,501**	**164,059**	**(1,558)**	**254,297**	**258,365**	**(4,069)**

44 Related party transactions

A Balance sheet

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2024 (current year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Held-for-trading assets	-	-	-	-	-	**-**
Loans and receivables						
Mortgage loans	-	-	-	146,240	-	**146,240**
Consumer loans	-	-	-	25,638	-	**25,638**
Financial lease receivables	-	-	-	-	-	**-**
Factoring and forfeiting of receivables	-	-	-	-	-	**-**
Other loans and receivables	-	-	29	1,146,195	-	**1,146,224**
Investment in securities	-	-	422,412	-	-	**422,412**
(Impairment provisions)	-	-	(1)	(16,875)	-	**(16,876)**
Other assets	-	-	-	-	-	**-**
Total	**-**	**-**	**422,440**	**1,301,198**	**-**	**1,723,638**
Liabilities						
Trading liabilities	-	-	-	-	-	**-**
Deposits	-	-	635	1,405,124	-	**1,290,694**
Issued securities	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	99	-	**-**
Total	**-**	**-**	**635**	**1,405,223**	**-**	**1,290,694**

44 Related party transactions (continued)

*A Balance sheet (*continued)

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2024 (current year)						
Contingent liabilities						
Issued guarantees	-	-	-	1,619,111	-	**1,619,111**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	280	58,855	-	**59,135**
(Provisions)	-	-	(7)	(880)	-	**(887)**
Total	**-**	**-**	**273**	**1,677,086**	**-**	**1,677,359**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	**-**

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2023 (previous year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Held-for-trading assets	-	-	-	-	-	**-**
Loans and receivables						
Mortgage loans	-	-	-	155,673	-	**155,673**
Consumer loans	-	-	-	34,600	-	**34,600**
Financial lease receivables	-	-	-	-	-	**-**
Factoring and forfeiting of receivables	-	-	-	-	-	**-**
Other loans and receivables	-	-	14	1,115,580	-	**1,116,214**
Investment in securities	-	-	403,904	-	-	**454,830**
(Impairment provisions)	-	-	-	(12,144)	-	**(12,153)**
Other assets	-	-	-	-	-	**-**
Total	**-**	**-**	**403,918**	**1,293,709**	**-**	**1,749,164**

44 Related party transactions (continued)

*A Balance sheet (*continued)

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	**-**
Deposits	-	-	1,429	1,136,117	-	**1,170,548**
Issued securities	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**-**	**1,429**	**1,136,117**	**-**	**1,170,548**
Contingent liabilities						
Issued guarantees	-	-	-	89,682	-	**89,682**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	296	42,164	-	**42,460**
(Provisions)	-	-	(3)	(434)	-	**(437)**
Total	**-**	**-**	**293**	**131,412**	**-**	**131,705**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	-	-	-	-

44 Related parties transactions (continued)

B Income and expenses arising from related party transactions

in thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2023 (current year)						
Income						
Interest Income	-	-	-	65,954	-	**65,954**
Fee and commission income	-	-	305	16,668	-	**22,293**
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	**25,968**
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	111,053	3,989	-	**116,546**
Transfers between entities	-	-	-	-	-	-
Total	**-**	**-**	**111,358**	**86,611**	**-**	**230,761**
Expense						
Interest expense	-	-	-	27,958	-	**28,328**
Fee and commission expense	-	-	-	-	-	-
Net trading losses	-	-	-	-	-	-
Expences for procurement of non-current assets	-	-	-	-	-	-
Impairment provisions of financial assets, on net basis	-	-	5	5,250	-	**5,285**
Other expences	-	-	3	3,329	-	**3,336**
Transfers between entities	-	-	-	-	-	-
Total	**-**	**-**	**8**	**36,537**	**-**	**36,949**

44 Related parties transactions (continued)

B Income and expenses arising from related party transactions (continued)

in thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2023 (previous year)						
Income						
Interest Income	-	-	-	59,772	-	**59,772**
Fee and commission income	-	-	266	7,461	-	**9,758**
Net trading income	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**21,285**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	92,549	3,216	-	**97,292**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**92,815**	**70,449**	**-**	**188,107**
Expense						
Interest expense	-	-	-	14,996	-	**15,821**
Fee and commission expense	-	-	-	-	-	**-**
Net trading losses	-	-	-	-	-	**-**
Expences for procurement of non-current assets	-	-	-	-	-	**-**
Impairment provisions of financial assets, on net basis	-	-	(5)	(5,033)	-	**(5,030)**
Other expences	-	-	1	2,526	-	**2,533**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**(4)**	**12,489**	**-**	**13,324**

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	in thousands of denars	
	current year 2024	previous year 2023
Short-term benefits for employees	338,223	303,433
Benefits after employment termination	-	
Benefits due to employment termination	-	-
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	17,369	16,196
Total	**355,592**	**319,629**

45 Leases

A Lessor

A.1 Receivables from financial leases

in thousands of denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	од 1 до 5 години	up to 1 year
As at 31 December 2024 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2023 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**

A.2 Receivables from irrevocable operating leases

in thousands of denars	Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
As at 31 December 2024 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2023 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**

45 Leases (continued)

A Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

in thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Value of property given under operating leasehold:							
As at 31 December 2024 (current year)	-	-	-	-	-	-	**-**
As at 31 December 2023 (previous year)	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B Lessee

B.1 Liabilities from financial leases

in thousands of Denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
As at 31 December 2024 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2023 (previous year)	-	-	-	-
Total	**-**	**-**	**-**	**-**

45 Lease (continued)

B Lessee (continued)

B.1 Liabilities under financial lease (continued)

in thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Value of the property taken under financial leasehold:							
Cost value							
As at 1 January 2023 (previous year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2023 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 1 January 2024 (current year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2024 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Lease (continued)

B Lessee (continued)

B.1 Liabilities from financial lease (continued

in thousands of denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Accumulated depreciation and impairment							
Balance at January 1, 2023 (previous year)	-	-	-	-	-	-	**-**
depreciation for the year	-	-	-	-	-	-	**-**
impairment loss during the year	-	-	-	-	-	-	**-**
(release of impairment loss during the year)	-	-	-	-	-	-	**-**
(disposal and write offs)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Balance at December 31, 2023 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2024 (current year)							
depreciation for the year	-	-	-	-	-	-	**-**
impairment loss during the year	-	-	-	-	-	-	**-**
(release of impairment loss during the year)	-	-	-	-	-	-	**-**
(disposal and write offs)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Balance at December 31, 2024 (current year)	-	-	-	-	-	-	**-**
Current carrying amount							
at January 1, 2023 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2023 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2024 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Leases (continued)

B Lease (continued)

B.2 Irrevocable operating lease liabilities

in thousands of denars	Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
Balance at December 31, 2024 (current year)	37,575	4,285	11,524	21,766
Total	**37,575**	**4,285**	**11,524**	**21,766**
Balance at December 31, 2023 (previous year)	45,780	4,285	13,943	27,552
Total	**45,780**	**4,285**	**13,943**	**27,552**

46 Share based payments

	in thousands of denars			
	Current year 2024		Previous year 2023	
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 2024		Previous year 2023	
	number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
As at 1 January	-	-	-	-
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	-	-	-	-
As at 31 December	-	-	-	-

47. The Group's subsidiaries

See accounting policies (c).

Significant subsidiaries

KB Publikum is a significant subsidiary of the Group. It executes its activities in the Republic of North Macedonia. The Group holds 78.43 % of the shares with voting right in the subsidiary (2023: 78.43%).

Significant restrictions

The Group has no significant restrictions in its ability to use assets or to settle liabilities.

47. The Group's subsidiaries (continued)

Non-controlling interest in subsidiaries

The table below provides information for subsidiaries that have tangible significant non-controlling interest

KB Invest
In thousands of denars

	For the year ended 31 December 2024	For the year ended 31 December 2023
Assets		
Cash and cash equivalents	19,079	1,904
Held for trading financial assets	67,667	40,405
Financial assets held to maturity	78,530	74,727
Bank deposits	16,000	31,100
Property and equipment	320	513
Intangible assets	690	754
Other assets	13,405	9,913
Total assets	**195,691**	**159,316**
Liabilities		
Liabilities to suppliers and other liabilities	20,506	16,574
Total liabilities	**20,506**	**16,574**
Net assets	**175,185**	**142,742**
Carrying amount of non-controlling interest	**37,787**	**30,789**

In thousands of denars	For the year ended 31 December 2024	For the year ended 31 December 2023
Revenue	112,337	79,165
Expenses	(51,041)	(36,967)
Profit/(loss)	61,296	42,198
Total comprehensive income/(loss)	**61,296**	**42,198**
Profit/(loss) of non-controlling interest	**13,222**	**15,069**

47. Подружници на Групата (продолжува)

Неконтролирано учество во подружници (продолжува)

Во илјади денари	For the year ended 31 December 2024	For the year ended 31 December 2023
Cash flows from operating activities	59,155	50,526
Cash flows from investing activities	(10,289)	(22,261)
Cash flows from financing activities, before dividends to non-controlling interest	(24,549)	(21,286)
Cash flows from financing activities, dividends to non-controlling interest	(7,142)	(11,824)
Net increase/(decrease) of cash and cash equivalents	**17,175**	**(4,845)**

48 Events after the date of the balance sheet

No events occurred which would require to be disclosed between the balance sheet date and the date when the financial statements were approved for issuing.

CONSOLIDATED BALANCE SHEET

as at 31.12.2024

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
	ASSETS		
1.	Cash and cash equivalents	58.190.149.064	52.747.063.212
2.	Investments in debt securities that can be used for refinancing in NBRNM	5.644.940.419	4.273.701.026
2a.	Treasury bills	2.514.378.832	2.413.616.961
2b.	Government securities	3.130.561.587	1.860.084.065
2c.	Impairment	-	-
3.	Loans and advances to banks	2.981.364.499	6.051.010.961
3a.	Loans	54.078.847	47.732
3b.	Deposits	2.927.586.221	6.045.676.695
3c.	Other receivables	-	5.904.065
3d.	Impairment	300.569	617.531
4.	Loans and advances to other customers	60.206.811.355	72.975.118.168
4a.	Loans	63.185.557.777	76.005.635.546
4b.	Other receivables	-	-
4c.	Impairment	2.978.746.422	3.030.517.378
5.	Debt securities	26.729.257.762	35.558.927.254
5a.	Treasury bills	-	-
5b.	Government securities	24.774.591.249	33.118.839.874
5c.	Other debt securities	1.957.446.844	2.440.638.859
5d.	Impairment	2.780.331	551.479
6.	Investments in equity instruments	142.448.905	247.645.877
7.	Investments in associates	403.904.186	422.411.766
7a.	Investments in banks	-	-
7b.	Other investments in associates	403.904.186	422.411.766

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
8.	Investments in subsidiaries	-	-
8a.	Investments in banks	-	-
8b.	Other investments in subsidiaries	-	-
9.	Joint ventures	-	-
9a.	Joint ventures in banks	-	-
9b.	Other joint ventures	-	-
10.	Intangible assets	71.671.876	86.158.730
10a.	Founding expenditures	-	-
10b.	Expenditures for research and development	-	-
10c.	Concessions, patents, licences, trademarks and similar rights	13.919.019	23.501.775
10d.	Goodwill	-	-
10e.	Other intangible assets	57.752.857	62.656.955
11.	Tangible assets	2.698.598.265	2.708.412.378
11a.	Land	89.200.713	89.200.713
11b.	Property and equipment	2.548.134.192	2.559.303.854
11c.	Other tangible assets	61.263.360	59.907.811
12.	Other assets/receivables	4.827.964.399	1.552.929.581
12a.	Restricted deposits	1.695.721.369	319.729.490
12b.	Derivative assets held for risk management	-	-
12c.	Embedded derivatives	-	-
12d.	Non - current assets held - for - sale and disposal group	5.452.604	-
12e.	Executed collateral	1.962.657.683	10.491.302
12f.	Assets pledged as collateral	-	-
12g.	Advances for intangible assets	153.799	319.153
12h.	Advances for tangible assets	16.819.577	13.495.880
12i.	Income tax receivable	890.536	391.159
12j.	Deferred tax assets	-	-
12k.	Financial assets at fair value through profit or loss upon initial recognition	364.135.295	374.972.643
12l.	Other receivables	819.193.414	908.581.495
12m.	Impairment	37.059.878	75.051.541
13.	Deferred incomes and prepaid expenses	1.784.226.594	2.096.408.960
14.	**TOTAL ASSETS**	**163.681.337.324**	**178.719.787.913**

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
	LIABILITIES AND EQUITY AND RESERVES		
15.	**LIABILITIES**	145.578.978.683	157.734.628.130
16.	Liabilities to banks	1.397.918.962	2.690.238.057
16a.	Current accounts	133.841.435	37.315.779
16b.	Deposits	387.616.881	1.196.096.886
16c.	Restricted deposits	-	-
16d.	Borrowings	876.460.646	1.456.825.392
16e.	Other liabilities	-	-
17.	Liabilities to other customers	142.515.748.718	153.366.826.317
17a.	Current accounts	76.981.840.350	84.892.411.104
17b.	Deposits	61.311.251.752	64.128.994.893
17c.	Restricted deposits	4.222.656.616	4.345.420.320
17d.	Borrowings	-	-
17e.	Other liabilities	-	-
18.	Issued debt securities liabilities	-	-
18a.	Issued instruments on money market	-	-
18b.	Issued deposit certificates	-	-
18c.	Bonds issued	-	-
18d.	Other issued debt securities	-	-
19.	Other liabilities	1.161.992.207	1.378.312.235
19a.	Derivative liabilities held for risk management	-	-
19b.	Embedded derivatives	-	-
19c.	Trading liabilities	599.223	1.646.570
19d.	Liabilities related to disposal group	-	-
19e.	Income tax payable	229.888.611	262.670.957
19f.	Deferred tax liabilities	-	-
19g.	Financial liabilities at fair value through profit or loss	-	-
19h.	Other liabilities	931.504.373	1.113.994.708
20.	Deferred income and expenses payment in the future periods	13.648.864	20.288.131
21.	Risks and liabilities provisions	489.669.932	278.963.390
21a.	Provisions for off - balance credit exposure	451.304.319	233.636.037
21b.	Provisions for pensions and other employee benefits	38.365.613	45.327.353
21c.	Other provisions	-	-
22.	Subordinated liabilities	-	-

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
23.	**EQUITY AND RESERVES**	18.102.358.641	20.985.159.783
24.	Subscribed capital	2.279.067.000	2.279.067.000
25.	Share premium	771.526.243	771.526.243
26.	Treasury shares repurchased	-	-
27.	Reserves	10.748.513.687	12.125.996.070
27a.	Statutory reserve	455.813.400	455.813.400
27b.	Other reserves	10.292.700.287	11.670.182.670
28.	Revaluation reserves and other valuation differences	-	(476.758)
29.	Profit for the financial year	3.587.308.562	4.946.892.658
30.	Loss for the financial year	-	-
31.	Retained earnings	685.153.737	824.367.239
32.	Accumulated loss	-	-
33.	Minority interest	30.789.412	37.787.331
34.	**TOTAL LIABILITIES AND EQUITY AND RESERVES**	**163.681.337.324**	**178.719.787.913**
	OFF - BALANCE RECORDS		
35.	Off – balance records - assets	61.219.404.958	72.006.164.789
36.	Off – balance records - liabilities	61.219.404.958	72.006.164.789

CONSOLIDATED INCOME STATEMENT

for the period from 01.01. to 31.12.2024

No	ITEM	Amount	
		Previous year	Current year
1	2	3	4
1.	Interest income	5.772.135.962	6.759.161.295
2.	Interest expense	559.927.773	791.837.441
3.	Fee and commission income	2.125.972.628	2.424.696.665
4.	Fee and commission expense	961.150.115	1.144.243.593
5.	Income from investments in associates, subsidiaries and joint ventures	92.507.359	111.014.939
6.	Net gains from securities operations	9.576.089	70.308.975
7.	Net losses from securities operations	-	-
8.	Net foreign exchange gains	365.977.406	376.789.629
9.	Net foreign exchange losses	-	-
10.	Other operating income	271.664.386	1.161.696.431
11.	Personnel expenses	1.304.426.529	1.466.346.541
11a.	Salaries	809.006.376	908.786.410
11b.	Expenses for taxes and compulsory contributions for social insurance	385.763.313	434.326.474
11c.	Other employees benefits	109.656.840	123.233.657
12.	Amortization of intangible assets and tangible assets	235.938.030	247.739.498
13.	Impairment of intangible assets and tangible assets	6.768.706	19.289.506
14.	Impairment, special reserve and provisions	776.725.396	680.369.325
14a.	Impairment of assets	729.834.726	679.419.484
14b.	Special reserve for off – balance credit exposure	37.056.691	(8.960.520)

No	I T E M	Amount	
		Previous year	Current year
1	2	3	4
14c.	Other provisions	9.833.979	9.910.361
15.	Expense from investments in associates, subsidiaries and joint ventures	-	-
16.	Other operating expenses	854.444.645	1.029.310.096
17.	Profit from continuing operations	3.938.452.636	5.524.531.934
18.	Loss from continuing operations	-	-
19.	Profit from discontinuing operations	-	-
20.	Loss from discontinuing operations	-	-
21.	Profit before tax	3.938.452.636	5.524.531.934
22.	Loss before tax	-	-
23.	Income tax expense (part of the Tax balance)	336.075.105	564.417.765
24.	Profit for the financial year	3.602.377.531	4.960.114.169
25.	Loss for the financial year	-	-
26.	Average number of employees based on working hours during the financial year (in an absolute amount)	941	949
27.	Number of working months	12	12

Appendix on Income Statement of Consolidated Annual report

No	I T E M	Amount	
		Previous year	Current year
1	2	3	4
1.	Profit/Loss for the financial year	3.602.377.531	4.960.114.169
2.	Profit attributable to Bank's shareholders	3.587.308.562	4.946.892.658
3.	Profit attributable to non-controlling interests	15.068.969	13.221.511
4.	Loss attributable to Bank's shareholders	-	-
5.	Loss attributable to non-controlling interests	-	-

Komercijalna banka

ANNUAL REPORT

ON THE PERFORMANCE OF KOMERCIJALNA BANKA AD SKOPJE IN 2024

Skopje, February 2025

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List of abbreviations and acronyms used in the 2024 Annual Report

AC	Audit Committee
ACDF	Agricultural Credit Discount Fund
AML/CFT	Anti-Money Laundering/Combatting the Financing of Terrorism
BOD	Board of Directors
CSP	Competitiveness Support Programme
DBNM	Development Bank of North Macedonia
DIG/EE/RES	Digitalization and digital transformation, energy efficiency and renewable energy sources
DLP	Data Loss Prevention
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
ESG	Environmental, Social, Governance
FATCA	Foreign Account Tax Compliance Act
FITD	Fund for Innovations and Technological Development
FS	Financial Statements
FX	Foreign exchange
GDP	Gross Domestic Product
GEFF	Green Economy Financing Facility
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IT	Information Technology
KIBS	Clearing Interbank Systems AD Skopje
LCR	Liquidity Coverage Rate
MBI 10	North Macedonia Stock Market Index
MIPS	Macedonian Interbank Payment System
NBRNM	National Bank of the Republic of North Macedonia
NIM	Net Interest Margin
PLL	Precaution and Liquidity Line
POS	Point Of Sale
ROA	Return On Assets
ROE	Return On Equity
RMC	Risk Management Committee
RNM	Republic of North Macedonia
SEPA	Single Euro Payments Area
SB	Supervisory Board
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprises
SREP	Supervisory Review and Evaluation Process

Key indicators on the performance of Komercijalna Banka AD Skopje

Key indicators	31.12.2023	31.12.2024	Change for the period
Indicators of the Balance Sheet (in million MKD)			
Total assets	163,606.6	178,612.4	+ 9.2%
Loans and advances to other customers	60,206.8	72,975.1	+ 21.2%
Impairment of loans (special reserves)	2,978.7	3,030.5	+ 1.7%
Deposits from other customers	142,548.8	153,401.9	+ 7.6%
Equity and reserves	18,010.5	20,860.9	+ 15.8%
Loans to other customers/Deposits from other customers	42.2%	47.6%	+ 5.4 pp
Loans to other customers/Total assets	36.8%	40.9%	+ 4.1 pp
Deposits from other customers/Total assets	87.1%	85.9%	- 1.2 pp
Solvency			
Own funds	14,413.8	17,577.9	+ 22.0%
Capital adequacy ratio	17.96%	19.26%	+ 1.30 pp
Quality of the loan portfolio			
Total credit exposure (in million MKD)	167,633.8	178,205.9	+ 6.3%
Participation of the risk category in total credit exposure:			
A	92.2%	90.5%	-1.7 pp
B	5.0%	7.0%	+ 2.0 pp
C	1.8%	2.0%	+ 0.2 pp
D and E	1.0%	0.5%	- 0.5 pp
Total impairment (in million MKD)	3,471.4	3,341.6	- 3.7%
Risk rate of the loan portfolio	2.07%	1.88%	- 0.19 pp
Interest margin			
Net interest margin (NIM) adjusted annually	3.63%	3.85%	+ 0.22 pp
Indicators of profitability and efficiency			
ROA before taxation	2.4%	3.1%	+ 0.7 pp
ROE before taxation	21.7%	26.3%	+ 4.6 pp
Net interest income / Total operational income	73.7%	67.0%	- 6.7 pp
Salary costs / Total operational income	18.2%	16.3%	- 1.9 pp
Operating costs / Total income	33.7%	30.6%	- 3.1 pp

I. CONDITIONS UNDER WHICH THE BANK REALIZED ITS ACTIVITY IN THE COURSE OF 2024

In the course of 2024, the global economic activity displayed certain signs of improvement, despite the fact that the risks stemming from the external environment further remained emphasized. However, the heightened geopolitical tensions were the main unfavorable risk factor, impacting the slower decrease of inflation as opposed to the expected levels, and postponing the monetary loosening. ECB performed a reduction of the three basic interest rates on four occasions by 0.25 percentage points (p.p.) in June, September, October and December, while NBRNM performed a reduction of the interest rate of the treasury bills on three occasions by 0.25 p.p. in September, October and December 2024.

