KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and

Consolidated financial statements

For the year ended 31 December 2025

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Independent Auditor's Report[1]

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To the Shareholders of
Komercijalna banka AD Skopje

Report on the audit on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Komercijalna banka AD Skopje and its subsidiary (the "Group"), which comprise the consolidated balance sheet as at 31 December 2025, 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 the notes to the consolidated financial statements, including information on material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2025, and its financial performance and its cash flows for the year then ended, in accordance with the regulations of the National Bank of the Republic on North Macedonia ("NBRNM").

Basis for opinion

We conducted our audit in accordance with the auditing standards applicable in the Republic of North Macedonia[2]. Our responsibilities under these standards are described in the section Auditor's Responsibility for the Audit of the Consolidated Financial Statements of this report. We are independent of the Group in accordance with the Handbook of the International Code of Ethics for Professional Accountants (including international independence standards) (the Code of Ethics) published in the Official Gazette of the Republic of North Macedonia no. 273/24 of 30.12.2024, together with the ethical requirements relevant to our audit of the consolidated financial statements in the Republic of North Macedonia, and we have fulfilled all other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

[1] Translation of the original Independent Auditor's Report issued in Macedonian language

[2] International Standards on Auditing ("ISA") translated and published in the Official Gazette of the Republic of North Macedonia No. 273 of 2024, effective from January 1, 2025.

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Key audit matters	*Auditor's response*
As disclosed in Note 22.2, the total carrying amount of loans to and receivables from other customers amounts to MKD 84,309,031 thousand and is reduced by an impairment allowance of MKD 3,316,159 thousand. The Group applies a Credit Risk Management Policy, a Methodology for the Internal Client Rating System based on a developed scoring model in the process of determining impairment allowances/specific provisions for financial instruments, as well as Procedures for identification, assessment, measurement, monitoring and control of credit risk ("internal acts"), which are in compliance with the Decision on the Methodology for Credit Risk Management of the National Bank of the Republic of North Macedonia ("NBRNM"). The Group calculates impairment after classifying credit exposures into the appropriate risk category. In accordance with the Group's internal acts, the determination of impairment and the recognition of impairment allowances are performed on an individual basis for all credit risk exposures of the Group. The Group classifies individual credit exposures into the appropriate risk category based on certain parameters, as a combination of the client's assigned score (including creditworthiness), timeliness in meeting obligations, quality of collateral, and the assessment of credit risk exposure determined in accordance with other criteria defined in the Decision on the Methodology for Credit Risk Management. Impairment allowances for exposures assessed on an individual basis are determined through the evaluation of expected credit losses at the reporting date, representing the difference between the carrying amount and the present value of estimated future cash flows. The Group's Management has disclosed additional information in Notes c, d, 2.1, 12 and 22.2. Considering the nature of the impairment calculation process, which involves complex calculations as well as significant judgments and assumptions made by the Group's Management, the determination of impairment, i.e. expected credit losses on loans to and receivables from other customers, has been identified as a key audit matter in the audit of the Group's consolidated financial statements as at and for the year ended 31 December 2025. .	Based on the risk assessment, our audit procedures in this area included, among others, the following: - Inspection of the Group's Policies, Methodology and Procedures, as well as the methods used for calculating impairment of loans to and receivables from other customers, and assessment of their compliance with the requirements of the relevant legal and regulatory framework; - Making relevant inquiries of the persons responsible for risk management and information technology (IT) within the Group in order to obtain an understanding of the loan impairment calculation process, the IT applications used in that process, as well as the key data sources and assumptions applied in the expected credit loss and impairment model. In addition, testing of the IT control environment relating to data security and access controls, with the assistance of our IT specialist; - Testing the design, implementation and operating effectiveness of selected controls within the approval process, including, but not limited to, those related to credit rating classification and the assessment of expected credit losses; - On a sample basis, reviewing the Group's calculation of impairment, i.e. expected credit losses for credit exposures assessed on an individual basis. On a sample basis, we also reviewed the qualitative and quantitative criteria forming the basis for determining impairment, including, but not limited to, the calculation of days past due, valuation of collateral in the impairment calculation, and assessment of borrowers' creditworthiness. We examined the models used to measure expected credit losses, the reasonableness of assumptions, and the completeness and accuracy of the data used by the Group in estimating the amount of impairment. We also evaluated and tested the criteria for classified the exposures in appropriate levels, as having experienced a significant increase in credit risk from initial recognition to the reporting date; - Assessing whether the disclosures related to impairment of loans to and receivables from other customers and the Group's credit risk in the consolidated financial statements appropriately meet the relevant quantitative and qualitative requirements of the Decision on the Methodology for Recording and Valuation of Accounting Items and Preparation of Financial Statements issued by the National Bank of the Republic of North Macedonia.