1. The economic environment in the Republic of North Macedonia in the course of 2024 is characterized by the following indicators[1]:

Indicator	Period	Growth/Reduction
Living costs based Inflation	Ø 2024 / Ø 2023	+3.5%
Physical volume of industrial production	I-XII 2024 / I-XII 2023	-3.6%
Volume of trade exchange Export = 8,425.3 USD million Import = 11,969.6 USD million Import coverage = 70.4% Trade deficit = 3,544.3 USD million	I-XII 2024 / I-XII 2023	-3.1%
GDP	3rd quarter 2024	+3.0%

The credit rating of North Macedonia as at 31.12.2024 is the following:

Rating agency	Current rating (2024)	Previous rating (31.12.2023)
Fitch ratings (1)	BB + stable outlook	BB + stable outlook
Standard & Poor's (2)	BB - stable	BB – stable

(1) Confirmed on 06.04.2024 and on 05.10.2024 as a result of the credible and consistent macroeconomic policies underpinned by the long-term policy of a fixed FX exchange rate, adequate level of FX reserves, stability of the banking sector and the improved governing indicators by the countries with similar economic performances and the Euro integration process.

(2) Confirmed on 30.01.2024 and on 01.08.2024, as a result of the stable banking system, the stability of the domestic currency, the reduced inflation and the increased FX reserves.

- At the beginning of 2024, IMF published the report for Precaution and Liquidity Line (PLL) in which it gave high grades for the monetary policy, the FX exchange rate, the financial and external sector, and it allocated for the country around 200 million euros within the line framework;
- A new Partnership Framework has been concluded with the World Bank in which the Republic of North Macedonia will have 695 million USD at its disposal in the following four years intended for improving the availability and the quality of the public services, new job openings in the private sector, as well as strengthening the resilience to climate change and the reduction of carbon emissions;
- Two agreements have been signed with the Hungarian Export-Import Bank in Budapest for loans in an amount of 500 million euros each, for budget support, support for the economy and for timely repayment of Eurobonds upon maturity;
- The European Central Bank (ECB) extended the possibility for access of NBRNM to the repo-line in an amount of 400 million euros until January 31, 2025, intended for

[1] Source: State Statistical Office, NBRNM and the Ministry of Finance.

quick access to FX liquidity and guaranteeing the stability of the domestic currency exchange rate;
- NBRNM joined World Bank's "Western Balkans Payment Modernization Project" with its goal of digitalization and connecting the countries of the region in the payments area, and in the second half of the year issued a formal request for accession of the country in the Single Euro Payments Area (SEPA);
- NBRNM signed a Cooperation Agreement with the European Investment Bank (EIB), securing a support in the area of green financing;
- During the course of 2024, the Ministry of Finance continued issuing new government bonds that are listed on the Macedonian Stock Exchange, etc.

2. Capital market

The total value of the realized turnover on the Macedonian Stock Exchange in the reporting period reached around 217.9 million euros and notes an increase by 190.5% in relation to the previous year. Analyzed by the number of transactions, the shares issued by Komercijalna Banka were the most traded securities in the analyzed period, followed by the shares issued by Alkaloid AD Skopje, NLB Banka AD Skopje, Stopanska Banka AD Skopje and Makpetrol AD Skopje.

In the reporting period, the Securities and Exchange Commission (SEC) issued many permits for new issue of bank and financial institution shares, adopted a Decision granting a permit to Komercijalna Banka AD Skopje for submitting a takeover bid for Stopanska Banka AD Bitola, and upon expiry of the legal deadlines and the received notification of the outcome, adopted a Decision on determining the unsuccessfulness of the bid; issued an approval for changes or amendments to the statute of several companies for management of open and closed investment funds, issued a consent for acquiring shares of a company for management of open and closed investment funds, issued a consent for gaining qualified participation of a company for management of funds in a stock exchange house, and issued a permit for amendments to Prospects.

3. The monetary policy during the course of 2024 began to gradually normalize. In that direction, NBRNM began to decrease the interest rate of the treasury bills and the available overnight and up to seven-day deposits.

The interest rate of the treasury bills during the course of the year was decreased on three occasions by 0.25 p.p. (in September, October and December) to the level of 5.55%, while the interest rates of the available overnight and seven-day deposits were decreased in December by 0.25 p.p. to the levels of 3.95% and 4.00% respectively.

Due to further support of the denarization process and increasing of long-term savings in the banking system, NBRNM adopted a decision for changes in the settings and the maintenance of the required reserve. With the new Decision, the rates of required reserve are estimated to amount to:

- 8% for the liabilities in MKD
- 100% for the liabilities in MKD with FX clause and
- 21% for the liabilities in FX currency.

MKD liabilities were estimated at a gradual increase of the percentage of allocating required reserve obligation from the current 5% to 6.5% starting from the application cycle in June, followed by an increase to 8% starting from the application cycle of the required reserve obligation in July. FX liabilities were estimated at an increase of the allocation of the required reserve from 19% to 21%. Additionally, the percentage of the FX liability that is fulfilled in FX increased from 81% to 85% with an adequate decrease of the percentage of the FX liability of the required reserve that is fulfilled in MKD from 19% to 15%. Also, starting from the July 2024

cycle, the option that the amount for fulfilling the MKD required reserve will also take into consideration the allocated assets of the banks at NBRNM for a reserve guarantee fund of KIBS, ceased to exist.

The Decision on required reserve determines that on all liabilities of the banks in domestic currency with a term rate of over two years, as well as on the MKD deposits of households with a term rate of over a year, a required reserve rate of 0% is to be applied. For the liabilities with a term rate of over two years in a FX currency, the banks have an obligation to allocate a required reserve at a rate of 5%. Meanwhile, the deposits of individuals are required to fulfill the prescribed conditions regarding early withdrawal.

NBRNM does not determine compensation on the required reserve in MKD, while on the required reserve in EUR a compensation is determined[2] in accordance with the prescribed regulation.

The rate of the countercyclical capital buffer reached 1.25% as at 31.12.2024, and during the course of the year, NBRNM adopted two decisions for increasing the rate by 0.25 percentage points, thereby leading to 1.50% at the end of the second quarter of 2025 and 1.75% starting from 01.08.2025.

With reference to the regulations arranging the banking operations, the adopting of several laws was particularly important, the application of which means undertaking extensive compliance activities: the Law on Financial Instruments, Law on Prospects and Transparency Obligations for the Issuers of Securities, Law on Amendments to the Law on Payment Services and Payment Systems, Law on Amendments to the Law on Prevention of Money Laundering and Financing of Terrorism etc.

During 2024, NBRNM adopted many decisions, manuals and other regulations, and the following may be singled out as more significant: New Decision on required reserve; Decision on changing and amending the Decision on the methodology for managing credit risk; Decision on changing and amending the Decision on the content and the way of functioning of the credit registry and the Manual for changing and amending the Manual for implementing the Decision on the content and manner of functioning of the credit registry; Decision on changing and amending the Decision on the methodology for determining capital adequacy; Decision on the methodology for identification of systemically important banks; Decision on changing the Decision on the methodology for determining the rate of the countercyclical capital buffer for exposures in the Republic of North Macedonia; Decision on the amount of the countercyclical capital buffer rate for exposures in the Republic of North Macedonia and for exposures towards other countries in the second, third and fourth quarters of 2025; Decision on changing and amending the Decision on publishing reports and data by the banks and a Manual for prescribing the templates of the reports and data prescribed by the Decision; Decision on amending the Decision on the methodology for reporting and valuation of the accounting entries and for preparation of the financial reports; Decision on the conditions and the way of approving liquidity support in exceptional circumstances; Decision on the methodology for calculating the amount of the annual contribution for performing supervision on the banks and the saving houses, as well as the manner of its collection; Decision on determining the security instruments when conducting monetary operations; Decision on repealing the Decision on the approach and manner of utilizing information of NBRNM that are not publicly available; Decision on treasury bills; Decision on available deposits; Decision on available overnight loan; Decision on intra-day loan; Decision on the reference rate for calculating the rate of the penalty rate; Decision on buying and selling securities on a

[2] The compensation is determined at a rate equal of the lower interest rate of 0% and the interest rate of the available overnight deposit of the European Central Bank, which was valid on the last day of the fulfillment period. As at 31.12.2024 the rate amounts to 0%. If the ECB rates are negative, the banks are responsible to pay a contribution fee to NBRNM.

temporary and on definitive basis by NBRNM; Decision on repealing the Decision on FX deposit at NBRNM etc.

The banking system in the Republic of North Macedonia maintained the safety and stability in the reporting period, which reflected on the increase of the depositary base and the credit activity compared to 2023. The total deposits note an increase by 12.4%, and the total loans note an increase by 11.2% on an annual level.

At the end of December 2024, the official FX reserves amount to 5,019 million euros compared to the end of 2023 when they amounted to 4,538.4 million euros and note an increase by 10.6%.

4. In the reporting period, Komercijalna Banka AD Skopje realized its activity in accordance with the Program of Measures and Activities of the Bank's Business Policy for the current year, the goals of the monetary policy of NBRNM and the strategic priorities of the Government for the current period, and thus continued to successfully realize its activity.

The recognition for the rating and successful operations of the Bank are the awards and acknowledgements received during 2024, as follows:

- "Bank of the Year for 2024" award by The Banker magazine which the Bank receives for the 11th time;
- "Best Bank in North Macedonia for 2024" award by the Global Finance magazine which the Bank receives for the 13th time;
- "Best FX Bank in North Macedonia" for 2025 award by the Global Finance magazine which the Bank receives for the 14th time for a superior client service and innovative technologies used in currency trading;
- Award by the European Bank for Reconstruction and Development for "Most Active Issuing Bank in 2023 in North Macedonia". Komercijalna Banka has been receiving this award for the 20th time in continuity as an acknowledgement of being the most active bank in the field of international instruments for financing international trade in the country;
- Commerzbank's STP Excellence Award 2023 for fast and quality international payments which the Bank receives for the 4th time;
- „Client Excellence Award 2023" by Deutsche Bank as a recognition for the impeccable direct processing of the international payments;
- Three prestigious annual awards by the Macedonian Stock Exchange: the award „Share with the largest turnover in 2024 – companies with market capitalization of over 50 million euros", the award „Company whose share has the largest price increase on the Macedonian Stock Exchange in 2024, in the category of companies with market capitalization of over 50 million euros", as well as the award „Member of the Stock Exchange that realized the largest turnover and transactions from bond trading in 2024";
- Recognition for good ESG practices which the Macedonian Stock Exchange awarded for the first time;
- Award from Visa for best performances for POS payments for 2024 (Award: Among Best in Class POS Acquiring Performance);
- The best ranked Macedonian bank on the rank list SEE TOP 100 largest banks in Southeastern Europe, published by the portal SeeNews.com;
- International recognition - „Best Buy Award" for 2024/2025 by the Swiss organization ICERTIAS for best quality of the products and services for the best price, which the Bank receives for a second consecutive year;
- Recognition for „The most desired employer in 2023 in the category Banking and Finance" by the platform Vrabotuvanje.com;
- Recognition from Am Cham for donations in public health as the best practices for corporate philanthropy.

II. BALANCE SHEET

1. Liabilities

During 2024, total liabilities increased by MKD 15,005.8 million and it is mainly a result of the increase of the total deposits and reserves, reflecting high trust among customers with savings deposits and depositors, as well as the aim to further strengthen the capital base to support lending.

Table 1 – Overview of the most significant positions within the Bank's liabilities

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Deposits from banks	521.4	0.3	1,233.4	0.7	236.6
Deposits from customers	142,548.8	87.1	153,401.9	85.9	107.6
Borrowings	876.5	0.6	1,456.8	0.8	166.2
Trading liabilities	0.6	0.0	1.6	0.0	266.7
Special reserve and provisions	489.7	0.3	279.0	0.2	57.0
Income tax payable (current)	229.4	0.1	260.2	0.1	113.4
Other liabilities	929.7	0.6	1,118.6	0.6	120.3
Equity and reserves	18,010.5	11.0	20,860.9	11.7	115.8
Total liabilities	**163,606.6**	**100.0**	**178,612.4**	**100.0**	**109.2**

- **Total deposits** (deposits from banks and deposits from other customers) have a dominant share of 86.6% in the Bank's total liabilities. Compared to 2023, deposits from banks increased by MKD 712 million or 136.6%, while deposits from customers increased by MKD 10,853.1 million.

In 2024, the trend of higher share of short-term deposits continues. Short-term deposits, which increased by 6.9% represent 83.0% of the Bank's total deposits of other clients, while long-term deposits account for 17.0%, showing an increase of 11.3%. The increase in short-term deposits is primarily attributed to MKD payment accounts of individuals, as well as foreign currency payment accounts and overnight MKD deposits from private non-financial legal entities. In long-term deposits, the largest increase in 2024 was seen in non-purpose MKD and foreign currency deposits of individuals with maturities of up to 3 years.

Table 2 – Maturity and currency structure of deposits of other clients

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Short-term deposits[3]	119,176.9	83.6	127,395.8	83.0	106.9
Long-term deposits[3]	23,371.9	16.4	26,006.1	17.0	111.3
TOTAL DEPOSITS	**142,548.8**	**100.0**	**153,401.9**	**100.0**	**107.6**
MKD deposits	78,704.8	55.2	87,484.1	57.0	111.2
FX deposits	63,844.0	44.8	65,917.8	43.0	103.2
TOTAL DEPOSITS	**142,548.8**	**100.0**	**153,401.9**	**100.0**	**107.6**

[3] No current maturity included, which as at 31.12.2023 is in the amount of MKD 5,317.5 million, and as at 31.12.2024 is in the amount of MKD 6,028.1 million

Table 3 – Structure of total deposits by clients

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Deposits by clients					
-non-financial legal entities	35,905.7	25.2	38,676.9	25.2	107.7
-public sector	586.7	0.4	566.0	0.4	96.5
-non-profitable institutions	3,156.1	2.2	3,012.1	2.0	95.4
-financial institutions	823.4	0.6	999.8	0.6	121.4
-households	100,540.3	70.5	108,480.0	70.7	107.9
-non-residents	1,536.6	1.1	1,667.1	1.1	108.5
TOTAL DEPOSITS	**142,548.8**	**100.0**	**153,401.9**	**100.0**	**107.6**

- ***Total loan liabilities*** increased due to the net effect of new withdrawals and repaid overdue installments from credit lines. During the reporting period, the Bank withdrew funds from the following credit lines: credit line for digitalization and digital transformation, energy efficiency and renewable energy sources (DIG/EE/RES), EIB VII credit line for financing small and medium-sized enterprises, mid-market capitalized enterprises and green transition, GEFF III credit line – Agreement 2 intended for individuals financing environmental and economic projects in the Western Balkans and the credit line of the Agricultural Credit Discount Fund – IFAD 2 (for financing projects in agriculture). In the reporting period, repayments were made from the following credit lines: EIB VI, EIB VII and DIG/EE/RES credit lines through the Development Bank of North Macedonia, EBRD credit lines – CSP 1 and CSP 2 (programs to support competitiveness of SMEs), GEFF 1, GEFF 2 and GEFF 3 (Western Balkans Green Economy Financing Facility), Sustainable Reboot Program (for sustainable restart of SMEs) and from the line intended for local government (former financier MIDF) for financing the municipalities of Gostivar and Centar. Repayments were also made from the credit line of the Agricultural Credit Discount Fund – IFAD 2 (for financing projects in agriculture).
- ***Equity and reserves*** increased compared to 2023, as a result of the redistribution of part of the profit amounting to MKD 1,377.4 million in the Bank's reserve fund, as well as MKD 130 million allocated to retained earnings for investments, in accordance with the Decision of the Shareholders Assembly[4]. The amount of retained undistributed profit from the current year is also included in this position.

2. Assets

The dynamic of the Bank's total assets aligns with the movement of the total sources of funds. The increase compared to December 2023 is primarily due to higher loans to clients, investments in securities and increased loans to and claims from banks. Other positions have seen minimal increases, except for cash and foreclosed assets which have decreased.

[4] The Shareholders Assembly held its regular annual meeting on 27.03.2024. The dividend payment was made on 25.04.2024.

Table 4 – Overview of the assets of Komercijalna Banka AD Skopje

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Cash and cash equivalents	62,400.2	38.1	55,480.4	31.1	88.9
Trading assets	73.6	0.1	182.6	0.1	248.1
Financial assets at fair value through Income Statement designated as such at the initial recognition	364.1	0.2	375.0	0.2	103.0
Loans and advances to banks	2,981.4	1.8	6,051.0	3.4	203.0
Loans and advances to other customers	60,206.8	36.8	72,975.1	40.9	121.2
Investments in securities	29,862.7	18.3	37,387.0	20.9	125.2
Investments in associates	403.9	0.2	422.4	0.2	104.6
Income tax receivable (current)	0.4	0.0	0.4	0.0	100.0
Other receivables	2,576.3	1.6	2,934.4	1.6	113.9
Foreclosed assets	1,962.7	1.2	10.5	-	0.5
Property and equipment	2,769.0	1.7	2,793.6	1.6	100.9
Non-current assets held for sale	5.5	0.0	-	-	-
TOTAL ASSETS	**163,606.6**	**100.0**	**178,612.4**	**100.0**	**109.2**

- **The cash and cash equivalents** note a decrease of MKD 6,919.8 million or 11.1%. The decrease is primarily due to the reduced balance of deposits placed in NBRNM (overnight and deposits up to 7 days) as at December 31, 2024 compared to the same period in 2023[5]. Additionally, there was a decrease in the balance of the limited deposits which are funds reserved in KIBS[6]. The balance of the Bank's foreign currency account abroad and time deposits in foreign banks with maturity of 1 to 3 months also decreased as a result of redirection of assets into placements in foreign banks with maturity of up to one year, aimed at realizing higher returns in conditions of ongoing cycle of reduced nominal interest rates by ECB and FED. During the reporting period, the Bank continued to hold treasury bills issued by NBRNM, with their balance showing a minimal decrease compared to the end of 2023[7]. The Bank used its excess liquid assets to support the real sector during the stabilization period following the recent energy crisis, thereby increasing profitability and strengthening its market position.
- **Trading assets[8]** note an increase of MKD 109 million, due to the net effect of purchased and sold shares issued by domestic non-financial legal entities.

[5] In the reporting period, NBRNM decreased the interest rates on available overnight and seven-day deposits, which is explained in Chapter I. CONDITIONS IN WHICH THE BANK REALIZED ITS ACTIVITES IN THE COURSE OF 2024. During the reporting period, the Bank continued to place a larger volume of funds in deposits of up to 7 days as opposed to overnight deposits, with the aim of realizing greater net positive effects from the income based on the interest and the cost of MIPS that it pays to NBRNM.

[6] During July 2024, NBRNM changed the method of calculating the mandatory reserves in MKD, whereby the balance of the Bank's funds on the account for Reserve Guarantee Fund of the Clearing House KIBS AD Skopje for the maintenance period is no longer taken into account in the fulfillment. Accordingly, the funds are paid into the KIBS account at the beginning of the day and returned to the Bank's account at the end of the day.

[7] In 2024, NBRNM decreased the interest rates on treasury bills on three occasions, which is explained in Chapter I of the Report. In the reporting period, treasury bills were recorded in the nominal amount of MKD 19,734 million and were received in the nominal amount of MKD 19,835 million.

[8] Within this position, during January and February 2024, the Bank recorded government bonds that were used to settle an overdue debt tax. Also, the Bank traded with state and corporate debt securities issued on foreign markets.

- **Financial assets at fair value through the Income Statement designated as such at initial recognition** have increased as a result of the market valuation of KB Invest Balanced and KB Invest Cash.
- **Loans and advances to banks** increased by MKD 3,069.6 million compared to December 31, 2023 as a result of foreign currency deposits placed in foreign banks with maturity of 3 months to 1 year in USD, AUD and CHF currencies.
- **Loans and advances to other customers** increased by MKD 12,768.3 million, i.e. 21.2%. The more significant increase is partly due to approved loans related to the sale of the foreclosed property from Euronikel Kavadarci and related entities, and partly as a result of the Bank's effort to maintain its market position in conditions of increased loan demand and increased competitive pressures. Principal claims (which include overdue and doubtful and disputed claims) increased by MKD 12,779.7 million, with the most significant increase recorded by regular long-term loans (in MKD and foreign currencies) to non-financial legal entities with maturity of 2 to 5 and over 5 years, MKD loans for households with maturity over 5 years, and short-term loans in MKD to non-financial legal entities with maturity of 3 months to 1 year. Doubtful and disputed receivables increased by MKD 206.5 million due to reclassification of some loans from legal entities and individuals from active to non-functional status. This change was partly driven by the effect of the new Decision on credit risk management, which introduces stricter conditions for transitioning into non-functional status, as well as for returning to regular status. Due receivables decreased by MKD 60.6 million. Receivables after calculated interest increased by MKD 40.4 million. Impairment provisions for loans, which also include the impairment provision of interest, increased by MKD 51.8 million, compared to December 2023, reflecting the net effect of write-offs and the additional impairment provisions.

Table 5 – Overview of the total loans ***(in MKD million)***

		31.12.2023		31.12.2024		Index
		Amount	Str. in %	Amount	Str. in %	5:3
1	2	3	4	5	6	7
Net-loans [9]	Short-term loans	18,269.9	30.3	20,962.3	28.7	114.7
	Long-term loans	41,936.9	69.7	52,012.8	71.3	124.0
	Total net-loans	**60,206.8**	**100.0**	**72,975.1**	**100.0**	**121.2**
	Total receivables by principal	63,004.0	104.6	75,783.7	103.9	120.3
	Due receivables	182.2	0.3	121.6	0.2	66.7
	Bad and doubtful claims	1,708.7	2.8	1,915.2	2.6	112.1
	Total interest receivables	181.5	0.3	221.9	0.3	122.3
	Impairment provisions/special reserve	-2,978.7	-4.9	-3,030.5	-4.2	101.7
	Total net-loans	**60,206.8**	**100.0**	**72,975.1**	**100.0**	**121.2**

Table 6 – Currency structure of total loans ***(in MKD million)***

		31.12.2023		31.12.2024		Index
		Amount	Str. in %	Amount	Str. in %	5:3
1	2	3	4	5	6	7
Gross loans	Denar loans	33,652.3	55.9	45,847.7	62.9	136.2
	FX loans	3,169.8	5.2	5,638.0	7.7	177.9
	Denar loans with FX clause	26,363.4	43.8	24,519.9	33.6	93.0
	Impairment provisions/special reserve	-2,978.7	-4.9	-3,030.5	-4.2	101.7
	Total net-loans	**60,206.8**	**100.0**	**72,975.1**	**100.0**	**121.2**

[9] Short-term and long-term loans include the current maturity which as at 31.12.2023 amounts to MKD 9,937.3 million, and as at 31.12.2024 amounts to MKD 10,638.9 million.

- **The Bank's investments in securities** increased by MKD 7,524.3 million. Analyzing by positions, investments in financial assets available for sale increased as a result of subscribed government bills in MKD and subscribed government bonds, while investments in held-to-maturity financial assets increased mainly as a result of increased investments in government bonds issued by the Republic of North Macedonia and by non-residents. On the other hand, investments in government bills held to maturity decreased (due to a larger amount of maturing than subscribed government bills), as well as investment in corporate bonds (due to bonds being called before the initial maturity date).
- **Investments in associates** note an increase by 4.6% compared to December 2023, as a result of a net positive effect based on the dividend paid in 2023 in the amount of MKD 92.5 million, and recorded share in the profit of the Pension Fund Management Company KB Prvo Penzisko Drustvo AD Skopje in the amount of MKD 111.0 million, which is in accordance with NBRNM's methodology for recording of these investments by applying the "principal method".
- **Other receivables** note an increase mainly due to a larger amount of recorded receivables based on early payment of pensions in December 2024 compared to December 2023.
- **Foreclosed assets on the basis of uncollected claims** note a significant decrease compared to December 2023 based on the sale of foreclosed property, mainly from the debtors Euronikel Industri DOO s.Vozarci and Nova Refractori DOO Pehchevo, as well as on the basis of calculating the damage to foreclosed property in accordance with NBRNM regulations.
- **Non-current assets held for sale and disposal group** note an increase of MKD 24.6 million in December 2024 compared to December 2023, mostly as a result of putting equipment, furniture and vehicles into use.

III. INCOME STATEMENT

In the period of 01.01-31.12.2024, Komercijalna Banka AD Skopje realized a **gross positive financial result** from its operations in an amount of MKD 5,482.1 million compared to MKD 3,912.6 million in 2023, noting an increase by 40.1%. The profit tax in 2024 amounts to MKD 557.3 million, while the net profit for 2024 is in the amount of MKD 4,924.8 million, i.e. an increase by 37.5% compared to the previous year. The net profit, which has exceeded the expectations for the year, was achieved in conditions of emphasized external risks, especially increased geopolitical tensions, slower decrease of inflation caused by gradual relaxation of the monetary policies of FED and ECB, as well as decreased economic activity of the country's main trade partners. Despite this, the domestic economy has noted certain stabilization compared to the crisis periods it underwent in the past, which contributed to the stimulation of an investment cycle in the real sector, supported by the Bank through increased lending. In addition, the high liquidity of the Bank was used for prudent dimensioning of the asset structure and placing funds in instruments with lower risk, but with satisfactory returns.

The profit realized before provisioning, which is an indicator of the Bank's operational capability to cover the operating expenses, has increased by 31.7% compared to last year. The increase of profit realized before provisioning is mainly due to the increased other operating income as well as the increased net interest income, and to a lesser extent due to the increased net fee and commission income and net trading income. The more significant increase of the other operating income compared to last year is a result of the increased income from capital gains from the sale of foreclosed property of the two important customers of the Bank[10], as well as the increased amount of collected previously written-off claims.

[10] In April 2024, the sales of foreclosed property and equipment from the debtors Euronikel Industry DOO s. Vozarci and Nova Refraktori DOO Pehchevo were recorded.

Table 7 – Overview of the Income Statement of Komercijalna Banka AD Skopje (in MKD million)

	Realized 01.01-31.12.2023	Realized 01.01-31.12.2024	Index 3:2
1	2	3	4
1. Net interest income	5,206.7	5,961.4	114.5
2. Net fee & commission income	1,098.7	1,191.5	108.4
3. Net FX gains	366.0	376.8	103.0
4. Net-trading income	(3.6)	55.3	-
5. Net income from other financial instruments at fair value	9.2	10.8	117.4
6. Other operating income	297.6	1,189.5	399.7
7. Share of profit of associates	92.5	111.0	120.0
8. Total operating income	**7,067.1**	**8,896.3**	**125.9**
9. Personnel expenses	(1,287.8)	(1,447.2)	112.4
10. Depreciation	(235.1)	(247.1)	105.1
11. Other operating expenses	(857.9)	(1,030.1)	120.1
12. Total operating expenses	**(2,380.8)**	**(2,724.4)**	**114.4**
13. Profit before impairment provision	**4,686.3**	**6,171.9**	**131.7**
14.Net impairment provision of financial assets	(766.9)	(670.5)	87.4
15. Net impairment provision of non-financial assets	(6.8)	(19.3)	283.8
Profit before tax	**3,912.6**	**5,482.1**	**140.1**
Income tax	**(331.2)**	**(557.3)**	**168.3**
Net-profit	**3,581.4**	**4,924.8**	**137.5**

Net interest income is the main component in formation of the total operating income and it notes an increase by 14.5% in relation to 2023. Interest income has increased by 17.1% in all customer categories. Within financial institutions, where the trend of lowering the treasury bills interest rate began, the increase in interest income is a result of the higher average weighted interest rate compared to last year. In the public sector, the increase is a result of increased investment in government securities with higher interest rates, and in the case of non-financial institutions and households, it is due to increased placements. With reference to non-residents, where a trend of decreasing interest rates also began, an increase is due to increased placements in foreign banks. Expenses based on interest, note an increase of 41.3% due to increased term deposits compared to last year.

Net fee & commission income note an increase by 8.4% compared to 2023 mainly as a result of the increased volume of realized activities especially in the area of dealing with cards.

Net FX gains note an increase by 3.0% compared to last year.

The total amount of *other income* notes a significant increase as a result of the multiple increase in income from capital gains and increased collected previously written-off claims.

As at 31.12.2024, *income from capital investments and capital gains* consists of: income from the sale of foreclosed property in the amount of MKD 630.4 million, non-current assets held for sale in the amount of MKD 3.6 million and income from sale of fixed assets – used vehicles and equipment in an amount of MKD 5.3 million. In 2023, the income from the sale of Bank's property is in the amount of MKD 0.7 million and income from the sale of foreclosed property in the amount of MKD 46.1 million was realized.
The *collected previously written-off receivables*[11] note an increase by more than twice compared to last year, and are in the amount of MKD 455.1 million. In total, MKD 348.3 million in off-balance sheet receivables were charged for loans to legal entities. In consumer and housing loans, MKD 66.4 million of off-balance sheet claims were collected. The remaining collected receivables relate to payment accounts, bank cards, domestic payment transactions and other.

[11] Only on the basis of cash payment

In 2024, *personal expenses* note an increase by 12.4% to MKD 1,447.2 million compared to last year, mainly as a result of an increase of the salary scale points' value in the first half of 2024 and reimbursements based on business performance in accordance with the Decision of the Board for establishment and implementation of the remuneration policy.

Other operational expenses note an increase by 20.1% mostly as a result of increased other expenses (mostly due to increased other expenses for foreclosed facilities and increased expenses for cardholders of Debit MasterCard World).

Net impairment provision of financial assets amounts to MKD 670.5 million and notes a decrease by 12.6% compared to MKD 766.9 million in 2023. The decrease is due to the effect of the transactions with the client Euronikel Industry, which during 2023 noticed deterioration in the servicing of obligations to the Bank, which contributed to the allocation of a larger net impairment provision. At the end of 2023, the Bank made a decision to take over the pledged property in order to find a quick and efficient solution to restart production, and in April 2024, it successfully completed the transaction of the sale of the plant. Good financial discipline of the clients also has big impact on decreasing the net value of impairment provision, despite the stricter conditions prescribed by the new credit risk management regulation.

As at 31.12.2024, the Bank notes a loss of MKD 19.3 million due to net impairment provision of non-financial assets, i.e. 20% of the net value of the foreclosed property in accordance with NBRNM regulations.

IV. CONSOLIDATION

The Bank also prepares consolidated financial statements which include its subsidiary KB Invest AD Skopje[12] ("KB Invest") (in the consolidated FS referred to as: "Group").

A subsidiary is a legal entity controlled by another legal entity - the Bank, known as the parent company - the parent bank. The financial statements of the subsidiary KB Invest are included in the consolidated financial statements from the date when the control commences, until the date when the control ceases. The subsidiary KB Invest is licensed for establishing and managing open and closed investment funds. The company manages six open investment funds: KB Invest - balanced, KB Invest - bonds, KB Invest – cash, KB Invest - MBI 10, KB Invest - shares and KB Invest - Gold Fund. These funds do not have a status of legal entities and do not perform specific activities.

Financial Statements of the Group

The financial statements of the Group have been prepared in accordance with the Law on Trade Companies, the Banking Law, legal regulations passed by NBRNM, as well as with the Decision on the methodology for recording and valuation of accounting items and for preparation of financial statements, and the Decision on the types and content of the financial statements of banks, issued by NBRNM.

The Bank's total assets and liabilities on a consolidated basis as at 31.12.2024 note an increase by MKD 15.038,5 million, i.e. 9.2%, compared to 2023.

[12] In June 2024, the name of the company was changed from KB Publikum Invest AD Skopje to KB Invest AD Skopje.

Table 8 – The assets of Komercijalna Banka AD Skopje on a consolidated basis

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Cash and cash equivalents	62,400.2	38.1	55,480.4	31.1	88.9
Trading assets	114.3	0.1	250.6	0.1	219.2
Financial assets at fair value through Income Statement designated as such at the initial recognition	364.1	0.2	375.0	0.2	103.0
Loans and advances to banks	2,981.4	1.8	6,051.0	3.4	203.0
Loans and advances to other customers	60,206.8	36.8	72,975.1	40.8	121.2
Investments in securities	29,887.9	18.3	37,416.0	20.9	125.2
Investments in associates	403.9	0.2	422.4	0.2	104.6
Income tax receivable (current)	0.9	-	0.4	-	44.4
Other receivables	2,583.3	1.6	2,943.8	1.7	114.0
Foreclosed assets	1,962.7	1.2	10.5	0.0	0.5
Property and equipment	2,770.3	1.7	2,794.6	1.6	100.9
Non-current assets held for sale	5.5	-	-	-	-
Total assets	**163,681.3**	**100.0**	**178,719.8**	**100.0**	**109.2**

Table 9 – The liabilities of Komercijalna Banka AD Skopje on a consolidated basis

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str.	Amount	Str.	4:2
1	2	3	4	5	6
Deposits from banks	521.5	0.3	1,233.4	0.7	236.5
Deposits from customers	142,515.7	87.1	153,366.8	85.8	107.6
Borrowings	876.5	0.5	1,456.8	0.8	166.2
Trading liabilities	0.6	-	1.6	-	266.7
Special reserve and provisions	489.6	0.3	279.0	0.2	57.0
Income tax payable (current)	229.9	0.1	262.7	0.1	114.3
Other liabilities	945.1	0.6	1,134.3	0.6	120.0
Equity and reserves	18,102.4	11.1	20,985.2	11.7	115.9
Total liabilities	**163,681.3**	**100.0**	**178,719.8**	**100.0**	**109.2**

The Bank's net profit on a consolidated basis for the period 01.01.-31.12.2024 amounts to MKD 4,960.1 million, i.e. an increase by 37.7% compared to last year.

Table 10 – Income Statement of Komercijalna Banka AD Skopje on a consolidated basis (in million MKD)

	Realized 01.01-31.12.2023	Realized 01.01-31.12.2024	Index 3:2
1	2	3	4
1. Net interest income	5,212.3	5,967.3	114.5
2. Net fee & commission income	1,164.8	1,280.4	109.9
3. Net FX gains	366.0	376.8	103.0
4. Net-trading income	(2.8)	59.2	-
5. Net income from other financial instruments at fair value	9.2	10.8	117.4
6. Other operating income	274.8	1,162.0	422.9
7. Share of profit of associates	92.5	111.0	120.0
8. Total operating income	**7,116.8**	**8,967.5**	**126.0**
9. Personnel expenses	(1,304.4)	(1,466.3)	112.4
10. Depreciation	(235.9)	(247.7)	105.0
11. Other operating expenses	(864.3)	(1,039.2)	120.2
12. Total operating expenses	**(2,404.6)**	**(2,753.2)**	**114.5**
13. Profit before impairment provision	**4,712.2**	**6,214.3**	**131.9**
14. Net impairment provision of financial assets	(766.9)	(670.5)	87.4
15. Net impairment provision of non-financial assets	(6.8)	(19.3)	283.8
Profit before tax	**3,938.5**	**5,524.5**	**140.3**
Income tax	**(336.1)**	**(564.4)**	**167.9**
Net-profit	**3,602.4**	**4,960.1**	**137.7**

The Group's financial statements are presented as per an individual bank (as if the Group were a single entity). During the preparation of the Group's financial statements, the following has been removed/eliminated: the book value of the investment of the parent bank and the share of the parent bank in the capital of the subsidiary; the balances, transactions, income and expenses within the Group are removed in their entirety, as well as gains and losses on transactions within the Group, which are recognized in the assets.

The Bank does not prepare financial projections of the balance sheet and the income statement on a consolidated basis since the total assets of the subsidiary are less than 1% of the assets of the parent Bank.

Non-controlling participation

Non-controlling participation (or so-called "minority participation") is that part of the subsidiary's profit that is not owned by the parent bank. Non-controlling participation is measured by its proportionate share in the profit of the acquired entity.

Consolidated supervision

The Group is not subject to consolidated supervision by NBRNM, in accordance with the Decision on consolidated supervision.
The subsidiary is not subject to consolidated supervision since the total assets of the subsidiary are less than 1% of the assets of the parent bank.

Capital adequacy

According to NBRNM's Decision on consolidated supervision, if the total assets of the subordinate entity are less than 1% of the assets of the parent entity, the subordinate entity does not have to be included in the consolidated financial statements for purposes of

consolidated supervision. Based on the above, the capital adequacy rate is not determined on a consolidated basis.

Risk Management

The modern concept of banking in conditions of market economy cannot be imagined without an adequate approach and risk management, as well as rigorous adherence to legally prescribed supervisory standards which are basic prerequisites for a successful operation of any bank. The Group bases its risk management on the Strategy for Undertaking and Managing Risks and the established policies for individual risk management, whereby the Group consistently respects the risk exposure limits in accordance with the legislation and the internal risk exposure limits.

Consolidated Annual Account

The Group prepares consolidated annual accounts in accordance with the Law on Trade Companies. The financial information disclosed in the Annual Report is consistent in all aspects with the consolidated annual account of the Group and with the financial information disclosed in the audited consolidated financial statements of the Group.

Table 11 – Percentage of the Bank's share in subsidiaries

		in %			
Name of subsidiary	Country	Share of ownership		Percentage of voting rights	
		2023	2024	2023	2024
KB INVEST AD SKOPJE	Republic of North Macedonia	78.43%	78.43%	78.43%	78.43%

V. RISK MANAGEMENT AND SUPERVISORY STANDARDS

The modern concept of banking in market economy conditions could not be successfully realized without an adequate approach and risk management, as well as strict adherence to the legally prescribed supervisory standards which are basic preconditions for successful performance of any bank. The risk management of Komercijalna Banka AD Skopje is based on the Risk Management Strategy and the established policies for individual risk management, whereby the Bank consistently complies with the limits for risk exposure determined in accordance with the regulations, as well as with the internal limits for risk exposure.

Starting from January 1, 2024, the new Decision on methodology for credit risk management has been implemented. According to this Decision, the Bank established a completely new system for monitoring non-performing exposures based on a new definition. Changes were made to the procedures for monitoring of and defining non-performing credit exposures, including modifications in procedures, monitoring and classification of restructured (and non-performing) credit exposures; the Bank introduced a system for monitoring, treatment, and assessment of exposures deemed "impossible to collect", etc. According to the new Decision, a credit exposure is transferred to the category of non-performing credit exposure if the amount of outstanding claims against the client on any basis (principal, interest, other non-interest claims) has not been paid for more than 90 consecutive days from the day the outstanding amount exceeded the significance threshold, which is at least MKD 6,000 of outstanding claims on the specific credit product, and at the same time, the outstanding

amount represents at least 1% of the total credit exposure for the specific credit product. The Decision introduces the principle of joint credit exposure and contaminated credit exposure for individual clients. Joint credit exposure implies that if the credit exposure where the client appears as a co-borrower receives treatment as a non-performing credit exposure and this credit exposure represents at least 20% of the total balance sheet credit exposure of the client, then all credit exposures of the client, where the same participants or part of the participants are included, acquire the character of non-performing credit exposure regardless of the regularity in repayment of those obligations. Similarly, contaminated credit exposure is understood in cases where all credit exposures of the client, where the client appears as the sole participant (borrower), acquire the character of non-performing credit exposure regardless of the regularity in repayment of those obligations, if one of the credit exposures receives treatment as a non-performing credit exposure and this credit exposure represents at least 20% of the total balance sheet credit exposure of that client. A credit exposure that has been treated as a non-performing credit exposure may be excluded from this category if the following conditions are met:

- At least 90 consecutive days have passed since the day when the criteria for non-payment of credit exposure ceased to be met, i.e. the credit exposure was regular in terms of repayment (the significance threshold consisting of absolute and relative components was not exceeded); and
- The Bank conducts an analysis of the regularity of the client in meeting their obligations and their financial condition.

Additionally, for purposes of aligning with the Guidelines for Managing Climate Risk issued by NBRNM, which will have significant effects on the long-term business strategies of banks, Komercijalna Banka has joined the European Investment Bank's Greening Financial Systems Programme during the reporting period. Through this program, the Bank has started receiving technical and advisory support to integrate climate risks into its existing risk management framework and to align with the best international practices and expectations of NBRNM.

1. **Within credit risk management,** the analysis of the classification of the risk assets of the Bank shows the following:
   - As at 31.12.2024, the Bank's total exposure to credit risk amounts to MKD 178,205.9 million and compared to 31.12.2023 when it amounted to MKD 167,633.8 million, notes an increase by 6.3%;
   - The impairment of financial instruments exposed to credit risk as at 31.12.2024, which implies determination of impairment of performing balance sheet items and special reserve of performing off-balance sheet items, is calculated according to NBRNM regulations. Impairment and classification of credit risk exposure as at 31.12.2024 is performed on an individual basis for all credit risk exposures of the Bank. The net additional impairment/special reserve for the period 01.01.2024-31.12.2024 amounts to MKD 670.5 million. Comparably, the amount of net additional impairment/special reserve in the same period in 2023 was MKD 764.7 million[13]. In addition, in the reporting period and in accordance with the Decision on credit risk by NBRNM, the Bank has written-off balance sheet claims or transferred claims to off-balance records in a total amount of MKD 753.4 million, under principal debt and other claims;
   - The risk ratio, calculated as the ratio between the impairment and the total credit exposure of the Bank as at 31.12.2024 is 1.88%, compared to 2.07% as at 31.12.2023;
   - The Bank does not have a large concentration of credit risk exposure by sectors, since the sectors with over 15% participation in the structure have an internally dispersed structure. Namely, the retail banking sector with a participation of 17.7% is internally dispersed, other sectors participate with 31.2%, while the concentration in the financial and insurance sector refers to exposures to NBRNM and first-class banks.

[13] The amounts of additional impairment of claims as presented include the effect of fx gains.

2. Within the framework of **currency risk management**, the exposure of the Bank to currency risk in the period 01.01-31.12.2024 ranged within the legally prescribed limit of ≤+30%/≥-30% in relation to the Bank's own assets. Since the beginning of the year, the USD exchange rate followed a fluctuating trend and ended the year with a slight increase in value over the last two months. The exchange rate of the denar against the euro remained stable throughout 2024. The maintenance of the open FX position during 2024 was in line with the clients' demand for foreign currency and the movements of inter-currency exchange rates.