Responsibility of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the regulations 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.

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

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

Auditor's Responsibility for the Audit of Consolidated *Financial Statements*

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

As part of the audit in accordance with the auditing standards applicable in the Republic of North Macedonia, we apply professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on other legal and regulatory matters

The Management is responsible for the preparation of Annual Report for Group's operations for the year 2025 in accordance with article 384 from Law on trade companies. Our responsibility is to express an opinion for the consistency of the Annual Report for the Group's operations with historical financial information disclosed in the annual accounts and audited consolidated financial statements of the Group as at and for the year ended 31 December 2025, in accordance with auditing standards applied in the Republic of North Macedonia[3], as well as in accordance with article 34, paragraph 1, point (d) from Law on Audit.

In our opinion, the historical financial information disclosed in the Annual Report of the Group's operations as at and for the year ended 31 December 2025, is consistent, in all material respects, with information disclosed in the annual accounts and audited consolidated financial statements of the Group as at and for the year ended 31 December 2025.

The engagement partner on the audit resulting in this independent auditor's report is Suzana Stavrikj.

Suzana Stavrik
Director
Grant Thornton DOO, Skopje

Suzana Stavrik
Certified Auditor

Skopje, 23 February 2026

[3] International Standards on Audit ("ISA") ranslated and published in the Official Gazette of the Republic of North Macedonia no.273 from from 30 December 2024, effective from 01 January 2025

CONSOLIDATED INCOME STATEMENT
For the period from 1 January 2025 to 31 December 2025

	Note	*In thousands of denars*	
		current year 2025	previous year 2024
Interest income		6,885,373	6,759,161
Interest expense		(855,126)	(791,837)
Interest income/(expense), net	6	**6,030,247**	**5,967,324**
Fee and commission income		2,518,535	2,424,697
Fee and commission expense		(1,162,001)	(1,144,244)
Fee and commission income/(expense), net	7	**1,356,534**	**1,280,453**
Net trading income	8	(11,816)	59,165
Net income from other financial instruments at fair value	9	11,455	10,837
Foreign exchange gains/(losses), net	10	426,182	376,790
Other operating income	11	1,251,131	1,162,004
Share of profit of associates	24	124,782	111,015
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(655,259)	(670,459)
Impairment losses of non-financial assets, net	13	(5,948)	(19,290)
Personnel expenses	14	(1,545,168)	(1,466,347)
Depreciation and amortization	15	(257,733)	(247,739)
Other operating expenses	16	(1,023,041)	(1,039,221)
Share of loss of associates	24	-	-
Profit/(loss) before tax		**5,701,366**	**5,524,532**
Income tax expense	17	(566,044)	(564,418)
Profit for the year from continuing operations		**5,135,322**	**4,960,114**
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the year		**5,135,322**	**4,960,114**
Profit/(loss) for the year attributable to*:			
Shareholders of the Bank		5,115,174	4,946,892
Non-controlling interest		20,148	13,222
Earnings per share	41		
basic earnings per share (in Denars)		2,245	2,171
diluted earnings per share (in Denars)		2,245	2,171

* only for consolidated financial statements

The accompanying notes from pages 15 to 165 are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje on 20.02.2026:

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 2025 to 31 December 2025

	Note	*In thousands of denars* Current year 2025	Previous year 2024
Profit/(loss) for the year		**5,135,322**	**4,960,114**
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		2,197	(477)
- 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		-	-
Total other gains/(losses) in the period		**2,197**	**(477)**
Total comprehensive income for the year		**2,197**	**(477)**
Total comprehensive income for the year, attributable to*:		**5,137,519**	**4,959,637**
Shareholders of the Bank		5,117,371	4,946,415
Non-controlling interest		20,148	13,222

* only for consolidated financial statements

The accompanying notes from pages 15 to 165 are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje on 20.02.2026:
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 2025