3. Regarding the **liquidity risk management**:

- In the course of 2024, the Bank fulfilled the legal obligation for reserve requirement in denars and in foreign currency. During this period, the mandatory calculated reserve in denars ranged from MKD 6,280 million to MKD 8,409 million, while the mandatory reserve in foreign currency ranged from MKD 11,013 million to MKD 11,858 million. The percentage of average compliance with the mandatory reserve in denars during 2024 ranged from 100.52% to 100.88%;
- Regarding the stability and concentration of the deposit base, the Bank does not have a pronounced concentration of deposits. The percentage of participation of the 20 largest depositors in the average deposit base ranges from 6.54% to 7.40%, while the highest level of concentration of the 20 largest depositors in the total average amount of transaction accounts and demand deposits ranges from 8.70% to 9.86%;
- During 2024, the liquidity ratios have fully been harmonized with the early warning threshold, the acceptable level of risk, as well as the maximum level of risk;
- The liquidity coverage rate (LCR), which represents the ratio between high-quality liquid assets and net cash outflow, as at 31.12.2024 is 365.44% in total, and it is fully complied with and high above the threshold for early warning of min. 110%, the acceptable risk level of min. 105% and with the regulatory limit (as well as the maximum level of risk) of min. 100%;
- The Bank monitors the maturity structure of the positions in terms of their compliance according to the remaining maturity, and determines and monitors their expected maturity. In the period from 01.01.-31.12.2024, the total maturity structure and maturity structure according to each significant currency shows stable current liquidity position of the Bank;
- According to the methodology of NBRNM, the own funds as at 31.12.2024 amounted to MKD 17,577.9 million and compared to 31.12.2023 have increased by 22.0% based on the distribution of part of the realized profit for 2023 in the reserves of the Bank according to the Decision of the Shareholders Assembly (as a result of 1,377.5 million denars being allocated to the reserve fund and an increase of 130 million denars in retained earnings for investment purposes), as well as based on the Decision No. 15-39694/2 of NBRNM as of 11 December 2024, according to which the Bank has included an amount of 1,676 million denars from the current earnings as at 30 September 2024 in the calculation of the Tier 1 capital, in order to meet the total capital requirements by 31 December 2024 under conditions of dynamic credit growth, and due to the expected increase in the countercyclical capital buffer rate starting from 01 January 2025;
- The capital adequacy ratio as at 31.12.2024 is 19.26% and notes an increase by 1.30 p.p. compared to 31.12.2023 as a result of increased own funds, with simultaneous increase in risk weighted assets according to credit and operational risk, as a result of the increased volume of realized activities for purposes of strengthening its market position. As at 31.12.2024, the capital adequacy ratio

complies with the early warning threshold, the acceptable risk level and the maximum risk level. Also, the Bank is in compliance with the total regulatory requirements.

4. Regarding the **market risk management**:

- The share of the securities portfolio (net) in the total activities of the Bank in the period January - December 2024 ranged from 18.45% to 20.68%;
- In the period January - December 2024, the trading portfolio expressed as a percentage participation in the total activities of the Bank (0.03% - 0.12%) and in absolute amount (MKD 54.7 – 220.1 million), does not produce an obligation for the Bank to allocate capital required to cover market risk, in accordance with Article 30 of the Decision on the methodology for determining the capital adequacy;
- The structural volatility of the securities portfolio by business model is as follows: financial assets at fair value through the Income Statement - from 1.19% to 1.66%, financial assets held for collection - from 93.82% to 98.40% and financial assets held for collection and sale from 0.18% to 4.95%;
- By analyzing the currency structure of the trading portfolio it can be concluded that the investments in denars have a dominant share.

5. Regarding the **interest rate risk management,** in the period January-December 2024, the Bank made a number of amendments to the Decision on interest rates, which were targeted towards following the market trends and the interest rates of the competition. The most significant changes made during the year are as follows:

- In corporate lending, the interest margins applied when determining interest rates on denar loans for legal entities were reduced on three occasions; the option to use short-term denar loans with fixed interest rates (which had been discontinued in October 2022) was reintroduced, but only for creditworthy clients and clients who have offers with fixed rates by competing banks, and changes were made to the interest margins on foreign currency loans and denar loans with a currency clause for legal entities. The lower – minimum threshold of interest rates for denar loans, denar loans with a currency clause and foreign currency loans was reduced, and the fixed interest rates on short-term denar loans were lowered (as an option only for creditworthy clients and clients with fixed rates offers by competing banks);
- In retail lending, for denar consumer loans up to 2 million denars, the fixed repayment period was increased from 2 to 3 years, and the fixed interest rate was reduced. Additionally, for housing loans with a euro clause, the fixed interest rate was lowered for loans with a fixed period of 5 years and for loans with a fixed period of 10 years;
- In terms of passive interest rates for legal entities, the adopted changes foresee that for term deposits of over 24 months (24 months + not more than 7 days), a variable interest rate will be approved, with the interest rate level matching the one for term deposits of up to 24 months;
- For individuals, the following rates were reduced: the fixed interest rates on denar savings deposits with maturities from 3 to 36 months, the fixed interest rates on euro savings deposits with maturities from 6 to 36 months, and the adjustable interest rates on denar savings deposits and euro deposits.

The achieved annual net interest margin (NIM) as at December 31, 2024 is 3.85% and is within the defined internal limit.

In the reporting period, the ratio between the total weighted value of the portfolio of banking activities and own funds is within the regulatory limit, below the acceptable risk level and below the early warning threshold defined in the Strategy for Undertaking and Managing Risks.

6. Regarding the **operational and reputational risk management:**

- In its daily operations, Komercijalna Banka permanently monitors, records and analyses the loss inducing events and events that represent potential operational risk. The Bank also monitors the reputational risk. On the basis of the information obtained and analyses performed, the Bank undertakes specific measures for recovery from the deteriorations and elimination/limitation of risk and its control in the future;
- The assessment of exposure to operational risk, based on the registered risk events and the measures and activities undertaken in the period January-December 2024, is that the Bank has no significant exposure to operational risk. In addition, the established indicators for monitoring operational risk indicate that in the reporting period, the Bank has no significant exposure to operational risk or indications of potential risk areas;
- The assessment of exposure to reputational risk, based on the registered reputational risk events and the measures and activities undertaken during the period of January-December 2024, is that the Bank has no significant exposure to reputational risk. The complaints did not cause significant material damage, nor did they result in significant exposure to reputational risk.

7. In its operations, the Bank is fully complied with and strictly adheres to the legal requirements and supervisory standards, as follows:

- The initial capital required for establishing the Bank, which according to the law should be in an amount of MKD 310,000,000;
- The capital required for performing the following activities: international lending, factoring, financing of commercial transactions, trading with FX assets, precious metals, securities, financial derivatives, managing the assets and securities portfolio by order of and for the account of clients, providing custodian services and trading, guaranteeing and placement of new issues of securities, which, according to the law should be at least MKD 560,000,000;
- The Bank's own funds in relation to the initial capital, which according to Article 64 of the Banking Law should not be less than the initial capital;
- The Bank fulfills the supervisory standards in accordance with Article 15 of the Banking Law (the total nominal amount of shares without voting rights in the Bank in the total nominal amount of the total shares should not exceed 10%);
- The capital adequacy is 19.26% and it is within the prescribed minimum of 8%;
- The regular capital ratio and the base capital ratio equals to 19.26% and are within the required minimum of 4.5% and 6%, respectively;
- As at 31.12.2024, the Bank possesses extra capital for covering the protective buffers for capital maintenance of 2.5% and systemically important bank of 2.5%, as well as, in accordance with the Decision of NBRNM, from 01.01.2024 to 30.06.2024, the Bank maintained a countercyclical capital buffer rate for exposures in the Republic of North Macedonia in the amount of 0.75%, taking into account the appropriate countercyclical capital buffers for exposures to other countries; from 01.07.2024 to 31.10.2024, the Bank maintained a countercyclical capital buffer rate for exposures in the Republic of North Macedonia in the amount of 1.00%, taking into account the appropriate countercyclical capital buffers for exposures to other countries; and from 01.11.2024 to 31.12.2024, the Bank maintained a countercyclical capital buffer rate for exposures in the Republic of North Macedonia in the amount of 1.25%, taking into account the appropriate countercyclical capital buffers for exposures to other countries;
- The Bank fulfills the supervisory standard in accordance with Article 71 of the Banking Law according to which: "an exposure towards a person and its related persons should not exceed 25% of the Bank's own funds";
- The Bank has exposure towards a subsidiary of 0.02% of the Bank's own funds (which should not exceed 10% of the Bank's own funds);

- The Bank does not have an exposure higher than the prescribed 10% of the own funds towards shareholders of the Bank with qualified share and their related parties that directly or indirectly have at least 5% of the total number of shares or issued shares with voting rights which can significantly influence the Bank's managing process, and fully complies with this supervisory standard;
- The exposure towards persons with special rights and responsibilities and their related parties in total represents 12.38% of the Bank's own funds and is within the legally prescribed 3% of the Bank's own funds towards each person with special rights and responsibilities and their related parties;
- Total exposure toward a subsidiary, shareholders with qualified share and individuals with special rights and responsibilities is 12.40%, and is below the limit of 65% of the Bank's own funds;
- The Bank has large exposure towards an individual and his/her related parties which is equal or larger than 10% of the Bank's own funds, but the total amount of large exposures is 26.53% of the Bank's own funds and does not exceed the prescribed eight-fold amount of own funds;
- The Bank does not have any approved loans or other type of credit exposure for purchase of Bank's shares or any loan approved upon pledge of shares by the Borrower;
- The Bank does not have shares in other banks that have capital participation in the Bank larger than 5%;
- The Bank fulfills the standard required by Article 75 of the Banking Law for purchasing own shares of up to 10% of the nominal value of total shares, but the amount of the purchased own shares should not exceed the amount of unallocated profit;
- The Bank's property in buildings, land, equipment and capital parts in other banks, non-banking financial organizations and non-financial institutions is 16.54% of the own funds, and is within the prescribed limit of 60% of the own funds;
- The aggregate amount of capital parts with non-financial institutions is 1.03% of the Bank's own funds compared to the prescribed 30% of the Bank's own funds;
- The Bank does not control any non-financial institution;
- The Bank fulfills the obligation for mandatory reserve requirement in MKD and FX according to the prescribed Methodology by NBRNM;
- The open FX position of the Bank (daily open FX position) is within the prescribed 30% of the Bank's own funds;
- The Bank fulfills the standard of the Law on Trade Companies according to which the percentage of allocation of part of the net profit in mandatory general reserve of the Bank cannot be lower than 5% of the profit, until the reserves reach an amount equal to one tenth of the common equity capital.

VI. CORPORATE LENDING

In the field of lending to legal entities, the Bank continued to provide credit funds to companies in support of their operations while respecting the principles of profitability, efficiency and security of placements, as well as taking acceptable credit risk.

In the reporting period, the Bank adopted the Credit Policy and Procedures, as well as the Procedures for identifying risks related to climate change in the process of approving and monitoring credit exposures to legal entities in the Bank.

1. Denar loans

As at December 31, 2024, the share of short-term denar loans in the total used loans is 67%, while the share of used long-term loans is 33%. The number of loan files on the basis of disbursed short-term denar loans is 2,068 in the total amount of MKD 30,714.8 million, and

notes an increase in value by 10.5% compared to 2023, while the number of loans on the basis of disbursed long-term loans is 907 in the amount of MKD 15,133.3 million, and notes an increase in value by 91.7%.

In 2024, the Bank approved one new loan from the credit line of the Agricultural Credit and Discount Fund (ACDF-IFAD 2) in the total amount of MKD 5 million, MKD 4 million of which are funds from IFAD 2 and MKD 1 million are funds from Komercijalna Banka AD. The loan has been fully utilized. Additionally, during the reporting period, a new loan in the amount of MKD 12 million was included in the portfolio guarantee from the Guarantee Fund of DBNM.

From the Program for interest rate subsidies on loans granted to companies that reinvest profits, the EBRD SME Competitiveness Support Program (CSP2), and the EBRD Sustainable SME Reboot Program in 2024, the Bank has not approved any new loans. Likewise, no new approvals have been made under the signed Memorandum of Cooperation with the Fund for Innovations and Technological Development (FITD).

Additionally, from the credit line for commission work through DBNM within the framework of the Project for Self-Employment with Lending and the Project for Lending to Legal Entities (Micro and Small Enterprises) for Opening New Jobs, in the period 01.01.-31.12.2024, 8 loans were approved in a total amount of MKD 4.2 million.

2. FX loans

In the reporting period, the Bank continued to approve FX loans from the funds of foreign credit lines and FX loans from the Bank's resources:

In the period 01.01-31.12.2024, the Bank approved loans under the Program for financing projects for digitalization and digital transformation, energy efficiency and renewable energy sources (DIG/EE/RES) through DBNM, as well as under the EIB VII Program for financing small and medium-sized enterprises, mid-cap enterprises, and green transition. Funds were utilized both from loans approved during the reporting period and from loans approved in the previous year under the mentioned credit lines.

- Under the EIB VII credit line, 6 loans were approved in an amount of 5.5 million euros, and 9 loans were utilized in an amount of 11.4 million euros;
- Under the Program for financing projects for digitalization and digital transformation, energy efficiency and renewable energy sources, 3 loans were approved in an amount of EUR 0.8 million, while 4 loans were utilized in an amount of EUR 1.1 million.

In 2024, the Bank signed a Framework Agreement for participation in the credit line for green and socially responsible investments with funds provided by the French Development Agency in the amount of EUR 50,000,000. A Loan Agreement was also concluded with EBRD for participation in the Green Finance Facility Program in the amount of EUR 4,000,000.

In the reporting period, the Bank performed regular administration of already approved FX loans for principal and interest liabilities from EIB credit lines and EBRD credit lines and from the credit line for digitalization and digital transformation projects, energy efficiency and renewable energy sources from DBNM.

In the period 01.01-31.12.2024, the Bank has approved a total of 30 FX loans from its own funds in the total amount of EUR 46.4 million, while a total of 32 loans in the amount of EUR 46.6 million were utilized.

3. Denar guarantees

Within the denar operation with legal entities, the Bank issues payment and performance denar guarantees. In 2024, the Bank issued 4,237 guarantees in a total amount of MKD 7,208 million, whereby the number has decreased by 5.2% and the value has increased by 57.1%.

During the reporting period, the Bank issued 22 electronic bid bonds for participation in auctions in the total amount of MKD 29.7 million, compared to 35 electronic bid bonds and one Annex to an electronic bid bond in the amount of MKD 35.2 million during the same period last year.

4. Collection of problem claims from legal entities

The Bank undertakes intensive activities aimed at improving the process of managing problem claims, more efficient collection and faster resolution of problem placements, which will result in improvement of the quality of the loan portfolio.
During the reporting period, the measures and activities undertaken for collection of claims from clients - legal entities having problem loan status, i.e. clients against whom a forced collection process has been initiated, resulted in collected claims in a total amount of MKD 530.7 million, out of which: MKD 105.6 million i.e. 19.9% are collected claims from balance sheet records (MKD 96.3 million collected claims on principal debt and MKD 9.3 million collected non-performing interest) and MKD 425.1 million i.e. 80.1% are collected claims from off-balance sheet records. Out of the total collected balance and off-balance sheet claims, 84.8% are cash collections and 15.2% are foreclosures.

VII. INTERNATIONAL TRADE INSTRUMENTS

During 2024, the number of issued foreign exchange guarantees has reduced by 3.7% compared to 2023, but it has increased in value by 5.4% (foreign exchange guarantees were issued in an amount of EUR 11.8 million in 2024 compared to EUR 11.2 million in 2023). The number of received foreign exchange guarantees decreased, but the value recorded an increase by 17.6% (in 2024, the Bank received foreign exchange guarantees in an amount of EUR 17.4 million compared to EUR 14.8 million in 2023).

In terms of the Bank's L/C operations, the opened import L/Cs in the amount of EUR 29.7 million note an increase in value by 49.2%, and the accepted export L/Cs in the amount of EUR 18.9 million note an increase in value by 51.2%.

The export documentary collections recorded a decrease in value by 70.1%, while the import documentary collections recorded a decrease by 96%.

In the reporting period, same as in 2023, the Bank did not purchase any accounts receivables based on export invoices (factoring).

During 2024, the Bank continued to perform forfeiting of receivables under export – trade operation instruments. A total of 10 forfeiting transactions were completed in a total amount of EUR 238.5 thousand, as opposed to 2 forfeiting transactions in a total amount of EUR 39.2 thousand completed last year.

VIII. PAYMENT OPERATIONS WITH LEGAL ENTITIES

In 2024, there is an upward trend in the total number and value of processed transactions.

- During 2024, the number of **newly opened** MKD accounts of legal entities[14] increased by 3.2% compared to 2023, while the number of newly opened FX accounts increased by 2%. The total number of closed MKD accounts on various grounds has decreased by 9.5%. Out of the total number of closed accounts, 178 accounts were closed by a Decision of a competent authority, 468 were terminated on the basis of the Law on Trade Companies (due to bankruptcy, liquidation, lack of submission of final balances, etc.), 1,263 on the basis of written request (trade unions, tenants association), 31 on the basis of the Law on Payment Services and Payment Systems (due to inactivity and in accordance with the internal procedures), 4 on the basis of unilateral termination of the Agreement and 101 accounts were closed due to other reasons. In regards to other activities, the Bank acted upon 3,909 written requests regarding MKD current accounts, as well as upon 1,102 written requests regarding FX current accounts, all in relation to status and other data changes of legal entities; the Bank has distributed 33,508 forced collection decisions, where account blocking was initiated for 68% of client accounts. Compared to last year, decisions for forced collection recorded an increase by 7.9%;
- The number and value of the **processed transactions** of legal entities recorded an increase mostly due to the increased non-cash electronic transactions and transactions realized via the mBankaCo application. Within the total number of non-cash transactions, 56% were processed through internal clearing, 41% through KIBS and 3% of the orders were processed through MIPS. Within the cash transactions of legal entities, cash in transactions account for 94%, while cash out transactions represent 6%. In terms of payment of salaries and other personal income, the Bank processed 174,869 transactions per folio number of legal entities, with 83,762 transactions processed at the Bank's counters, while 91,107 transactions processed through the e-banking service;
- In the analyzed period, there is an increase in the volume and type of transactions for which customers use the Internet banking services, with a continuous growth of the number of e-banking users (23,376 users compared to 21,462 in 2023). The number of registered users of the mobile application mBankaCo, as at 31.12.2024 has increased by 21% (7,987 registered users compared to 6,587 in 2023). Out of the total processed electronic transactions, 332,882 transactions were executed through the mobile application mBankaCo, against 274,668 transactions realized in 2023, which is an increase by 21.2%. As at 31.12.2024, the ATM cash-in service using a Visa Business Debit card has been used on average by 550 legal entities on a monthly basis. Based on this service during 2024, a total of 74,074 transactions were realized with a total value of MKD 2,206.9 million compared to 55,355 transactions with a total value of MKD 1,434.0 million during 2023;
- The total processed FX operations for legal entities in 2024 amounted to EUR 4,661.6 million and note an increase compared to 2023 by 7.0%, while the number of transactions is 203,354 and notes an increase by 5.4%;
- The realized activities within FX e-banking in the period 01.01-31.12.2024 have increased in relation to: the total number of new users (legal entities) by 8.2%, the total number of active users (legal entities) by 12.9%, the number of new subscriptions for

[14] MKD accounts of legal entities and donation accounts of individuals.

foreign exchange market for legal entities by 16.9%, and the number of executed payment orders during the year by 7.7%.

IX. LIQUIDITY AND FINANCIAL MARKET

1. Denar and fx liquidity

In the course of 2024, the Bank maintained its ***denar liquidity*** at a level that enabled smooth realization of the financial activities and fulfillment of the legal and client obligations. ***Foreign currency liquidity*** and currency structure was maintained with consistent adherence to the limits prescribed for determination and quantification of the open FX position. Pursuant to the Decision on mandatory reserve requirement, the Bank fulfills the mandatory reserve in euros if the daily balance of the Bank's allocated assets on the fx account of the National Bank abroad is at least equal to 85% of the calculated mandatory reserve in euros, and the average daily balance of the allocated assets of the Bank on the fx account in MIPS for the maintenance period is at least equal to 15% of the calculated mandatory reserve in euros.

Within the reporting period, NBRNM adopted amendments to the Decision on mandatory reserve requirement with the purpose of promoting the use of the denar in the domestic economy.[15]

In the reporting period, the average balance of term deposits in foreign banks notes an increase compared to 2023, while the average balance of current accounts in foreign banks and term deposits in domestic banks has decreased.

The Bank invested the excess of liquidity assets in treasury and government bills, available deposits at NBRNM and short-term deposits abroad. In this period, the Bank did not use loans from other banks, did not execute repo transactions and did not place MKD deposits in domestic banks.