	Note	in thousands of denars		
		Current year 31.12.2025	Previous year 31.12.2024	Previous year *** 01.01.2024
Assets				
Cash and cash equivalents	18	60,054,846	55,480,410	-
Held-for-trading assets	19	93,446	250,635	-
Financial assets at fair value through profit or loss upon initial recognition	20	386,428	374,973	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	5,475,873	6,051,011	-
Loans and advances to other customers	22.2	80,992,872	72,975,118	-
Investments in securities	23	38,612,507	37,416,023	-
Investments in associates (accounted using the "equity method")	24	436,179	422,412	-
Income tax receivable (current)	30.1	391	391	-
Other receivables	25	3,712,395	2,943,753	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	4,197	10,491	-
Intangible assets	28	142,600	86,159	-
Property and equipment	29	2,766,940	2,708,412	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	-	-	-
Total assets		**192,678,674**	**178,719,788**	**-**
Liabilities				
Trading liabilities	32	640	1,647	-
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	49,355	1,233,413	-
Due to other customers	34.2	164,656,527	153,366,826	-
Debt instruments issued	35	-	-	-
Borrowings	36	3,399,996	1,456,825	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	256,327	278,963	-
Income tax payable (current)	30.1	55,827	262,671	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	1,007,407	1,134,283	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		**169,426,079**	**157,734,628**	**-**
Equity and reserves				
Subscribed capital	40	2,279,067	2,279,067	-
Share premium		771,527	771,527	-
Treasury shares		(13,386)	-	-
Other equity instruments		-	-	-
Revaluation reserves		1,720	(477)	-
Other reserves		14,041,947	12,125,995	-
Retained earnings/(Accumulated losses)		6,123,178	5,771,261	-
Total equity and reserves, attributable to the shareholders of the Group		**23,204,053**	**20,947,373**	**-**
Non-controlling interest*		48,542	37,787	-
Total equity and reserves		**23,252,595**	**20,985,160**	**-**
Total liabilities and equity and reserves		**192,678,674**	**178,719,788**	**-**
Contingent liabilities	42	19,903,360	18,342,141	-
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 from pages 15 to 165 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised by the Supervisory Board of the Bank on 20 February 2026.

Signed on behalf of Komercijalna banka AD Skopje on 20.02.2026:

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 2025 to 31 December 2025

	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, 2024 (previous 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 (previous 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) during the period																		
Changes in fair value of financial assets available for sale																		
Debt instruments																		
-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 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 2025 to 31 December 2025

	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	-	-	-	-	-	**(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 (specify in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings – limited for shareholders' distribution)	-	-	-	-	-	-	-	-	-	-	-	-	(130,000)	130,000	-	-	-	-
Increase of share in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,339	-	-	**3,339**	**918**	**4,257**
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**1,377,482**	**(3,578,094)**	**130,000**	-	**(2,070,612)**	**(6,224)**	**(2,076,836)**
As at December 31, 2024 (previous year)/ January 1, 2025 (current year)	**2,279,067**	**771,527**	-	-	-	**(477**	-	-	-	**455,813**	-	**11,670,182**	**5,011,261**	**760,000**	-	**20,947,373**	**37,787**	**20,985,160**

The accompanying notes from pages 15 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2025 to 31 December 2025

	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, 2024 (previous year)/January 1, 2025 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**(477)**	**-**	**-**	**-**	**455,813**	**-**	**11,670,182**	**5,011,261**	**760,000**	**-**	**20,947,373**	**37,787**	**20,985,160**
Opening balance restatement																		
As at January 1, 2025 (current year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**(477)**	**-**	**-**	**-**	**455,813**	**-**	**11,670,182**	**5,011,261**	**760,000**	**-**	**20,947,373**	**37,787**	**20,985,160**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	5,115,174	-	-	**5,115,174**	**20,148**	**5,135,322**
Other gains/(losses) in the period																		
Debt instrumens																		
-unrealized changes in fair value (net)	-	-	-	-	-	2,197	-	-	-	-	-	-	-	-	-	**2,197**	**-**	**2,197**
-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 2025 to 31 December 2025