2. Securities operations

- In the period 01.01-31.12.2024, the Bank continued to participate in the auctions for treasury bills issued by NBRNM and government bills issued by Republic of North Macedonia. The value of subscribed treasury bills on behalf of and for the account of the Bank noted a decrease by 13.4% compared to 2023, while the value of the subscribed government bills on behalf of and for the account of the Bank noted a decrease by 41.4%;
- The Bank’s investments in financial assets measured at fair value through other comprehensive income as at 31.12.2024 amount to MKD 65.0 million, and are comprised of investments in shares issued by domestic financial entities and investments in foreign financial entities;
- The Bank's investments in equity securities at fair value through profit or loss, which consist of shares issued by domestic non-financial legal entities as at 31.12.2024 are in the amount of MKD 180.8 million and have increased compared to 2023 as a result of a larger amount of purchased vs. sold shares;
- The amount of investments in debt securities which comprise of structural government bonds for denationalization, continuous government bonds in denars and with a currency clause, Eurobonds in foreign currency, corporate bonds in denars, and government bonds from non-residents as at 31.12.2024 is MKD 34,533.6 million, which represents an increase by 32.5% compared to 2023. The increase is due to a larger amount of purchased as opposed to matured continuous government bonds,

[15] For further information, please refer to Chapter I of the Report.

purchased Macedonian Eurobonds and new placements in government bonds issued by non-residents;

- In 2024, the Bank retained its investments in stakes in investment funds. The share of stakes as at 31.12.2024 amounts to MKD 375.0 million and is comprised of stakes in KB Invest – Open Investment Fund Balanced in the amount of MKD 13.8 million and in KB Invest – Open investment fund – Cash in the amount of MKD 361.2 million. Both note an increase compared to 31.12.2023 due to objective value estimation;
- As at 31.12.2024, the Bank has investments in the associated company KB Prvo Penzisko Drushtvo for pension fund management AD Skopje in the amount of MKD 422.4 million, which note an increase as a result of the net positive effect on the basis of dividend paid and recorded share in the profit of the associate using the "method of principal";
- As at 31.12.2024, the Bank has investments in the subsidiary KB Invest – Investment fund management company AD Skopje in the amount of MKD 50.9 million.[16]
- In the period reported, the Bank purchased a higher amount of government bills and government bonds on its behalf and for the account of clients, due to the attractiveness of the interest rates which remained at a relatively high level also during 2024;
- During the reporting period of 2024, the trading at the Macedonian Stock Exchange was characterized by a significant increase of the total turnover by 190.2%. The MBI10 index at the end of December 2024 increased by 66.78% compared to December 2023. Analyzed by the number of total transactions, the shares of Komercijalna Banka were traded the most, followed by shares of Alkaloid AD Skopje, NLB Banka AD Skopje, Stopanska Banka AD Skopje and Makpetrol AD Skopje. The realized turnover of the Bank noted a significant increase by 164.2%. Most of the total realized turnover of the Bank during 2024 (85.6%) was realized through classic trading, while the remainder (14.4%) was realized through block transactions;
- Pursuant to the provisions of the Law on Foreign Exchange Operations, in the period January-December 2024, the Bank settled 1,491 transactions on foreign stock exchanges for residents in a total amount of around MKD 974 million[17], while in 2023 it settled 620 transactions on foreign stock exchanges for residents in a total amount of around MKD 949 million;
- The sole shareholder with qualified majority is the legal entity Adora Engineering DOOEL Export-Import Skopje which exceeds the threshold of 5% of the total issued shares of Komercijalna Banka AD Skopje, and as at 31.12.2024 - along with its related entities - has a participation of 14.992% in the total number of issued shares. In the reporting period, a total of 134,586 ordinary shares were traded, compared to 126,807 shares traded during the same period last year. The average price at which the Bank's shares were traded in the period 01.01-31.12.2024 was MKD 21,070, as compared to MKD 12,471 in 2023;
- One of the main priority objectives set by the Development Plan of the Bank for the period 2024-2026 is "Maintenance of the capital value and its increase, through a policy of further allocation of a significant part of the net profit in reserves, thus providing a capital adequacy ratio that would correspond to the planned activities". Based on this objective, in its Program of Business Policy Measures and Activities for 2025 the Bank has defined the Dividend Payout Policy, which will be calculated as a percentage of the realized net profit for the year, taking into account the fulfillment of the total capital requirements prescribed by NBRNM. Thus, the calculated dividend payment percentage will range from 40%-70% of the net profit for the year. When setting this internal operating principle of the Bank for 2025, the results of the process for determination of the internal capital have been taken into account, according to which the Bank possesses excess capital and there is no need to prepare a capital

[16] In June 2024, as a result of a change in the ownership structure, approval was obtained from the Securities and Exchange Commission for an amendment to the statute, changing the company's name from KB Publikum Invest AD Skopje to KB Invest AD Skopje.

[17] Includes the number and amount of transactions realized via the IBKR and CAPMANN trading platforms

plan. In the past period, Komercijalna Banka has regularly been paying dividends to its shareholders, whereby the proposed gross amount of dividend per share for 2024 is MKD 1,250.00;

- On March 27, 2024 the Bank held its regular annual General Meeting of the Bank's Assembly, whereby it adopted the Decision on appropriation and allocation of the unallocated profit gained as at 31.12.2023 and the Decision on determining the amount of the dividend and dividend payment dates for 2023. According to the Decisions, on 25.04.2024 the Bank paid the dividend for 2023 to shareholders holding ordinary shares which are recorded in the Shareholders Book on 11.04.2024. Out of the total calculated dividend for 2023 in the amount of MKD 2,073,950,970.00, legal entities were paid a dividend in the amount of MKD 1,060,754,240.00, while individuals were paid the amount of MKD 1,013,196,730.00. The amount of dividend per share was MKD 910.00, i.e. 91.0% of the nominal value of the share.

3. Custodian activities and Custodian/Depository bank

- In accordance with the provisions of the Law on Securities, as at 31.12.2024, the Bank has 14 concluded agreements for performing securities custody operations with non-resident clients, out of which 13 are legal entities and 1 is an individual client. Based on these agreements, the Bank manages a total of 26 portfolios with a total market value of MKD 811.2 million, representing an increase by 33.8% compared to the same period last year;
- In the reporting period, the Bank continued to provide *bank-custodian* services for the assets managed by Triglav Pension Company AD Skopje and WVP Pension Management Company AD Skopje. The total value of the assets in the three[18] pension funds as at December 31, 2024, is MKD 13,016 million, representing an increase by 46.7% compared to 2023;
- The Bank also continued to operate as a *depository bank* to 13 investment funds managed by KB Invest AD and WVP Fund Management AD Skopje, with a total net asset value of MKD 15,236 million as at 31.12.2024, representing an increase by 47.2% compared to 2023.

4. FX market and fx trading

The realized turnover on the FX market of the Bank notes an increase by 7.1%, while the total turnover in FX trading has decreased by 4.6%.

X. VAULT OPERATIONS

In the reporting period, the total number of active safe deposit boxes rented to clients – individuals notes an increase. As at December 31, 2024, the Bank has 5,128 active safe deposit boxes rented to individuals, compared to 4,918 active boxes as at 31.12.2023. The number of active safe deposit boxes of clients - legal entities has increased and is 99 at the end of 2024, as compared to 2023, when it was 97. During the reporting period, the following significant activities were undertaken: installation of new safe deposit boxes, regular servicing of cash-in and cash-out ATMs, as well as the introduction of additional control procedures which resulted in increased cash handling; expansion of cooperation with the existing corporate clients by using cash transportation services; adjustment of work processes aimed at enhancing security, reducing operational costs, increasing productivity, and optimizing processes in terms of cooperation with other relevant organizational units within the Bank, as well as with external institutions.

[18] Triglav mandatory pension fund, Triglav voluntary pension fund and WVP voluntary pension fund.

XI. RETAIL BANKING

1. As at December 31, 2024, **household deposits** (including non-residents) reached the amount of MKD 108,084.3 million, which is an increase by MKD 7,838.2 million compared to December 31, 2023, i.e. 7.7%. In the reporting period, the number of newly opened MKD saving deposits books and cash deposits is 4,435 (3,501 new saving deposits books and 934 new cash deposits), and notes a decrease by 20.2% compared to the same period last year when 5,555 saving deposits books and cash deposits were opened (4,696 new saving deposits books and 859 new cash deposits). The number of newly opened FX saving deposits books, cash deposits and accounts (total for both residents and non-residents) is 12,100 compared to 13,867 in the same period last year, noting a decrease by 12.7%. Thereby, in the reporting period 4,412 new FX saving deposits books have been opened, 6,765 FX resident accounts, 225 FX non-resident accounts and 698 FX cash deposits.

2. The value of the total realized **domestic payment operations for individuals** is MKD 147,994 million, noting a decrease by 5.1% compared to 2023. Analyzed separately, non-cash transactions amounted to MKD 75,382 million, noting a decrease by 10.7%, while cash transactions amounted to MKD 72,612 million, noting an increase by 1.4%.

3. In 2024, the value of the total realized **international payment operations for individuals** reached the amount of EUR 309.5 million and notes a decrease by 1.2% compared to last year. Analyzed separately, total payments have increased by 31.8% in value, while collections have decreased by 11.9%. In regards to FX operations, the total realized turnover from purchase and sale of currencies amounted to MKD 5,509.9 million and notes an increase by 7.2% compared to 2023.

4. **The Bank's lending activities within the household sector** note an increase in the period 01.01-31.12.2024 compared to the previous period, as a result of the more significant increase of consumer loans and to a lesser extent of housing loans.

The total number of disbursed loans was 13,617 (compared to 11,212 in 2023) in the amount of MKD 9,567.4 million (compared to MKD 7,810.5 million in 2023).

The lending activity in the reporting period noted an accelerating dynamic encouraged by the ongoing decrease of the interest rates amid conditions of heightened competition, as well as due to the availability of modern digital tools when applying. When approving loans to households, the detailed credit analysis, the quality of collateral and the credit history of the clients were taken into consideration, with the goal of minimizing and timely identification of the credit risk, which is in accordance with the Bank's policy and long-term strategy for maintaining quality, sound and low risk credit portfolio.

During the reporting period, the Bank undertook the following more significant activities: signed a new agreement for the credit line Green Economy Financing Facility (GEFF) with the European Bank for Reconstruction and Development (EBRD) in the amount of EUR 3.5 million and began with loan placements; continued with the offer of life and non-life insurance loans through Triglav, as well as the loan through the intermediary Neptun; offered promotional periods in which the consumer and housing loans were approved under more favorable conditions without approval fees; the digital consumer loan through the One ID application has been introduced, which enabled the consumer loan to become more available to clients through several simple steps, without the approval of forms and an on-site visit; continued concluding new agreements and annexes for continuing the business collaboration with the existing construction companies, with the aim of financing the sale and enabling favorable conditions for the housing loans for the Bank's clients etc.

5. As at December 31, 2024, the total number of active **bank cards** is 283,766, noting an increase by 3.5% compared to the same period the previous year, while the number of newly issued cards amounted to 34,161 and has been decreased by 0.7%. During the reporting period, the Bank continued its activities for closing inactive and uncollected cards so that the costs for their reissuance would be decreased, and thereby a total of 24,042 cards were closed. During 2024, a total of 55,074 Gift cards (28,395 Gift cards for Skopje City Mall and 26,679 Gift cards for Skopje East Gate Mall) were sold with a total value of MKD 107.1 million. During this period, 1,088 new sales points with POS terminals were opened and as at December 31, 2024, the total number of sales points with POS terminals is 6,293, and the total number of active ATMs is 180. The number of active sales points with at least a single transaction in 2024 is 6,640.

The number and amount of card transactions issued by the Bank has increased by 14.4% and 15.7% respectively, and the number and amount of transactions realized on the Bank's sale network has increased by 27.1% and 18.2% respectively. The e-commerce transactions note an increase, as well as the cash-in payments on the ATMs.

6. In the period 01.01-31.12.2024, **payment accounts operations** registered the following dynamics: the number of active payment accounts has remained unchanged in relation to 2023, total inflows on payment accounts have increased by 8.0%, the number of companies that pay salaries to their employees has increased by 1.1%, the number of payment accounts receiving inflows under salaries has increased by 0.1%, the number of payment accounts receiving inflows under pensions has increased by 0.6%, while the total approved overdraft facility has increased by 4.2%. On the other side, the total amount of utilized overdraft facility has decreased by 0.6%, while the percentage of utilization of the overdraft facility has decreased by 1.3 percentage points. The Bank is increasingly emphasizing the development of alternative opportunities for customers in using their accounts' funds. In that direction, the use of electronic and SMS banking has increased. As at December 31, 2024, the Bank has registered a total of 220,045 Internet Bank users i.e. an increase by 7.2% compared to 2023, while a total of 1,897 SMS banking service subscriptions were granted to a total of 1,461 users and a total of 80,390 messages were sent. A total of 130,544 individual users have successfully installed the Bank's mobile banking application (compared to 111,973 users last year), with 22,136 of them having made a transaction; the total number of payment orders made through mobile banking in the reporting period is 857,287.

7. Regarding the **collection of overdue receivables,** the usual measures and activities were undertaken. In the analyzed period, the Bank issued around 1,522 warnings to users of payment accounts for debts overdue, 518 notifications, warnings and terminations of contracts with loan beneficiaries, and about 648 warnings and 288 terminations of contracts with credit card holders. In addition, 582 files on payment accounts, 90 files on loans and 305 files on cards were submitted to the Legal Affairs Department for the purpose of initiating forced collection procedures. In the reporting period, a total of MKD 130.3 million were collected from individuals through forced collection proceedings.

8. Apart from the ongoing activities with specifically segmented customer groups and the regular activities of the Bank's Contact Center, in the course of 2024, the **customer relationship management activities** included activities related to selling of the Bank's services and products, as well as their monitoring and tailoring to customer needs. Apart from serving regular clients from the segmented customer groups, the Bank cooperated on a continuous basis with clients who would like to officially receive the Bank's products and services in the future through personal bankers.

XII. MARKET SHARE OF KOMERCIJALNA BANKA AD SKOPJE IN TOTAL DEPOSITS AND LOANS

Table 12 - Participation[19] of Komercijalna Banka AD Skopje in the total deposits and loans in the banking system of the Republic of North Macedonia (in %)

		31.12.2023	31.12.2024
1	**Total retail deposits**	**28.3**	**26.8**
	- MKD	26.9	25.0
	- FX	29.6	28.8
2	**Total deposits from non-financial legal entities**	**21.5**	**21.3**
	- MKD	23.9	23.2
	- FX	16.5	17.3
3	**Total retail loans**	**10.5**	**11.0**
	- MKD	4.0	6.8
	- FX	18.2	16.1
4	**Total loans to non-financial legal entities**	**17.7**	**19.5**
	- MKD	21.2	21.6
	- FX	12.2	15.0
5	**Total deposits according to Monetary Statistics of NBRNM**	**25.7**	**24.6**
6	**Total loans according to Monetary Statistics of NBRNM**	**14.2**	**15.3**

XIII. INFORMATION TECHNOLOGY

In the course of 2024, the most significant ICT activities were related to the implementation of regulatory requirements like decisions and laws adopted by NBRNM and other institutions in RNM, introduction of new products, functionalities and the enhancement of automation processing in the processes.

- After the initial implementation of the **Decision on methodology for credit risk management and the new definition for non-performing loan exposures,** a series of amendments to the procedures and the application solutions have been performed.
- **For the needs of the Independent Compliance and AML Department,** for purposes of assessing the risk of ml/ft, several reports for the analysis of high-risk clients have been prepared, inflows and payments from countries with high AML risk, activities of clients who are holders of public office, changes in scenarios of several daily and monthly risk indicators.
- **In the Internet Bank and M-bank,** the following functionalities have been updated: push provisioning of cards in mBank through Entrust; blocking-unblocking of cards through mBank; change of Internet limits of business cards through mBankaCo Android; API endpoints for personalized informing through kb.mk in accordance with the Law on Payment Services and Payment Systems.
- Within the **applications for banking cards**, the following significant upgrades have been made: solution for activating a card with the first transaction at an ATM; solution for charging inactive e-commerce merchants; certification with MasterCard, Visa and Google in the section of Push provisioning of cards in Google Wallet via mBanka; enhanced authentication has been introduced for card-based payment transactions.
- A series of changes have been made to meet the **needs of the Bank's sectors,** adaptations of and amendments to the existing application solutions, new reviews are

[19] According to NBRNM Methodology – monetary statistics.

created and automatization of certain processes is performed with the aim of improving the work.

- In the framework of **maintaining and enhancing ICT security** and the regular system updates, an update has been made on the systems for scanning and vulnerability management Qualys VM within VMDR (Vulnerability Management Detection and Response), POL (Policy Compliance), Patch Management (PM) and WAS (Web Application Scanning). In accordance with this, Qualys POL (Policy Compliance) scanning has been made and reports were created for the critical systems regarding compliance with the accepted industrial standards for information security.
- A new Wi-Fi network has been implemented based on Cisco Meraki service, fully covering KB1 and KB2; an integration of the POS terminals for corporate clients with a payment application of their sale locations has been realized; a completely new modern room with a video wall for central monitoring of the security systems has been realized.
- A migration of the main servers for production databases of the Bank from version MS SQL 2014 EE to a new MS SQL SERVER 2022 EE database version has been realized. Comprehensive changes and adaptations of the banking applications for operation with the new base version have been made, etc.

XIV. MARKETING ACTIVITIES

The Bank performed its marketing activities within the determined budget for marketing and communication activities, and the budget for sponsorships and donations for 2024.

Throughout the year, the Bank realized several significant promotional campaigns and activities, the most important of which are the following:

- marketing campaign for the promotion of the housing loan, SMART loan through card, the new consumer loan though One ID, for KB packages (especially the Package for young people up to 29 years), as well as the campaign for Cineplexx cinema;
- promotional campaign for Visa credit cards for individuals, campaign for Visa business cards and for the new benefits of Visa Gold credit cards;
- communication campaigns for the shopping gift cards for the shopping malls Skopje City Mall and East Gate Mall;
- communication campaign for MasterCard Platinum premium credit card;
- activities regarding the corporate campaign for marking the 70th anniversary in 2025 are underway;
- activities for the launch of a campaign for promotion of new applications with a slogan „Modern, Simpler, More efficient“ are underway;
- a marketing research was conducted for a particular target group;
- a research study was conducted regarding the Bank’s positioning on the country’s market – individuals segment;
- activities regarding the creation of a brand new and modern design of the Internet Bank and the mobile applications mBank and mBankaCo are ongoing, which will be aligned with the new visual standards of the Bank’s brands;
- the following activities were promoted through the use of social media: existing and new products of the Bank; partnership with the Furniture Fair 2024, where the Bank presented its products and services through a separately branded expo space; the Bank’s socially responsible activities and the awards awarded to the Bank by international institutions and publications;
- the Bank’s ATMs, as one of the most important distribution channels, apart from their main function were also used for promotional purposes, i.e. advertisement messages from the current campaigns of the Bank were displayed and broadcasted on their monitors.

XV. COMPLIANCE OF THE BANK'S OPERATIONS, ANTI-MONEY LAUNDERING ACTIVITIES AND MANAGEMENT OF THE IT SYSTEM SECURITY

In the course of 2024, the Bank maintained operational compliance with the regulations, worked on preventing money laundering and financing of terrorism and managing the information system security and personal data protection, which enabled legal and compliant operations and protection against possible risks, enacted legal and regulative sanctions, risk of possible financial losses, deterioration of the Bank's reputation, etc.

3. In order to **ensure operational compliance**, the Bank regularly followed the newly adopted regulations, the amendments to the applicable regulations, as well as the draft-regulations, and notified all organizational units and the Bank's governing bodies thereof. The following are more significant activities that have been undertaken:
   - Interpretation of and providing opinions regarding the Law on Amending the Law on Securities, the Law on Financial Instruments, the Law on Prospectuses and Transparency Obligations for Securities Issuers, the Law on Amending the Law on Payment Services and Payment Systems, and the Decisions of NBRNM related to amendments to the methodology for credit risk management, capital adequacy, mandatory reserve, the content and functioning of the Credit Registry, and others;
   - Implementation and fulfillment of the obligations that are stipulated by the FATCA regulation;
   - Conducting regular controls on the fulfillment of the obligations in terms of timely delivery of reports, information and data to institutions outside the Bank; controlling the internal acts compliance and the response to complaints;
   - Timely informing of the Bank's bodies for the implementation of the compliance control function for the Bank's operations and the system for prevention of money laundering and financing of terrorism, etc.

4. For the purpose of **prevention of money laundering and financing of terrorism**, the Bank regularly followed and complied with the legal regulations in this area, and performed continuous control on their proper application, made improvements to the system for preventing money laundering and financing of terrorism, and actively cooperated with the correspondent banks and external institutions. In that regard, the following more significant activities were undertaken:
   - Regular monitoring of the publications by the European Council regarding the lists of high-risk countries and individuals subject to EU sanctions, as well as implementation of enhanced software controls and communication with the relevant organizational units;
   - Monitoring and analysis of entities and transactions categorized as high risk;
   - Activities were undertaken to ensure compliance with the NBRNM Decision on Implementation of Measures for Prevention of Money Laundering and Terrorism Financing;
   - An analysis was conducted on a client risk assessment report as of 31.12.2023, as well as an analysis of the data generated by the AML software solution, confirming that the Bank successfully controls the AML/CFT risk and minimizes it to the lowest level through the measures and actions it applies, etc.

5. In terms of **IT security management and personal data protection**, the following more significant activities were undertaken:
   - Regular annual revision on the IT Security Policy of the Bank, regular updating of the Plan for Continuity of Operations; the Bank also cooperated with NBRNM during the annual supervisory assessment of the IT SREP risks;
   - An analysis and assessment of the risks and the Bank's readiness level for coping with risks linked with threats in the digital space were conducted with the help of NBRNM's tool. Based on the acquired results, the Strategy for Managing Risks from Cyber

Attacks in the Digital Space was revised, along with the Action Plan for maintaining/achieving the required readiness level;
- A reassessment of personal data protection risks was conducted;
- Regular monthly access controls were carried out for authorized personnel with access to personal data;
- Regular security testing of the information system was performed, including scanning for vulnerabilities in IT systems and monitoring quantitative indicators for IT risk exposure;
- Management of registered security incidents and cooperation with relevant or involved external institutions;
- Review and alignment of internal acts, including testing new versions of the Business Continuity Plan, the Security Incident Management Manual, the Personal Data Protection System Policy, and updating the Personal Data Collections Catalog;
- To raise employee awareness of information security and personal data protection, an agreement was signed with a prominent company to use an advanced Learning Platform, and 500 licenses were purchased;
- The usual activities continued in the area of monitoring international standards, legal regulations, technological changes, etc.

6. In terms of **prevention and detection of frauds in the Bank**, the undertaken activities were primarily focused on preparing internal acts and identifying a systematic solution for establishing a centralized fraud detection and prevention process. In this regard:
   - A Fraud Detection and Prevention Policy was adopted in the Bank;
   - Scenarios and indicators for detecting and preventing internal fraud were developed for each organizational unit individually;
   - Through the DLP (Data Loss Prevention) solution, regular data analysis was conducted to determine the existence of any malicious activity, while the IBM Trusteer solution was used to analyze potentially malicious activities originating from end-users of electronic and mobile banking;
   - Preparation of a proposal for Key Risk Indicators for all organizational units within the Bank, etc.

XVI. ORGANIZATION AND PERSONNEL

The organizational chart of Komercijalna Banka AD Skopje is enclosed in Appendix diagram No.1.

As at December 31, 2024, the total number of employees is 972, 715 of whom located in the Head Office and the city branches in Skopje, and 257 in the branches throughout the Republic.

During 2024, the Bank continued to invest in the professional development of its employees. As at December 31, 2024, a total of 145 employees attended specialized trainings in various areas related to banking and finance, including trainings on ESG practices. Trainings to improve skills for working with computer software (tools) were attended by 83 employees. General trainings in leadership skills, emotional intelligence and sales skills were attended by 156 employees. Cash processing training was completed by 55 employees and 74 employees received training in health and safety at work. Internal training on personal data protection, information security and prevention of money laundering was organized for 55 new employees. Furthermore, 201 employees from the Independent Branch Network Management Department attended trainings in cashiers' operations, 31 employees participated in internal training on selling bank cards and 35 employees attended training to improve their sales skills. Throughout the year, employees were trained to perform their tasks in accordance with the Bank's security policy and the procedures, which aim to reduce the risk of human error, theft, fraud, misuse or loss. Specialized information security training was organized for employees

involved in operational and security risk related to payment services. The Bank's management attended trainings on the Bank's information system and the Law on Personal Data Protection, as well as training for employees for preventing money laundering and financing of terrorism. In addition, training sessions were held for the Bank's employees on information security and personal data protection, while for the Data Quality Management project, 11 workshops were conducted in 2024 with participation from employees across different units of the Bank.

During 2024, team building activities were organized for the Bank's higher management, as well as for 350 employees to enhance team spirit and improve interpersonal cooperation among different sectors.

Professional support and ongoing trainings were provided on performing inventory of the documentation and its registration with an archive sign and storage period in accordance with the Plan and the lists.

In the reported period, a total of 41 students completed their internships in the Bank.

XVII. INTERNAL AUDIT

The purpose of the Bank's internal audit as an independent organizational unit under the authority of the Supervisory Board and the Audit Committee, is to provide objective and independent assessment of the internal control system by measuring, monitoring and testing the adequacy of the controls, for purposes of ensuring effective performance of the working processes in accordance with the internal policies and procedures, the legislation, as well as with the Bank's Business Policy goals.

During 2024, the activities were focused on auditing the adequacy of controls in the Bank's internal control system for managing significant material risks to business processes, including credit risk, operational risk, AML/CFT risk, IT risk and liquidity risk. Thereby, 35 individual audits were realized, as well as self-evaluation of the internal audit function upon NBRNM's recommendation. Out of those 35 audits, 30 were realized in accordance with the Annual Work Plan for 2024 approved by the Supervisory Board (which envisaged 34 audits) and 5 additional audits, three of which for assessment of the implementation of the received recommendations from NBRNM, as well as two IT audits on the ICT setup of two branches.

As part of the routine activities and in accordance with the approved Annual Work Plan for 2024, comprehensive audits and controls were conducted at three branches of the Bank in Bitola, Gostivar and Strumica.

During 2024, in accordance with the Independent Internal Audit Department's Annual plan prepared on the basis of the conducted risk assessment of the IT processes, and upon consultation with the IT sector, IT audits were performed on the risks linked with digital space attacks that represent the most serious threats to the IT security and the Bank's continuous operations, and control and assessment were conducted of the Bank's compliance with the basic level of preparedness in accordance with the tool for self-evaluation of the risks linked with computer attacks in the digital space.

During the second and fourth quarters of 2024, the Internal Audit conducted control and assessment of the undertaken activities by the Bank's units for implementation of the recommendations received from NBRNM's Department for On-site Supervision. In accordance with the Program for Reassuring the Quality and the Advancement of the Function of the Internal Audit, a current continuous oversight and periodical self-evaluation of the

Internal Audit's work have been facilitated, in accordance with the requirements of the standards and the Code of Ethics of the internal audit.

The Bank's management bodies (Supervisory Board, Audit Board and Board of Directors) were regularly and in a timely manner informed about the implications and the more significant identified weaknesses that were discovered through the conducted audits.

Based on the performed individual audits during the course of 2024 providing the audit evidence based on conducted control of a representative sample of the audited material selected by random choice from all audited processes, the Internal Audit confirms the reasonable assurance that the Bank's internal control system is well designed and implemented for purposes of minimizing the significant material risks that are typical for the banking operations, and geared towards efficient and consistent implementation of the legal regulations and the Bank's business policy.

XVIII. FINANCE DEPARTMENT

During 2024, in addition to the regular activities in the area of financial operations, continuous consultations were carried out at a Bank's level for proper change and amendment of the accounting procedures for specific business processes, for every change and amendment of specific policies regarding material finance operations, for appropriate application of the international accounting standards and the international standards for financial reporting, and for appropriate application of the laws regarding fiscal regulation, as well as an assessment and finalization of some of the application solutions that are in the scope of the material finance operations and financial reporting, etc.

XIX. BRANCH NETWORK MANAGEMENT DEPARTMENT

Within the activities for managing the branch network, in the course of 2024 the following significant activities were realized:

- Opening of 6 new digital 24/7 zones, equipped with ATMs and the latest digital kiosks at the premises of the completely renovated Bank's locations in Prilep, Kumanovo and Strumica and the city-branch Ilindenska in Tetovo, as well as in Skopje within the Avtokomanda and Drachevo city-branches;
- Closing of three smaller city-branches - two in Skopje – Cheshma and Lisiche and in Obleshevo, due to optimization and rationalization of the operations;
- Renovation and modernization of the counter premises on 7 locations: the branches in Prilep, Kumanovo and Strumica, the city-branches Ilindenska in Tetovo and in Skopje – Drachevo (due to dislocation to a long-term location), Avtokomanda and Novo Lisiche;
- Reorganization of the duties for the city-branches in Skopje through the definition of three areas and managers whose aim is organization and monitoring of the employees in their respective area. Through their continuous presence in the city-branches, the employees are constantly trained for certain weaknesses, their work is directly monitored and the realization of the assigned tasks and a follow-up assessment is objectively performed regarding their engagement;
- Increased presence among existing clients through regular business visits with the aim to strengthen business relationships and collaboration, by presenting the Bank's current products and services;
- Completion of the installation of the system for implementing waiting queue in all of the Bank's branches;
- Setting sales targets for individual products, continuous monitoring and encouragement of increased sales activities;

- Implementation of new system solutions to improve work processes, and supplementing and improving the existing application reporting forms for the work processes of the network of branches and city-branches;
- Continuous training of employees to involve them in activities to increase sales, including training conducted by KB Prvo Penzisko Drushtvo for authorized licensed agents, internal and external training to improve and strengthen sales skills;
- Continuous training of employees with the aim of increasing quality of service and familiarization with the processes, products and product options that are offered by the Bank;
- Motivating employees with the support of our Awards and Acknowledgments Program;
- Regular activities for coordination, support, logistics, planning, informing and harmonization of the working processes among the Head Office and the remaining organizational units, branches and city-branches of the Bank, and finalizing the centralization of the accounting and operational activities from the branches through the appropriate departments in the Head Office of the Bank, etc.

XX. CORPORATE GOVERNANCE REPORT

1. Structure and performance of the Bank's bodies

In the course of 2024, the Bank performed its activities through the Bank's bodies: Shareholders Assembly, Supervisory Board, Board of Directors, Risk Management Committee, Audit Committee, Credit Committee and Information Technology Committee.

1.1. Shareholders Assembly

As at December 31.2024, the Bank has a total of 6,498 shareholders. Within its competencies, the Shareholders Assembly performs all activities determined by the legal regulations and the Bank's Statute. In the reporting year, the Assembly held one meeting on March 27, 2024 at which it adopted the Separate and Consolidated Financial Statements of Komercijalna Banka AD Skopje for 2023, audited by an audit company, adopted the Bank's Annual Account for 2023, reviewed and adopted all reports and proposed materials for the Bank's operations in 2023 and adopted a Decision for naming of members of the Supervisory Board: Aleksandra Maksimovska Stojkova, independent member; Vancho Chifliganec, member; Goran Antevski, member; Sasho Naumoski, member; Petar Tegovski, independent member; Ivana Milkovska Simeva, member; and Fatmir Etemi, member.

1.2. Supervisory Board

From 01.01.2024 to 20.05.2024, the Supervisory Board operated with the following composition of 7 members – Sava Dimitrova, independent member and President, Taki Fiti, Vice-President, Goran Antevski, member, Sasho Naumoski, member, Aleksandra Maksimovska Stojkova, independent member, Vancho Chifliganec, member, and Fatmir Etemi, member.

From 29.05.2024 to 31.12.2024, the Supervisory Board operated with the following composition of 7 members – Aleksandra Maksimovska Stojkova, independent member and President[20], Vancho Chifliganec, Vice-President[20], Goran Antevski, member, Sasho Naumoski, member, Petar Tegovski, independent member, Ivana Milkovska Simeva, member, and Fatmir Etemi, member.

[20] According to a Decision by the Supervisory Board adopted on 04.06.2024.

Table 13 – Members of the Supervisory Board of Komercijalna Banka AD Skopje

	Aleksandra Maksimovska Stojkova, independent member and President as of 29.05.2024
Age	50
Gender	female
Profession	Professor at Iustinianus Primus Faculty of Law, Ss. Cyril and Methodius University, Skopje
Data for material compensations and other rights under work agreements	MKD 1.5 million (gross) annually
Citizenship	Macedonian
Date of first nomination	23.03.2016
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 110% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Sava Dimitrova, independent member and President up to 20.05.2024
Age	75
Gender	female
Profession	retired
Data for material compensations and other rights under work agreements	/
Citizenship	Macedonian
Date of first nomination	22.03.2006
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 110% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Vancho Chifliganec, member and Vice-President from 29.05.2024
Age	70
Gender	male
Profession	Manager of the construction company “Adora Engineering” DOOEL Skopje
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of “Adora Engineering“ DOOEL
Citizenship	Macedonian
Date of first nomination	30.07.2018
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 105% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months

	Taki Fiti, member and Vice-President up to 20.05.2024
Age	74
Gender	male
Profession	Retired, Member of MASA (Macedonian Academy of Science and Art)
Data for material compensations and other rights under work agreements	/
Citizenship	Macedonian
Date of first nomination	22.03.2006
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 105% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Petar Tegovski, independent member
Age	56
Gender	male
Profession	Member of the Board of Directors of Galeb AD Ohrid
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Galeb AD Ohrid
Citizenship	Macedonian
Date of first nomination	27.03.2024
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Member of the Supervisory Board of Ineks Gorica AD Ohrid
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Ivana Milkovska Simeva, member
Age	47
Gender	female
Profession	Deputy General Manager of the construction company Granit AD Skopje
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Granit AD Skopje
Citizenship	Macedonian
Date of first nomination	27.03.2024
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Member of the Supervisory Board of Granit AD Skopje
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months

	Goran Antevski, member
Age	52
Gender	male
Profession	Manager in Rade Konchar TEP
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Rade Konchar TEP Transformers and Electrical Installations
Citizenship	Macedonian
Date of first nomination	23.03.2016
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Fatmir Etemi, member
Age	59
Gender	male
Profession	Manager of ZSF KOM DOOEL Skopje
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of ZSF KOM DOOEL Skopje
Citizenship	Macedonian
Date of first nomination	17.09.2018
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Member of the Supervisory Board of Skopski Pazar AD Skopje
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Sasho Naumoski, member
Age	56
Gender	male
Profession	Chief Executive Officer of Vitaminka AD Prilep
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Vitaminka AD Prilep
Citizenship	Macedonian
Date of first nomination	23.03.2016
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months

The members Aleksandra Maksimovska Stojkova and Petar Tegovski are independent members of the Supervisory Board[21]. For the selection of independent members, all criteria for independency determined by the Banking Law were complied with. Independent members

[21] Sava Dimitrova was an independent member up to 20.05.2024

and persons related thereto are neither employees nor persons with special rights and responsibilities in the Bank, they are not shareholders with qualified participation in the Bank and are not proxies of a shareholder with a qualified participation in the Bank, they are not, and have not been employed in an audit company in the past 3 years, which in that period audited the Bank's performance, and in the past 3 years did not have a material interest or business relation with the Bank in the amount which in average exceeds MKD 3,000,000.00.

- Aleksandra Maksimovska Stojkova participated in 10 meetings during 2024;
- Sava Dimitrova participated in 6 meetings during 2024;
- Vancho Chifliganec participated in 9 meetings during 2024;
- Taki Fiti participated in 4 meetings during 2024;
- Petar Tegovski participated in 4 meetings during 2024;
- Ivana Milkovska Simeva participated in 4 meetings during 2024;
- Goran Antevski participated in 10 meetings during 2024;
- Fatmir Etemi participated in 10 meetings during 2024;
- Sasho Naumoski participated in 9 meetings during 2024.

At the 10 regular meetings held and by means of written consent of the members in between the meetings, in the course of 2024 the Supervisory Board passed the following: 90 decisions, 12 policies (policies and amendments to policies), 2 strategies, 4 plans, 1 program, 1 methodology, reviewed 35 information, 71 reports, 2 stress-tests, 16 reviews and other ongoing matters under its competence.

The Supervisory Board debated on vital questions regarding the Bank's operations, conducted monthly reviews of the liquidity and the economic and financial situation, and undertook necessary measures for protection of the Bank's capital and for collection of non-performing loans.

The Supervisory Board of the Bank adopted several decisions, policies, methodologies and other matters within its competence: it approved the Annual and Semi-Annual Report on the Bank's operations, the Program of Measures and Activities for 2024, the Development Plan for the period 2024-2026, reports on the work of the Risk Management Committee, reports on audits conducted by the Internal Audit Department, reports from the Independent Compliance and AML Department regarding the Bank's operations with regulations and anti-money laundering, as well as other information and reports within its competence. The Supervisory Board made decisions on the establishment of a Committee for Selection and Dismissal of Supervisory Board Members, a Committee for Establishment and Implementation of the Remuneration Policy, and Decisions on the appointment of members of the Board of Directors of Komercijalna Banka AD Skopje, members of the Audit Committee of Komercijalna Banka AD Skopje, and other bodies of the Bank. Additionally, in 2024, the Supervisory Board adopted a Decision to conduct a due diligence process to define a proposal for the merger of Stopanska Banka AD Bitola into Komercijalna Banka AD Skopje, as well as a Decision to define a proposal and submit a bid for acquisition of all ordinary shares issued by Stopanska Banka AD Bitola.

The Board for Election and Dismissal of Members of SB, RMC, AC and BOD and a Board for Establishing and Implementing a Remuneration Policy were composed of members of the Supervisory Board.

1.2.1. Board for Election and Dismissal of Members of the Supervisory Board, Risk Management Committee, Audit Committee and Board of Directors

Members up to 20.05.2024:
1. Taki Fiti, President;
2. Sava Dimitrova, Member;
3. Goran Antevski, Member.

The Board was established by the Decision of the SB on 22.05.2020, and the mandate of the members lasts until the expiry of the mandate of SB members - 20.05.2024.

New members:
1. Aleksandra Maksimovska Stojkova, President;
2. Vancho Chifliganec, Member;
3. Petar Tegovski, Member.

The Board was established by the Decision of the SB on 04.06.2024, and the mandate of the members lasts until the expiry of the mandate of SB members - 28.05.2028.

Competencies:
- Implements the Policy on the manner and procedure of election, monitoring of the operation and the manner and procedure for dismissal of the members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and Information Technology Committee of Komercijalna Banka AD Skopje;
- Reviews the proposals submitted by the shareholders and/or the organizational units in the Bank for the candidates for members of the Bank's bodies, elects the candidates that meet the criteria for members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and the Information Technology Committee, and proposes them to the Bank's competent body for adoption;
- The monitoring of the operations of the Bank's bodies is performed through reports on the performance of the Bank's bodies, which, in accordance with the Bank's regulations and internal acts, have to be submitted to the higher body, on regular basis. Through its performance reports, the higher body monitors and controls the operation of the Bank's subordinate bodies;
- If determined that any of the members of the Bank's bodies ceases to meet one and/or more criteria for membership in the respective body, or operates contrary to the law and/or the Bank's Statute, the Board for election and dismissal submits a proposal for dismissal to the competent body that made the decision on appointing that member.

In 2024, the Board held 2 meetings (on 20.02.2024 and on 28.03.2024):
- Sava Dimitrova attended 2 meetings;
- Taki Fiti attended 2 meetings;
- Goran Antevski attended 2 meetings.

In 2024, the Board adopted 2 proposals for adoption of Decisions.

1.2.2. Board for Establishing and Implementing the Remuneration Policy

Members up to 20.05.2024:
1. Sava Dimitrova, President;
2. Taki Fiti, Member;
3. Fatmir Etemi, Member.

The Board was established by the Decision of the SB on 22.05.2020, and the mandate of the members lasts until the expiry of the mandate of the SB members - 20.05.2024.

New members:
1. Aleksandra Maksimovska Stojkova, President;
2. Goran Antevski, Member;
3. Fatmir Etemi, Member.

The Board was established by the Decision of the SB on 04.06.2024, and the mandate of the members lasts until the expiry of the mandate of the SB members - 28.05.2028.

Competencies:
- Implements the Remuneration Policy of Komercijalna Banka AD Skopje;
- When implementing the Remuneration Policy, the Board shall be guided by the following remuneration principles: (i) efficient remuneration management, (ii) efficient linking of remuneration to reasonable risk-taking, and (iii) efficient regulatory supervision and involvement of stakeholders;
  - The principle of efficient remuneration management is based on assessment of the employee's overall work achievements, i.e. the assessment obtained from various sources on the basis of continuous monitoring of the employee's performance, in particular: performance of tasks and achievement of goals, demonstrated competencies and commitment for learning and development;
  - The principle of efficient linking of remuneration to reasonable risk-taking is based on the criterion of reward being adapted to all types of risks;
  - The principle of efficient regulatory supervision and involvement of stakeholders implies that: the supervisory assessment of remuneration practices should be rigorous and sustainable, and the shortcomings should be eliminated immediately, conducting a transparent procedure and constructive involvement of all stakeholders.

In 2024, the Board held 2 meetings:

First meeting held on 20.05.2024, attended by the members:
- Sava Dimitrova;
- Taki Fiti; and
- Fatmir Etemi.

Second meeting held on 23.12.2024, attended by the new members:
- Aleksandra Maksimovska Stojkova;
- Goran Antevski;
- Fatmir Etemi.

In 2024, the Board adopted 2 proposals for adoption of Decisions.

1.3. Board of Directors

The Board of Directors is comprised of 5 (five) members with a mandate of 6 (six) years:
- Hari Kostov, Chief Executive Officer and President of the Board of Directors;
- Ilija Iloski, Chief Operative Officer and Member of the Board;
- Maja Stevkova Shterieva, Chief Finance Officer and Member of the Board;
- Biljana Maksimovska Popovikj, Chief Corporate Banking Officer and Member of the Board; and
- Nikola Dzambazovski, Chief Sales and Development Officer and Member of the Board.

The Decisions on appointment of members of the Board of Directors were adopted by the Supervisory Board of the Bank on 26.09.2022 and on 28.03.2024[22].

Table 14 – Data for membership in other managing and/or supervisory bodies of the members of the Board of Directors

	Data for membership in other managing and/or supervisory bodies
Hari Kostov	Is not a member of other managing and/or supervisory bodies
Ilija Iloski	Is not a member of other managing and/or supervisory bodies
Maja Stevkova Shterieva	Member of the Supervisory Board of KB Prvo penzisko drushtvo (1) and President of the Macedonian Banking Association (2). Data on compensations in other companies: (1) An average monthly net salary on a state level for participation in meetings of the Supervisory Board of KB Prvo Penzisko Drushtvo. (2) Without compensation.
Biljana Maksimovska Popovikj	Is not a member of other managing and/or supervisory bodies
Nikola Dzambazovski	Is not a member of other managing and/or supervisory bodies

Apart from the activities which were continuously performed in accordance with the Banking Law, the Bank's Statute and other Bank's acts, in the course of 2024, the Board of Directors passed 5,070 decisions on approving credit support and credit limits, guarantees and documentary instruments, as well as other decisions regarding products and services in accordance with the Bank's current offer, as well as decisions on procurement of working assets and equipment, decisions on selling fixed assets of the Bank, decisions for leasing real estate, etc.

In 2024, the Board of Directors also passed policies, guidelines, rules and procedures, methodologies, program and plans.

1.4. Risk Management Committee

The Risk Management Committee is comprised of 6 (six) members and 6 (six) deputy members with a mandate of 6 (six) years: Hari Kostov - President; Maja Stevkova Shterieva – Vice President; Antigona Bukleska Mladenovikj – member, Biljana Maksimovska Popovikj – member, Teodora Gushkova Prodanova – member and Nikola Dzambazovski – member. Deputy members of the Committee are: Tatjana Leskaroska Minoska, Emilija Kurtikj Jovanovska, Irena Zhivkovikj Zareva, Natasha Stoimenova, Sonja Ugrinovska Bojadzievska and Marina Momiroska.

[22] For purposes of extending the mandate of part of the members of the Board of Directors (Chief Operative Officer, Chief Corporate Banking Officer and Chief Sales and Development Officer).

Table 15 – Data for membership in other managing and/or supervisory bodies of the members of the Risk Management Committee

	Data for membership in other managing and/or supervisory bodies
Antigona Bukleska Mladenovikj	Is not a member of other managing and/or supervisory bodies
Teodora Gushkova Prodanova	Founder and Manager of the recreational Yoga company – Studio TAO TE DOOEL Skopje

The data for membership in other managing and/or supervisory bodies for Hari Kostov, Maja Stevkova Shterieva, Biljana Maksimovska Popovikj and Nikola Dzambazovski are given above.

All members and deputy members of the Risk Management Committee are elected from the persons with special rights and responsibilities, employed in the Bank; they fulfill the conditions prescribed by the Banking Law and have experience in the banking sector of at least 3 years.