	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	-	-	-	-	-	**2,197**	-	-	-	-	-	-	-	-	-	**2,197**	-	**2,197**
Total comprehensive income for the year	-	-	-	-	-	**2,197**	-	-	-	-	-	-	**5,115,174**	-	-	**5,117,371**	**20,148**	**5,137,519**
Transactions with the shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	1,915,952	(1,915,952)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(2,848,834)	-	-	**(2,848,834)**	**(9,814)**	**(2,858,648)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves																		
Own shares acquired by court decision	-	-	(13,386)	-	-	-	-	-	-	-	-	-	-	-	-	**(13,386)**	-	**(13,386)**
Distribution of retained earnings – limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	(160,000)	160,000	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	1,529	-	-	**1,529**	**421**	**1,950**
Transactions with shareholders, recognized directly in equity and reserves	-	-	**(13,386)**	-	-		-	-	-	-	-	**1,915,952**	**(4,923,257)**	**160,000**	-	**(2,860,691)**	**(9,393)**	**(2,870,084)**
As at December 31, 2025 (current year)	**2,279,067**	**771,527**	**(13,386)**	-	-	**1,720**	-	-	-	**455,813**	-	**13,586,134**	**5,203,178**	**920,000**	-	**23,204,053**	**48,542**	**23,252,595**

*only for consolidated financial statements

The accompanying notes from pages 15 to 165 are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje on 20.02.2026:

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 2025 to 31 December 2025

	Note	in thousands of Denars	
		current year 2025	previous year 2024
Operating cash flows			
Profit/(Loss) before tax		**5,701,366**	**5,524,532**
Adjusted for:			
Minority share, included in the consolidated income statement*		(20,148)	(13,222)
Depreciation of:			
Intangible assets	15/28	22,504	24,015
Property and equipment	15/29	235,229	223,724
Capital gain from:			
Sale of intangible assets		-	-
Sale of property and equipment	11	(5,698)	(8,826)
Sale of foreclosed assets	11	(489,407)	(630,433)
Capital loss from:		-	-
Sale of intangible assets		-	-
Sale of property and equipment	16	-	-
Sale of foreclosed assets	16		
Interest income	6	(6,885,373)	(6,759,161)
Interest expense	6	855,126	791,837
Trading income, net	8,9	361	(70,002)
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12		
Additional impairment losses and special reserve		2,756,733	2,700,291
Release of impairment losses and special reserve		(2,101,474)	(2,029,832)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	5,948	19,290
Release of impairment losses		-	-
Provisions			
Additional provisions	38	6,878	10,513
Release of provisions	38	(831)	(603)
Dividend income	11	(5,248)	(307)
Share of profit /(loss) of associates		(124,782)	(111,015)
Other adjustments		1,916	7,809
Interest received		7,118,039	6,377,586
Interest paid		(670,516)	(594,775)
Profit from operations before changes in operating assets:		**6,400,623**	***5,461,421***
(Increase)/decrease of operating assets:			
Trading assets		156,794	(66,277)
Derivative assets held for risk management		-	-
Loans and advances to banks		556,846	(1,670,447)
Loans and advances to other customers		(8,272,354)	(11,394,994)
Assets pledged as collateral		-	-
Foreclosed assets		111,969	618,506
Obligatory deposit in foreign currency		(1,406,373)	(142,768)
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(802,801)	(429,891)
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group	31	-	1,868

The accompanying notes from pages 15 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the period from 1 January 2025 to 31 December 2025

	Note	in thousands of denars	
		current year 2025	previous year 2024
Increase/(decrease) in operating liabilities:			
Trading liabilities		(1,007)	1,048
Derivative liabilities held for risk management		-	-
Due to banks		(1,183,971)	712,066
Due to other customers		11,104,544	10,656,487
Other liabilities		(103,154)	(20,855)
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		**6,561,116**	***3,726,164***
(Paid)/received income tax		(772,888)	(531,136)
Net cash flow from operating activities		**5,788,228**	**3,195,028**
Cash flow from investing activities			
(Investments in securities)		(13,284,066)	(12,654,044)
Inflows from sale of investment in securities		11,861,282	5,434,122
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(78,956)	(38,502)
Inflows from sale of intangible assets		-	-
(Purchase of property and equipment)		(293,886)	(238,818)
Inflows from sale of property and equipment		5,697	6,917
(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		116,263	92,814
Net cash flow from investing activities		**(1,673,666)**	**(7,383,966)**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Issued debt securities		-	-
(Repayment of borrowings)		(669,077)	(603,989)
Increase of borrowings		2,612,248	1,181,770
(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)		(2,853,319)	(2,076,818)
(Other financing outflows)		-	-
Other financing inflows from financing		-	-
Net cash flow from financing activities		***(918,791)***	***(1,499,037)***
Effect from allowance for impairment of cash and cash equivalents	18	(120)	14
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**3,195,651**	**(5,687,961)**
Cash and cash equivalents as of January, 1		45,108,656	50,796,617
Cash and cash equivalents as of December, 31	**18**	**48,304,307**	**45,108,656**

*only for consolidated financial statements

The accompanying notes from pages 15 to 165 are an integral part of these consolidated financial statements.

Signed on behalf of Komercijalna banka AD Skopje on 20.02.2026:

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

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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 Invest AD Skopje ("KB Invest") (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 Invest – balanced, KB Invest – bonds, KB Invest – cash, KB Invest – MBI 10, KB Invest – shares and KB Invest – 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 2025 is 991 employees (on 31 December 2023: 981 employees).

The consolidated financial statements of the Group for the year ending 31 December 2025 were authorised for issue by the Supervisory Board on 20 February 2026.

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 and 120/18 and "Official Gazette of the Republic of North Macedonia" no. 290/20, 215/21, 99/22 and 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 "Official Gazette of the Republic of North Macedonia" no.101/19, 122/21 and 37/25), 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 Official Gazette of the Republic of Macedonia" no. 275/24) 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 and Official Gazette of the Republic of Macedonia" no. 275/24), 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.

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.

Introduction (continued)

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

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.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

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.

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:

	2025 MKD	2024 MKD
1 EUR	61.4950	61.4950
1 USD	52.3050	58.8807

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).

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"

Holding financial assets to achieve a specific purpose by collecting contractual cash flows and by selling the financial assets, so the asset belongs to the "Held for Collection and Sale" business model (also known as the FVTPL (Fair Value Through Other Comprehensive Income) business model).

The goal of this business model is achieved through the collection of cash flows and the sale of financial assets, i.e. the goal of this business model is to hold financial assets for the purpose of managing daily liquidity needs, maintaining a certain profit on interest income, for the purpose of linking the duration of financial assets with the duration of financial liabilities (maturity matching), 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".

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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

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 particu lar 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.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

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.

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, 2025 and December 31, 2024 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Allowances for impairment on Loans and Receivables (continued)

The allowance/ special reserve for credit exposures is determined based on the degree (size) of the risk of uncollectibility and country risk in the event of a risk of loss due to the Group's exposure to entities from a particular country. Individual credit exposures (risks) are assessed based on the type of borrower, its overall financial position, sources and payment records and the recoverable value of the collateral. Provisions for impairment losses are measured and determined as the difference between the carrying amount of the loan and its estimated recoverable amount, which in fact represents the present value of the expected cash flows;

- Impairment losses is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing. The determination of allowances is made on 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;
- When determining non-performing credit exposures, the so-called significance threshold is taken into account, i.e. "non-performing 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:

	2025	2024
Buildings	40 years	40 years
Furniture and equipment	4-20 years	4-20 years
Transportation vehicles	5 years	5 years
Investments in leased property and equipment	5 years	5 years
Other equipment	10 years	10 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 Group writes off the credit exposure, in whole or in part, in the following cases:
- The Group has no right to future cash flows, i.e. the rights to collect the credit exposure have expired, regardless of the basis for which the rights were lost or expired, which in particular include: a final court decision on the unfoundedness of the bank's claim, a final court decision on the lack of entitlement to the claim, a final court decision on the conclusion of bankruptcy proceedings, a final court decision on the approval of a plan for the reorganization of a debtor in bankruptcy;
- The Group has no reasonable expectations of the collection of the credit exposure, in whole or in part;
- The Group has made a decision to discharge the debt in accordance with the law, which waives further collection of the claim;
- it is an individually insignificant credit exposure, with a threshold of insignificance determined by an internal decision of the Group,
- in the event that one year has passed from the date when the Group was obliged to make an IV or a special reserve in the amount of 100%

The Group continues to collect the credit exposure transferred to the off-balance sheet accounts, unless it has waived or is not entitled to its further collection.