The decisions on appointment of members of the Risk Management Committee were passed by the Supervisory Board on 22.02.2023.

In 2024, the Risk Management Committee held 72 meetings and with written consent by the members of the Committee, passed 267 decisions and 34 conclusions, reviewed 244 information, adopted 126 reports, 20 reviews and 2 analyses, reviewed and adopted 4 lists of persons associated with the Bank and lists of shareholders with qualified participation in the Bank and parties associated with them, passed 1 strategy, 1 methodology and adopted 12 instructions.

The Committee monitored the overall operations of the Bank, took care of the implementation of the policies and procedures for evaluation of loans and their managing, monitored the implementation of the credit policy and procedures and passed separate decisions on approving credit exposure to clients and their related parties, within the limits prescribed by the Decision of the Supervisory Board. The Committee decided on prolongation of the terms of maturity of the Bank's claims two or more times.

In the course of 2024, the Risk Management Committee considered and approved several materials and proposed them to the Supervisory Board for adoption by its jurisdiction. In accordance with the Banking Law and the Statute of the Bank, the Risk Management Committee submitted quarterly reports on its operations to the Supervisory Board.

1.5. Audit Committee

The Audit Committee is comprised of 5 (five) members with a mandate of 4 (four) years. In the procedure for nominating members of this Committee, the principle of transparency has been fully applied.

Until 20.05.2024, the members of the Audit Committee were Sava Dimitrova, Taki Fiti, Aleksandra Maksimovska Stojkova, Blazho Nedev and Gordana Gjorgjieva. Blazho Nedev and Gordana Gjorgjieva were independent members of the Committee. Blazho Nedev was President, and Gordana Gjorgjieva was Deputy President of the Audit Committee.

As of 04.06.2024, new members of the Audit Committee were appointed by the Bank's Supervisory Board. The members of the Audit Committee are Gordana Gjorgjieva, Atanasko

Atanasovski, Aleksandra Maksimovska Stojkova, Ivana Milkovska Simeva and Petar Tegovski. Gordana Gjorgjieva and Atanasko Atanasovski are independent members of the Committee. Gordana Gjorgjieva is President and Atanasko Atanasovski is Deputy President of the Audit Committee.

Table 16 – Data for membership in other managing bodies and/or supervisory bodies of the members of the Audit Committee

	Data for membership in other managing and/or supervisory bodies
Gordana Gjorgjieva	Is not a member of other managing and/or supervisory bodies
Atanasko Atanasovski	Is not a member of other managing and/or supervisory bodies

For Aleksandra Maksimovska Stojkova, Ivana Milkovska Simeva and Petar Tegovski (as well as for Sava Dimitrova and Taki Fiti from the previous composition[23]), the information regarding their membership in other management/supervisory bodies is provided in Section 1.2 of this Chapter.

When selecting the independent members of the Audit Committee, all criteria for independency determined by the Banking Law were complied with. Independent members and persons related thereto are neither employees nor persons with special rights and responsibilities in the Bank, they are not shareholders with qualified participation in the Bank and are not proxies of a shareholder with a qualified participation in the Bank, they are not, and have not been employed in the audit company in the past 3 years, which in that period audited the Bank's performance, and in the past 3 years did not have a material interest or business relation with the Bank in the amount that in average exceeds MKD 3,000,000.00.

In the course of 2024, the Audit Committee held 4 regular meetings and adopted the Separate and Consolidated Financial Statements of Komercijalna Banka AD Skopje for 2023 audited by the Audit Company, reviewed information on credit risk, reports on the operation of the Risk Management Committee and reports by the Internal Audit for the audits carried out in the course of 2024.

1.6. Credit Committee

The Bank's Credit Committee is comprised of 6 (six) members and 6 (six) deputy members with a mandate of 4 (four) years: Ilija Iloski – President, Maja Stevkova-Shterieva – Vice President, Gabriela Milenkovikj – member, Biljana Hadzi-Velkova – member, Lidija Jevtoska – member and Marijana Tanevska - member. Deputy members of the Committee are: Tatjana Leskaroska Minoska, Emilija Kurtikj Jovanovska, Elena Spirovska, Ana Nikoloski, Katerina Georgievska Markovska and Natasha Baljuk Ristovska.

The decisions on appointment of members and deputy members of the Credit Committee were passed by the Supervisory Board on 22.02.2023 and on 26.10.2023.

In the course of 2024, the Bank's Credit Committee held 53 meetings and passed a total of 1,352 decisions and 19 information with written consent by the members. At the meetings, the Committee considered and accepted a vast number of information, credit analysis, reviews and reports (monthly and quarterly) referring to procedures for forced collection of claims, claims collected from legal entities and individuals, statement of the placements to certain

[23] Data for membership in other managing and/or supervisory bodies for Blazho Nedev: President of the Association of Internal Auditors of RNM.

clients, clients classifications by separate risk categories with a plan of measures and activities, overdrafts on current accounts and MasterCard cards with a plan of measures and activities for their collection, etc. At the meetings and with written consent, the Credit Committee also considered and accepted draft-decisions under the competence of the Risk Management Committee and draft-decisions under the competence of the Supervisory Board of the Bank.

1.7. Information Technology Committee

The Information Technology Committee is comprised of 7 (seven) members and 6 (six) deputy members with a mandate of 4 (four) years. Members of the Committee are: Nikola Dzambazovski – President, Zorica Cherepnalkoska – Vice President, Ana Madevska Bogdanova – member, Jasminka Romanova Kotevska – member, Gabriela Milenkovikj - member, Iskra Toseva – member and Tatjana Leskaroska Minoska - member. Deputy members of the Committee are: Igor Bislimovski, Kiro Chadikovski, Marija Srbinovska, Katerina Avramovska, Biljana Adamcheska and Oliver Velkovski.

The decision on appointment of members and deputy members of the Information Technology Committee was passed by the Supervisory Board on 22.02.2023.

In 2024, the Information Technology Committee of the Bank held 2 meetings at which it passed 8 decisions.

2. Organizational structure of the Bank

The organizational structure of Komercijalna Banka AD Skopje and its subsidiary are attached in the Appendix Diagram No.1 and No.2 of the Annual Report.

3. Shareholders structure

As at 31.12.2024, the Bank has a total of 6,498 shareholders. As at 31.12.2024, the total number of issued shares is 2,279,067 ordinary shares. As at 31.12.2024, the total number of voting shares is 2,278,739 shares. ADORA Engineering DOOEL Skopje is a shareholder with qualified participation in the Bank. ADORA Engineering DOOEL Skopje owns 14.992% of the total number of issued shares and 14.995% of the total number of voting shares, as at 31.12.2024. Vancho Chifliganec is a member of the Supervisory Board of the Bank as a representative of a shareholder with qualified participation in the Bank.

4. Rights arising from shares

Owners of ordinary shares have the following rights:

1. Voting rights at the meetings of the Bank's Assembly;
2. Right on payout of part of the profit (dividend); and
3. Right on payment of share from the remaining part of liquidation or bankruptcy estate of the Bank.

Each voting share provides the right to one vote at the Bank's Assembly.

5. Application of the Corporate Governance Code

With the Corporate Governance Code of Komercijalna Banka AD Skopje and its amendments, the Bank has established the basic principles of corporate governance as a set of mutual relations between the Supervisory Board, Board of Directors, other persons with special rights and responsibilities that perform management functions in the Bank, the shareholders of the Bank and other stakeholders. The Code covers the obligatory elements defined in the Decision on good corporate governance rules for banks, passed by the National Bank (Official Gazette No. 24 as of 06.02.2018).

During its operation, the Bank fully adheres to the principles of corporate governance defined by the Code such as: guaranteeing the rights and interests of shareholders, transparency of the ownership structure, delegation of the responsibilities, regular and efficient control and audit, adherence to the regulations, ethical standards and practices, independence and objectivity and other defined principles.

The Bank's performance is complied with the provisions of the Corporate Governance Code related to the procedure of convening meetings of the Bank's Assembly, voting procedure, shareholders' rights, cooperation between the Supervisory Board and the Board of Directors, the type, terms and manner of delivering the information and documents from the Board of Directors to the Supervisory Board, and the manner of acting in situations where there is a conflict of interests.

The obligations, responsibilities and manner of performance of the Bank's bodies defined in the Code are fulfilled in whole by the members of the Bank's bodies. During their regular operation, members of the Bank's bodies adhere to the legal regulations, bylaws, the Statute of the Bank and other internal acts of the Bank.

6. Information and data related to the implementation of the Remuneration Policy of Komercijalna Banka AD Skopje

In order to harmonize with the provisions of NBRNM's Decision on good corporate governance rules for banks (Official Gazette of the Republic of Macedonia No. 24/2018), Komercijalna Banka AD Skopje has adopted an internal act - Remuneration Policy and Guidelines for implementation of the remuneration policy, and has formed a Board for Establishing and Implementing the Remuneration Policy comprised of 3 members of the Supervisory Board.

In the reporting period, the Board for Establishing and Implementing the Remuneration Policy held two meetings at which it reviewed a proposal for increasing the salaries of the employees of Komercijalna Banka AD Skopje according to the increase of the cost of living in 2024, and a Draft Decision for pay on the basis of business performance for 2024.

With the proposal for increasing the salaries of the employees of Komercijalna Banka AD Skopje in accordance with the increase of the cost of living in 2024, the salaries of the employees of the Bank have been increased as from May 2024.

With the Draft Decision for pay on the basis of business performance for the year 2024, the Bank determined the payment of performance-based salaries for members of the Board of Directors, persons responsible for control functions, persons with special rights and responsibilities, and the Bank's employees, as well as the reward for members of the Supervisory Board. The adopted Decisions do not jeopardize the fulfillment of the Bank's overall capital requirements in the upcoming period.

The Remuneration Policy is comprised of clear and transparent rules and criteria for determining the amount of the total remuneration, and in particular for a clear determination and distinction between the fixed and the variable part of the total remuneration of members of the Supervisory Board, the Board of Directors and other persons with special rights and responsibilities employed in the Bank, and other employees in the Bank.

The Guidelines for Implementation of the Remuneration Policy define the criteria on which the decisions for payment of variable compensation to employees and persons with special rights and responsibilities are based, as well as the criteria that determine the acceptable level of risk when making the decision for payment of remuneration in the Bank.

The total remuneration consists of a fixed and variable part. The fixed part depends on the description of the work position, i.e. the competences of the persons with special rights and responsibilities. The variable part depends on the long-term success in performance of the tasks, taking into account the level of risk assumed. The payment of the variable part does not limit the Bank's ability to strengthen its solvency position. The fixed part of the total remuneration is higher, meaning that on an annual basis, the variable part must not exceed 100% of the fixed part of the total remuneration paid to each employee or person with special rights and responsibilities. The remuneration policy does not provide for reimbursement in the form of shares.

The members of the Supervisory Board are entitled to remuneration for participation and work in the meetings in the amount determined by the Decision on their appointment. For the work of the members of the Supervisory Board, the Assembly may decide to approve a share in the profit.

The monthly remuneration - salary of the members of the Board of Directors is determined by a Managerial Contract. The payment based on business success of the members of the Board of Directors is a variable amount paid in accordance with the approved Decision of the Board on Establishing and Implementation of the Remuneration Policy by the Supervisory Board.

In the course of 2024, the Bank’s activities were managed by: 5 members of the Board of Directors, 7 members of the Supervisory Board[24], 6 members of the Risk Management Committee, 5 members of the Audit Committee[25], 6 members of the Credit Committee, 7 members of the Information Technology Committee and the management team, in accordance with the Bank’s organizational structure.

- In the reporting year, the members of the Board of Directors were paid a total gross amount of: MKD 134.7 million for salaries, successful performance pay, recourse, Christmas bonus, vocational training, managerial insurance and private health insurance, out of which MKD 74.3 million are fixed and MKD 60.4 million are variable part, in accordance with the Remuneration Policy;
- Two persons responsible for control functions were paid a total gross amount of MKD 7.5 million for salaries, successful performance pay, recourse, Christmas bonus, training compensation, managerial insurance and private health insurance, out of which MKD 5.0 million are fixed and MKD 2.5 million are variable part;
- A total of 51 persons with special rights and responsibilities (management team) were paid a gross amount of MKD 205.3 million for salaries, successful performance pay, recourse, Christmas bonus, severance, managerial insurance, vocational training,

[24] Two members of the Supervisory Board (Sava Dimitrova and Taki Fiti) performed their function from 01.01.2024 to 20.05.2024, and from 29.05.2024, they were replaced by new members (Petar Tegovski and Ivana Milkovska Simeva).
[25] Three members of the Audit Committee (Sava Dimitrova, Taki Fiti and Blazho Nedev) performed their function from 01.01.2024 to 20.05.2024 and as from 04.06.2024, they were replaced by new members (Petar Tegovski, Ivana Milkovska Simeva and Atanasko Atanasovski).

health examination, anniversary awards and private health insurance, out of which MKD 125.3 million are fixed and MKD 80.0 million are variable part;

- In total, all of the Bank's employees (including the BOD, persons responsible for control functions and the management team) were paid in the course of 2024 a total gross amount of MKD 1,455.1 million for salaries, successful performance pay, recourse, Christmas bonus, managerial insurance, severance, health examination, vocational and professional training, anniversary awards, financial assistance, additional pension contributions, private health insurance and other remuneration, out of which MKD 1,136.9 million are fixed and MKD 318.2 million are variable part. Taking into account the increase of the living costs, the inflation rate, the average net salary at the state level, at the level of financial sector and in the Bank, starting from May 1, 2024 the salaries of the Bank's employees have been increased in a total monthly gross amount of approximately MKD 5.8 million, which are distributed to the employees;
- The members of the Supervisory Board were paid a gross amount of MKD 5,616.2 thousand for attendance at meetings during 2024, MKD 566.7 thousand were paid to the members of the Audit Committee and MKD 26.7 thousand were paid to one external member of the Information Technology Committee, or a total of MKD 6,209.6 thousand were paid for attending meetings to the members of the three bodies. Additionally, during 2024, bonus payments were made to the members of the Supervisory Board of the Bank for 2023 in the total amount of MKD 5,130 thousand, while for 2024 the recorded expense is in the total amount of MKD 5,305 thousand, which will be paid in the course of 2025, following the adoption by the Bank's Assembly.

7. Policy for Prevention of Conflict of Interest

In 2024, the Bank performed its operations in accordance with the Policy for Prevention of Conflict of Interest (passed by the Supervisory Board on 28.06.2018) which defines the principles that the Bank practices for identification of the potential conflicts of interest, as well as the measures and activities that should be undertaken in case of conflict of interest.

Pursuant to the Policy, the Bank has established procedures for monitoring the potential sources of conflict of interest. The Policy defines the obligations and responsibilities of the persons with special rights and responsibilities, and other employees in the Bank regarding avoidance of the potential conflict of interest.

Managers of the organizational units perform hierarchy control in terms of application of and adherence to the Policy provisions and undertake measures and activities for elimination and correction of the behavior of an employee, which is not in compliance with the Policy.

Twice a year, the persons with special rights and responsibilities present a written statement on the existence, if any, of a conflict of their personal interest with the interest of the Bank.

Members of the Supervisory Board and the Board of Directors are not present at meetings where decisions are passed by these bodies, if their objectivity is being questioned because of the existence of conflict of their personal and the interest of the Bank. A Member of the Supervisory Board or Board of Directors shall make a written statement on the existence of conflict of interest before holding the meeting, which shall be delivered to the Supervisory and the Board of Directors, stating the basis from which the conflict of interest arises.

8. Information on outsourcing services

The Bank used outsourcing services during 2024, but none of those services is a significant service according to the definition for significant outsourcing service set out in the Decision on Risk Management Methodology, and the respective criteria therefore set out in the internal acts of the Bank.

9. Compliance of the Bank's performance and management with the Corporate Governance Code for the listed companies at the Macedonian Stock Exchange

Komercijalna Banka AD Skopje, as a member of the Macedonian Stock Exchange, has aligned its operations with the Corporate Governance Code for the companies listed at the Macedonian Stock Exchange, and in the course of 2024 continued to adhere to the prescribed principles of the Code, for which, as an integral part of the Annual Report, a Statement has been provided by the members of the Board of Directors of the Bank for compliance with the Corporate Governance Code for listed companies at the Macedonian Stock Exchange.

XXI. CORPORATE SOCIAL RESPONSIBILITY

In the course of 2024, Komercijalna Banka provided financial support to several areas of the society, in accordance with its Corporate Social Responsibility Strategy for the period 2022-2026.

1. **The Bank continued to support public health, and also donated funds for purchasing fire-fighting equipment, as follows:**

- 14.5 million MKD for the construction of a new Emergency Internal Medicine Center at the Toxicology Clinic in Skopje, that spans on an area of 750 m^2; and
- 3 million MKD for the Crisis Management Center, thus providing professional work clothes and equipment intended for fighting forest fires for regional firefighting units, as well as portable personal computer for on-site coordination of the activities of the firefighting teams.

2. **In order to support child growth and development, socially threatened categories of citizens, culture, sports, art, volunteering and charity, significant activities were carried out in this field during the reporting period:**

- Komercijalna Banka is the first bank in the country to introduce tactile payment cards intended for blind and visually impaired persons, thus contributing to greater inclusiveness, equal rights and opportunities for all citizens;
- The Bank established cooperation with the Scout Association of Macedonia and the largest private volunteer initiative "Borenka", which resulted in the reforestation of an area of 2 hectares of burned land in Berovo with approximately 6,000 trees;
- For the 14th year in a row, the Bank was a partner in the project "Better socialization of children and youth with disabilities and psychosocial support for children in foster families", through which the Bank provided financial support for a better quality of life for over 300 children and youth in the country;
- The Bank provided assistance for equal opportunities through cooperation with the association "A world of different, yet equal", which organized four inclusive workshops "Reading Without Discrimination" for preschool children and pupils from first to third grade;
- Financial support was also provided to the Center for Youth Activism CMA KRIK for organization of Youth Inclusive Summer Camps involving young people with disabilities;

- In order to contribute to a healthier and cleaner environment, the Bank donated property to the Municipality of Centar for construction of a public green area near the Idadija Polyclinic in Skopje;
- As a proven philanthropist, Komercijalna Banka continued its cooperation with the Football Federation of Macedonia with a new three-year sponsorship agreement, provided financial support for the Skopje Marathon, the Association for sports and recreation of citizens and persons with special needs “Dancers United”, for the international swimming competition for young swimmers and persons with atypical development "Atlas Winter Cup" and provided sponsorships for the men's handball club "Vardar 1961", the women's handball club "Vardar", the football club "Tikvesh 1930" from Kavadarci, the city handball club "Tikvesh 2014" from Kavadarci, and also financially assisted the Macedonian Sports Shooting Federation, the football club "Forca Vardar Skopje", the Association "Mandra" for organizing indoor football tournaments, Police Martial Arts Club "Bezbednost" and others;
- The Bank also actively contributed in the field of culture and art by supporting numerous festivals and cultural events, including the prestigious "Novel of the Year" award of the "Slavko Janevski" Foundation and the "Novite" literary award for the best debut prose manuscript, organized by the Templum publishing house;
- The Bank was also the Main Sponsor of the 64th edition of the Ohrid Summer Festival and the anniversary concert of Vlatko Stefanovski, organized within the framework of this prestigious festival, as well as the anniversary concert of the group Synthesis on the occasion of 30 years of artistic career. In addition, numerous other artists and events were supported (the chamber orchestra "Skopje Soloists", the event "Strumica Carnival", the project "Live At Audiokultura", the 15th Anniversary Guitar Festival organized by ART-KUL Krushevo, the festival of children's songs "Golden Nightingale", the event "Poetry Night in Velestovo", the Vlach music group "Gramosteanj" at the event "Za Petrovden site na planina", the festival of Vlach songs "The Song Unites Us All", the children's festival "Bitolino", etc.).

3. The Bank's Social Responsibility Strategy was successfully implemented through the humanitarian and volunteering activities of its employees:

- A massive response to the regular blood donation campaigns organized at the Bank's premises and support for the Retweet Meal program;
- First place in the Triglav Green League challenge;
- Participation in the Avicena Women's Race as an example for encouraging awareness of running as a healthy habit;
- Donation of food packages for socially vulnerable groups of citizens in the country on the occasion of the World Hunger Day - October 16;
- Donation of New Year’s packages for children from socially vulnerable families and donation of funds to the Day Center for Street Children in Shuto Orizari in Skopje, for purchasing necessary work materials.

4. Activities in the field of financial education and respect for the principles of responsibility, transparency and commitment to progress in all spheres of society:

- In 2024, the "Financial Classroom" and the “Squirrel” kids savings scheme of Komercijalna Banka once again made friends with children on the occasion of the Savings Month, and contributed to greater financial literacy of the young population;
- Traditionally, the Bank once again awarded "Squirrel" savings books with a deposit of 5,000.00 MKD to all babies born in the country on October 31;
- In 2024, the Bank continued its long-standing cooperation with the Faculty of Economics and with the Macedonian Stock Exchange AD Skopje for organization

of the Annual Stock Exchange Conference and the Annual Conference of the Macedonian E-Commerce Association;

- As their Annual Sponsor, in cooperation with the international organization Board of European Students in Technology (BEST), the Bank organized workshops for preparation of students from technical faculties for the competitive labor market, and also supported the activities of BEST during 2024;
- The Bank supported the “Social Day” project which provides internships and financial compensation for high school students, and leads them to a more successful career development;
- Workshops on the topic of psychology in marketing were also held for psychology students from the Faculty of Philosophy at the Ss. Cyril and Methodius University;
- In addition, as a Premium Partner of the BEST student organization, the Bank successfully presented itself at their Job Fair at the technical campus of the Ss. Cyril and Methodius University, and was also present at the Job Fair organized by Semos Education, Career Day at the Goce Delchev University in Shtip and the Open Day at the Ss. Cyril and Methodius High School in Ohrid;
- The Bank is a sponsor of the Chamber of Commerce of North-West Macedonia, for the event and catalog publication “Top 100” for selection of the most successful companies, and in 2024 it concluded a Memorandum of Cooperation for easier access of the Chambers’ member companies to financial assets for implementation of investments in energy efficiency improvement projects;
- Support was also provided to the Association of Financial Markets - ACI Macedonia for organization of the Official Assembly of the Association;
- Komercijalna Banka is also a supporter of the project “Face to Face”, thus providing a significant contribution to the successful implementation of this important project for social entrepreneurship in the country;
- In order to contribute to the financial education and independence of women, the Bank has become a sponsor of the activities of the National Council for Gender Equality and their project “Digitalization and digital visibility of the services of the Counseling Center and the SOS line at the National Council for Gender Equality". In addition, the Bank organized the campaign "Be yourself, be strong!" which helped educate and encourage women towards greater financial independence, exercising their rights and opportunities, and progress in every segment of life.

5. Caring for the well-being and satisfaction of employees remains a top priority for the Bank:

- Employees in the branches and city-branches of the Bank received new and modern official uniforms which reflect the existing values and identity of the Bank;
- Komercijalna Banka presented anniversary cash rewards to employees with 15 and 30 years of uninterrupted length of service at the Bank;
- On the occasion of the World Savings Day on October 31, the Bank traditionally awarded acknowledgements to the best employees in the Bank;
- The Bank supported the participation of employees in the Skopje Marathon, as well as in the Business Run, both highlighting the winning spirit of the KB team;
- In 2024, Komercijalna Banka was also declared the Most Desirable Employer in the banking and finance category in 2023 by the Vrabotuvanje.com platform. The Bank is particularly proud of this award because it is a recognition of the satisfaction and success of its employees that are one of its strongest and most valuable assets.

XXII. SUSTAINABILITY AND ESG REPORTING

In the course of 2024, the Bank continued to carry out its business activities in accordance with the adopted Sustainability Policy of Komercijalna Banka AD Skopje, while paying particular attention to practices related to environmental protection, social issues and good corporate governance.

In March 2024, Komercijalna Banka AD Skopje became the first bank in the country to officially join the European Investment Bank (EIB) Greening Financial Systems Programme[26]. Through this Programme, the Bank receives tailored technical and advisory support for integration of climate risks into the existing risk management framework and alignment with international best practices and the expectations of NBRNM. In the reporting period, activities were undertaken to establish a system for measuring and reporting the Bank's carbon footprint, identifying the main drivers of physical and transition risks and the main channels of transmission of their impact, and other activities in accordance with the adopted Implementation Plan of the activities foreseen by the Programme. Also, in addition to the ESG Coordinating Body, an additional team of employees from several organizational units in the Bank was formed in order to work on establishing a system for managing climate risks and their inclusion in the existing risk management framework of the Bank, in accordance with the Guidelines on the manner of managing climate-related risks published by NBRNM.

Towards the end of 2024, the Bank performed regular review and update of the content of the Sustainability Policy in order to align it with its strategic objectives and include more in-depth considerations of the physical and transition climate risks, identification of the main drivers of these risks and their potential impact on the Bank's operations and clients. The revised text of the Sustainability Policy of Komercijalna Banka AD Skopje with all its amendments is available publicly on the Bank's website in Macedonian and in English.

Environmental issues and impact on the environment

In the course of 2024, Komercijalna Banka made progress in reducing its energy consumption and continued with the efforts to reduce its own carbon footprint.

The Bank has installed a photovoltaic system on the roof of its administrative building in the center of Skopje with a capacity of 22.5 kW, which produced 31.6 MWh of electricity during 2024, thus preventing the emission of approximately 16.7 tons of CO_2 into the atmosphere. The photovoltaic power plant with capacity of 45 kW, which is installed in the Bank's branch in Prilep, produced 57.6 MWh of electricity last year, preventing the emission of approximately 30.6 tons of CO_2, while the photovoltaic power plant in the Kumanovo Branch, which has a capacity of 30 kW, produced 35.2 MWh of electricity last year, preventing the emission of approximately 18.7 tons of CO_2. With these three installed photovoltaic systems in the administrative building in Skopje and in the Prilep and Kumanovo branches, Komercijalna Banka AD Skopje produced a total of 124.4 MWh of electricity for its own needs in 2024 and prevented the emission of approximately 66 tons of CO_2 into the atmosphere.

During 2024, the Bank handed over 4,000 kg of electronic waste, 4,730 kg of metal waste, 2,270 kg of wood waste, 25,500 kg of old paper and 610 kg of small waste for treatment, handling and recycling.

[26] The EIB Greening Financial Systems – North Macedonia: Integrating Climate Risk in the Financial System Programme is funded by the German Federal Ministry of Economic Affairs and Climate Action (BMWK) through the International Climate Initiative Fund (the IKI Fund).

In the field of green financing, the claims based on green loans approved to households and the corporate sector recorded a significant increase of 384 million MKD, i.e. 27% compared to 31.12.2023, as a result of an increased volume of green lending to both sectors. The data is presented in the table below:

Table 17 – Claims on the basis of "green financing" loans to clients

(in MKD million)

Sector	31.12.2023	31.12.2024	Index
Non-financial legal entities	1,313.0	1,658.4	126.3
Households	110.7	149.3	134.8
Total	**1,423.7**	**1,807.7**	**127.0**

In order to meet the demands of clients, a new agreement was concluded in the reporting period with the European Bank for Reconstruction and Development - EBRD for the GEFF III credit line in the amount of EUR 3.5 million, intended for investments in energy-efficient solutions for households, collective housing, equipment manufacturers and entities providing services in the green energy sector, with a grant component. In the second half of 2024, the Bank signed a Framework Agreement with the Development Bank of North Macedonia (DBNM) for participation in the credit line for green and socially responsible investments with funds provided by the French Development Agency (AFD) in the amount of EUR 50 million. This credit line, in addition to providing funds for financing green investments, also offers support for female entrepreneurship, i.e. improving access to finance for enterprises owned and/or managed by women, as well as supporting investments in digitalization. In addition, at the end of 2024, the Bank signed another Agreement with EBRD, this time for participation in the Green Finance Facility Program, in the amount of EUR 4 million. This credit line is secured by a loan from the European Bank for Reconstruction and Development under the joint Green Finance Facility program, financed by the SDG Fund, the Government of North Macedonia and EBRD, and through its participation, Komercijalna Banka provides significant support to small and medium-sized enterprises in their transition to sustainable energy solutions. By joining this Program, Komercijalna Banka provides green finance to small and medium-sized enterprises for investment in renewable energy sources and energy efficiency, which will contribute to reducing air pollution in the country and initiating decarbonization processes of the Macedonian companies.

With regard to compliance with environmental laws and regulations, the Bank considers that its activities throughout 2024 comply in full, and it is not aware of any non-compliance of its operations with the environmental laws and regulations.

Social issues

The Bank continuously undertakes activities to retain the existing staff and attract new staff, by maintaining an appropriate level of salaries and benefits, organizing professional development and team building activities and other benefits. During 2024, the Bank increased the salaries of its employees and continued its collaboration with a domestic insurance company for voluntary private health insurance for its employees. According to the Bank's Remuneration Policy, apart from regular salary payments, employees received bonuses based on business performance, year-end bonuses, recourse, and other payments during the reporting period. Additionally, the Bank offers its employees the option to work from home, serving as a motivational tool to enhance job satisfaction within the Bank and overcome

challenges imposed by external factors (pandemics, natural disasters and weather issues, and other reasons).

In terms of health care and well-being of its employees, during this reporting period regular health check-ups for the employees were conducted and private health insurance policies were renewed. In addition to regular sports training sessions in various sports, in this reporting period the Bank enabled the use of a Sports and Recreation Program through which employees have the opportunity to exercise in over 150 sports facilities throughout the country. In the course of 2024, Bank employees participated in numerous sports competitions and tournaments (Banking Games, Volleyball Business League, Skopje Marathon, Business Run, and others), thus promoting healthy habits and contributing to a stronger team spirit. In accordance with the Collective Agreement of the Bank, employees exercised the right to paid leave for given blood donations, relocation, their children's first day of school, for educational purposes, and other reasons throughout the year.

Throughout the year, particular attention was paid to professional development and education of employees, with a total of 17,707 hours spent on training. The trainings were carried out through attending seminars, conferences, workshops and other forms of training in the country and abroad; training for newly employed persons (personal data protection, information security, compliance, and occupational health and safety); internal trainings regarding the Bank's processes and services; online training in the field of personal data protection and information security of the Bank for all employees etc. In addition, during 2024, educational team building events were carried out with a total duration of 17,664 hours. In addition to training for employees, the Bank also provided internships for university students.

In the field of sustainable finance, green financing, climate-related risks and other topics related to sustainability and ESG practices, during 2024, a total of 39 employees and managers at the Bank participated in 15 workshops, trainings or certified programs in the aforementioned areas, including workshops held within the aforementioned European Investment Bank's Greening Financial Systems Program.
The Bank has a long tradition of promoting equal opportunities for all employees and fair gender representation, with a high percentage of female employees and women at managerial positions. Komercijalna Banka takes pride in its leadership position in promoting the inclusiveness of women in managerial structures and overall business operations, contributing to gender equality, financial independence for women, respect for women's rights, and recognition of the knowledge and abilities of women to contribute to a better and more prosperous future. The participation of women in the Bank's Board of Directors in 2024 is 40%. Within the Bank's managerial structure, 71.9% of managerial functions are performed by women, while women comprise 68.3% of the Bank's total workforce.

In the field of financial education and improving financial literacy, in 2024 the Bank continued its educational activities aimed at increasing financial literacy among the population, especially among the younger demographic. In addition, in the past year, the Bank made a significant contribution to greater inclusion of blind and visually impaired persons through the introduction of tactile payment cards[27].

[27] More detailed information on the activities undertaken in the area of financial education and inclusion are provided in section XXI. Corporate Social Responsibility.

Business ethics and good corporate governance[28]

As a joint-stock company whose shares are listed at the Macedonian Stock Exchange in the super listing sub-segment, the Bank regularly reports on significant financial and non-financial issues of interest to investors, shareholders and other stakeholders.

The Bank has adopted a Corporate Governance Code and a Code of Ethics, to which it adheres in its daily operations, and which are publicly available on the Bank's website. Each new employee in the Bank is obliged to familiarize himself or herself with the contents of the Code of Ethics and undertake to comply with its provisions. In that manner, at the beginning of 2024, all employees signed a Statement confirming the adherence to the Code of Ethics for the behavior of employees at Komercijalna Banka AD Skopje.

With regard to protected internal reporting (whistleblowing), the Bank has established procedures for processing reports from whistleblowers in cases of reasonable suspicion or information on criminal, unethical or other impermissible conduct that jeopardizes or threatens the public interest. In accordance with the adopted legal regulations, the Bank has adopted a Rulebook for Protected Internal Reporting in Komercijalna Banka AD Skopje, and has appointed an authorized person in charge of processing whistleblowers' reports that are publicly available on the Bank's website.

Personal data and data security are one of the Bank's priorities. The Personal Data Protection Policy is regulated by various acts of the Bank, ensuring consistent adherence to the rules and obligations stipulated in domestic and international regulations. The Privacy Policy, Cookie Policy, and other information and internal acts in this area are publicly available on the Bank's website, along with contact information for the Data Protection Officer at Komercijalna Banka AD Skopje. As done hitherto, in 2024 the Bank remained committed to adhering to its corporate values, good corporate governance and high ethical standards in its business operations.

Skopje, February 2025

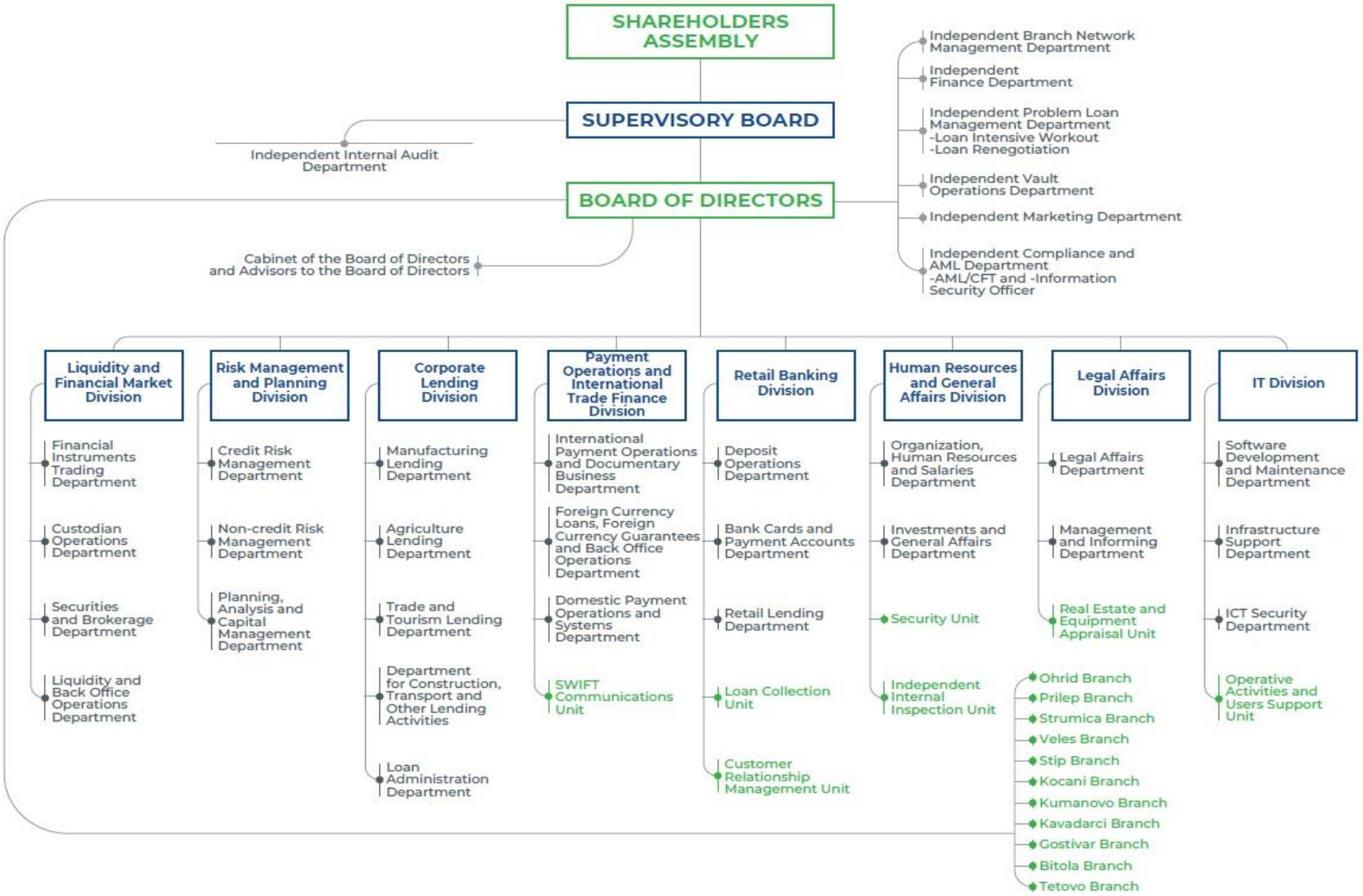
BOARD OF DIRECTORS

[28] Detailed information on the composition and structure of the Boards, as well as the Boards' operations is provided in Chapter XX. Corporate Governance Report.

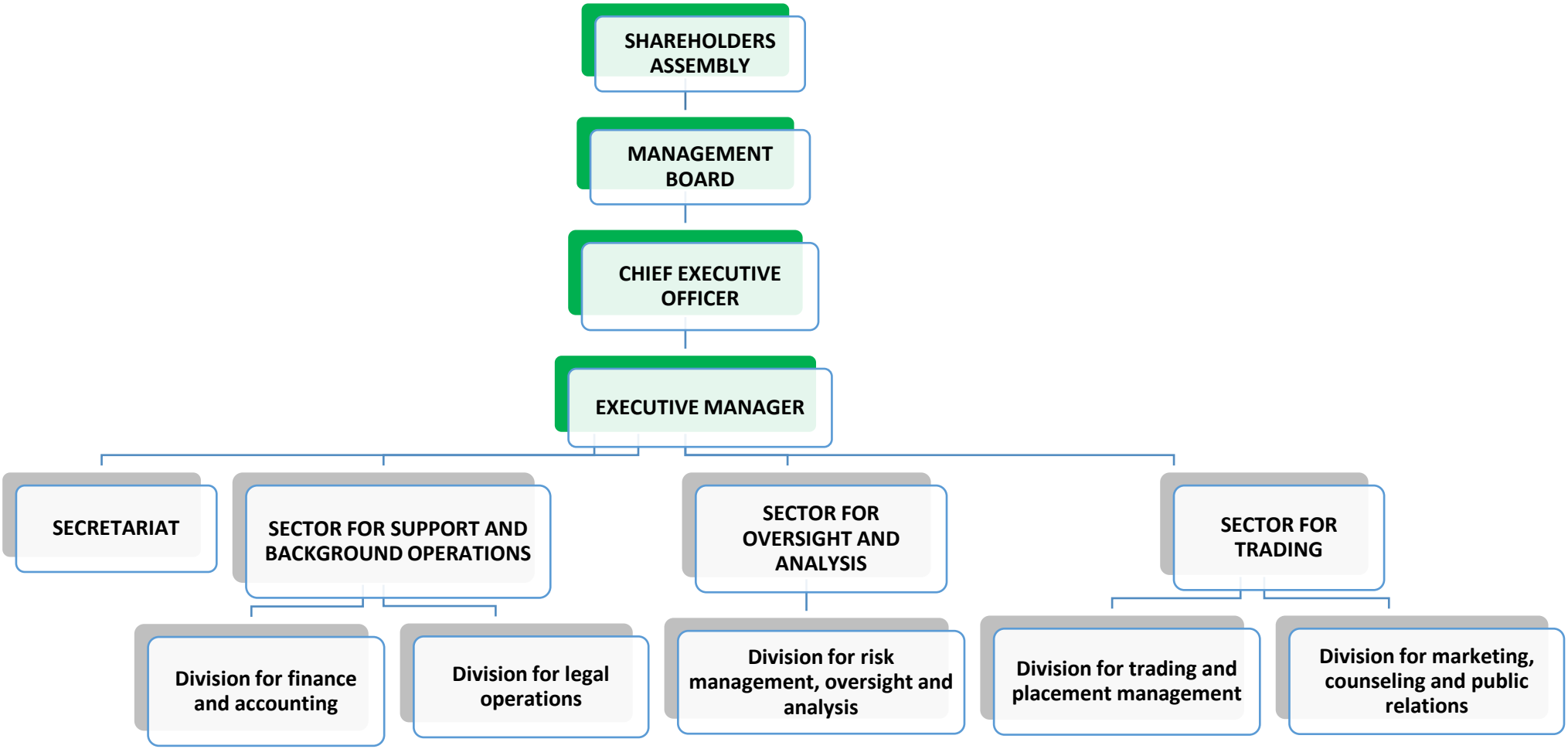
APPENDIX

Komercijalna banka

Appendix 1- ORGANIZATION CHART OF KOMERCIJALNA BANKA AD SKOPJE



Appendix 2- ORGANIZATION CHART OF KB INVEST AD SKOPJE[29]



[29] This organization chart has been published in accordance with the Decision on the rules for good corporate governance in banks, item 59, paragraph 2, line 4.

Statement of Compliance with the Corporate Governance Code

We, the undersigned members of the Board of Directors of Komercijalna Banka AD Skopje, hereby state that in its operations Komercijalna Banka AD Skopje adheres to the Corporate Governance Code for joint stock companies listed on the Macedonian Stock Exchange AD Skopje, published on the Stock Exchange's website at www.mse.mk.

Komercijalna Banka AD Skopje adheres to the principles and best practices of corporate governance prescribed by the Code according to the 'comply or explain' approach by submitting questionnaires, the form and content of which are prescribed with the Code.

By this Statement we hereby confirm that the questionnaires are published on SEI-NET and on the website of Komercijalna Banka AD Skopje, and that the answers contained therein are correct and true and accurately show the application of the principles and best practices of corporate governance by Komercijalna Banka AD Skopje, as prescribed by the Corporate Governance Code.

BOARD OF DIRECTORS

CHIEF SALES AND DEVELOPMENT OFFICER
Nikola Dzambazovski

CHIEF CORPORATE BANKING OFFICER
Biljana Maksimovska Popovikj

CHIEF FINANCE OFFICER
Maja Stevkova Shterieva

CHIEF OPERATIVE OFFICER
Ilija Iloski

CHIEF EXECUTIVE OFFICER
Hari Kostov

Pursuant to Article 384-a of the Law on Trade Companies, the Board of Directors of Komercijalna Banka AD Skopje issues the following

S T A T E M E N T

We, the undersigned members of the Board of Directors of Komercijalna Banka AD Skopje, hereby state that:

The Supervisory Board of Komercijalna Banka AD Skopje adopted the Corporate Governance Code of Komercijalna Banka AD Skopje on June 28, 2018.

The Corporate Governance Code of Komercijalna Banka AD Skopje is published on the Bank's website.

The Bank adheres to and applies in full the provisions of the Corporate Governance Code. In addition to the rules prescribed by legal regulations and bylaws, the Bank has, within the Corporate Governance Code, also prescribed provisions related to the composition and competencies of the Credit Committee, as well as rules for the composition and competencies of the IT Committee.

When applying the Corporate Governance Code, the Bank shall not diverge from the prescribed rules and principles.

BOARD OF DIRECTORS

CHIEF SALES AND DEVELOPMENT OFFICER
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