Receivables write-off

The Bank writes off credit exposures, fully or partially, in these cases:
- The Bank has no right to future cash flows, i.e. the rights to collect the credit exposure have expired, regardless of the basis for which the rights were lost or expired, which in particular include: a final court decision on the unfoundedness of the bank's claim, a final court decision on the lack of entitlement to the claim, a final court decision on the conclusion of bankruptcy proceedings, a final court decision on the approval of a reorganization plan for a debtor in bankruptcy;
- The Bank has no reasonable expectations of collection of the credit exposure, in whole or in part;
- The Bank has made a decision to discharge the debt in accordance with the law, which waives further collection of the claim;
- it is an individually insignificant credit exposure, with a threshold of insignificance determined by an internal decision of the Bank;
- in the case when one year has passed from the date when the Bank was obliged to make an IV or a special reserve in the amount of 100%.

The Bank continues to collect the credit exposure transferred to off-balance sheet accounts, unless it has waived or is not entitled to its further collection.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

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.

(ii) 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).

(iii) 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

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

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.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Income tax (continued)

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 from 01 January 2025

The Group as a lessee

The Group leases real estate under operating leases, and records in its books right-of-use assets and lease liabilities.

Right-of-use assets are initially recognized at their cost at the inception date of the lease, which is equal to the initial value of the lease liabilities, increased by lease payments made before or on the date of the inception of the lease and any directly attributable lease costs. Subsequently, right-of-use assets are measured at their initial carrying amount, less accumulated depreciation and impairment losses and adjusted for certain lease liability adjustments.
The assets are depreciated according to the normal depreciation policy applied to other property, equipment and intangible assets and depreciation is recognized as an expense
in the income statement. A right-of-use asset is depreciated over the shorter of the lease term and the useful life of the asset.

The lease liability is recognized at the lease commencement date at the present value of the lease payments, discounted using an incremental borrowing rate determined based on the annual interest rate that the bank could borrow for a period approximately equal to the agreed lease term. Subsequently, the lease liability is measured at amortized cost using the effective interest rate, i.e. it is increased by the interest expense on the lease, decreased by the payments made on the lease liability and adjusted when the amount expected to be paid is reassessed or when future lease payments change.
The interest expense on the lease liability is allocated and recognized in the income statement over the lease term.

When calculating right-of-use assets and lease liabilities, the Group includes all leases of real estate, except for:
- Short-term leases, which at the commencement date have an expected lease term of up to 12 months, and
- Leased assets with a low value of less than 300,000 denars, taking into account the value of the leased asset as a new asset, regardless of its age at the date of the lease.
For these exceptions, the Group records expenses in the Income Statement on a straight-line basis over the term of the lease.

The Group as lessor

The Group leases properties under operating leases. Rental income and expenses are recognised in the Income Statement on a straight-line basis over the term of the lease.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Leases until 31 December 2024

The Group leases and receives properties under operating leases. Rental income and expenses are recognised 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).

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.

Introduction (continued)

d) Critical Accounting Judgments and Estimates (continued)

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.

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 ending 31 December 2025, the Group has changed its accounting policies, based on changes in the accounting treatment of leases in accordance with the amendments to the Decision on the methodology for recording and valuing accounting items and for preparing financial statements by the NBRNM (Official Gazette 275/24) (notes 29, 39 and 45).

The Group has applied IFRS 16 from 1 January 2025, without restating comparative information for the reporting period ended 31 December 2024 in accordance with the transition provisions of the NBRNM Methodology. On this date, the Group decided to measure the right-of-use assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments that existed at the transition date. Reclassifications and adjustments arising from the new lease rules are recognized as the opening balance at 1 January 2025.
Upon adoption of IFRS 16, the Bank recognised lease liabilities that were previously classified as operating leases under IAS 17 Leases. These liabilities are valued at the present value of the remaining lease payments, applying the incremental borrowing rate calculated at 1 January 2025. The incremental borrowing rate applied to the lease liabilities as of January 1, 2025 was 5.57% for contracts concluded in

MKD, and 5.89% for MKD contracts with a currency clause. The effects of the application are disclosed in the table below and notes 29, 39 and 45.

Introduction (continued)

e) Changes in the Accounting Policies (continued)

	At 31 December 2024	Transition effect IFRS 16	At 1 January 2025
Property	3,373,261	79,341	3,452,602
Lease liabilities	-	79,341	79,341

Lease liabilities at 31 December 2024	-
Lease liabilities at 1 January 2025 – undiscounted amount	108,482
Discount calculated using incremental borrowing rate	(29,141)
Lease liabilities at 1 January 2025	79,341

For the year ended 31 December 2025 there we no changes in 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		
2025 (current year)						
Financial assets						
Cash and cash equivalents	**-**	**-**	**-**	**-**	60,054,846	**60,054,846**
Held-for-trading assets	93,446	**-**	**-**	**-**	**-**	**93,446**
Financial assets at fair value through profit or loss upon initial recognition	**-**	386,428	**-**	**-**	**-**	**386,428**
Derivative assets held for risk management	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	**-**	**-**	**-**	**-**	5,475,873	**5,475,873**
Loans and advances to other customers	**-**	**-**	**-**	**-**	80,992,872	**80,992,872**
Investments in securities	**-**	**-**	7,937,161	64,935	30,610,411	**38,612,507**
Other receivables	**-**	**-**	-	-	3,633,182	**3,633,182**
Total financial assets	**93,446**	**386,428**	**7,937,161**	**64,935**	**180,767,184**	**189,249,154**
Financial liabilities						
Trading liabilities	640	-	-	-	-	**640**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	49,355	**49,355**
Deposits from other customers	-	-	-	-	164,656,527	**164,656,527**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	3,399,996	**3,399,996**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	**-**	**-**	**-**	**-**	1,002,226	**1,002,226**
Total financial liabilities	**640**	**-**	**-**	**-**	**169,108,104**	**169,108,744**

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**
2024 (previous 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	35,596,905	**37,416,023**
Other receivables	**-**	**-**	-	-	2,894,555	**2,894,555**
Total financial assets	**250,635**	**374,973**	**1,754,124**	**64,994**	**172,997,999**	**175,442,725**
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**

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 (ICAAP) 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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	5,476,447	6,051,695	68,776,416	60,404,373	7,937,161	1,754,124	30,616,619	35,592,205	46,972,701	42,070,504	11,235	37,082	1,215,991	758,994	16,422,313	14,643,172	177,428,883	**161,312,148**
(Impairment loss and special reserve)	(560)	(618)	(543,690)	(492,527)	-	-	(6,207)	-	(1,215)	(1,038)	(190)	(481)	(1,054)	(897)	(80,110)	(71,591)	(633,027)	**(567,151)**
Carrying value less impairment loss/ special reserve	5,475,887	6,051,077	68,232,726	59,911,846	7,937,161	1,754,124	30,610,411	35,592,205	46,971,485	42,069,466	11,045	36,601	1,214,936	758,097	16,342,203	14,571,581	176,795,856	**160,744,997**
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	-	-	13,695,832	13,948,665	-	-	-	5,252	-	-	4,003	2,141	71	13	638,367	1,018,474	14,338,274	**14,974,544**
(Impairment loss and special reserve)	-	-	(1,402,866)	(1,523,131)	-	-	-	(551)	-	-	(586)	(416)	(10)	(2)	(72,454)	(153,269)	(1,475,917)	**(1,677,369)**
Carrying value less impairment loss/ special reserve	-	-	12,292,966	12,425,534	-	-	-	4,701	-	-	3,418	1,725	60	11	565,913	865,205	12,862,357	**13,297,175**

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	-	-	2,118,550	1,915,191	-	-	5,000	-	182	206	12,726	5,426	15,866	69,544	152,932	17,199	**2,305,255**	**2,007,566**
(Impairment loss and special reserve)	-	-	(1,369,604)	(1,014,860)	-	-	(5,000)	-	(182)	(206)	(9,412)	(4,649)	(15,779)	(68,606)	(54,293)	(8,777)	**(1,454,269)**	**(1,097,098)**
Carrying value less impairment loss/ special reserve	-	-	748,946	900,331	-	-	0	-	0	-	3,314	777	87	937	98,638	8,422	**850,985**	**910,468**
Total carrying value of receivables with credit risk before impairment loss/ special reserve	5,476,447	6,051,695	84,590,798	76,268,229	7,937,161	1,754,124	30,621,619	35,597,457	46,972,882	42,070,711	27,964	44,649	1,231,927	828,550	17,213,613	15,678,845	**194,072,411**	**178,294,258**
(Total Impairment loss and special reserve)	(560)	(618)	(3,316,160)	(3,030,518)	-	-	(11,207)	(551)	(1,397)	(1,245)	(10,188)	(5,546)	(16,843)	(69,506)	(206,858)	(233,636)	**(3,563,213)**	**(3,341,619)**
Total carrying value of receivables with credit risk less impairment loss/ special reserve	5,475,887	**6,051,077**	81,274,638	**73,237,712**	7,937,161	**1,754,124**	30,610,411	**35,596,905**	46,971,485	**42,069,466**	17,776	**39,103**	1,215,084	**759,044**	17,006,755	**15,445,208**	**190,509,198**	**174,952,639**

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Value of collateral of credit exposure, individually assessed for impairment																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank)	-	-	3,712,246	3,841,530	-	-	-	-	-	-	10,215	61,194	255,106	95,049	3,977,566	**3,997,773**
government securities	-	-	-	-	-	-	-	-	-	-		-	-	-	-	**-**
government unconditional guarantees	-	-	2,905,000	2,005,000	-	-	-	-	-	-		-	-	-	2,905,000	**2,005,000**
bank guarantees	-	-	-	4,631	-	-	-	-	-	-		-	1,143,308	275,781	1,143,308	**280,411**
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-		-	-	-	-	**-**
Corporate guarantees (excluding bank guarantees and guarantees from insurance companies)													679,192			
Guarantees from individuals	-	-	2,967,154	2,846,363	-	-	-	-	-	-		-		676,983	3,646,346	**3,523,346**
Mortgage on real estate	-	-	-	-	-	-	-	-	-	-		-	-	-	-	**-**
property for private use (flats, houses)																
business facility	-	-	34,292,737	29,925,700	-	-		-		-	654	185	1,451,714	1,529,548	35,745,105	**31,455,433**
Pledge over movables	-	-	60,025,711	53,420,545	-	-	-	-	-	-	3,105	1,990	10,321,720	9,577,937	70,350,537	**63,000,473**
Other types of collateral	-	-	14,718,414	14,637,343	-	-	-	-	-	-	2,169	410,006	3,302,939	3,137,843	18,023,523	**18,185,192**
	-	-	10,415,686	6,354,657	-	-	-	-	-	-	1	-	40,025	156,351	10,455,712	**6,511,008**
Total value of collateral of credit exposure, individually assessed for impairment	**-**	**-**	**129,036,948**	**113,035,769**	**-**	**-**	**-**	**-**	**-**	**-**	**16,144**	**473,375**	17,194,005	**15,449,492**	146,247,097	**128,958,636**

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Industry																		
Non-residents	-	-	42,475	121,407	-	-	2,197,670	2,397,783	-	-	112	48	95	-	0	13,642	2,240,352	**2,532,880**
Agriculture, forestry and fishing	-	-	1,021,978	1,037,280	-	-	-	-	-	-	77	87	0	-	49,898	50,204	1,071,952	**1,087,571**
Ore and stone extraction	-	-	545,241	852,982	-	-	-	-	-	-	17	12	0	-	356,795	369,752	902,052	**1,222,745**
Processing industry	-	-	5,117,785	4,339,256	-	-	-	-	-	-	48	88	12	7	311,295	320,645	5,429,140	**4,659,996**
Wholesale and retail industry for clothing and footwear	-	-	1,281,530	1,244,345	-	-	-	-	-	-	99	219	0	1	287,407	276,638	1,569,037	**1,521,203**
Chemical industry, construction material production, fuel production and processing , pharmaceutical industry	-	-	1,860,193	1,778,787	-	-	-	-	-	-	228	165	34	18	334,909	297,080	2,195,364	**2,076,050**
Production of metals, machines, tools and equipment	-	-	4,273,701	3,945,151	-	-	-	-	-	-	407	547	0	-	641,287	684,975	4,915,396	**4,630,673**
Other processing industry	-	-	1,292,725	1,088,343	-	-	-	-	-	-	23	115	0	32	211,540	222,896	1,504,288	**1,311,386**
Electricity supply, gas, steam and air conditioning	-	-	4,844,528	4,333,036	-	-	-	-	-	-	297	968	135,498	135,499	393,734	417,962	5,374,057	**4,887,465**
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	226,494	195,807	-	-	-	-	-	-	2,125	4,894	1	2	21,127	19,131	249,747	**219,834**
Construction	-	-	5,857,522	5,928,869	-	-	-	-	-	-	135	588	423	763	3,465,127	2,576,998	9,323,207	**8,507,218**

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	8,233,012	6,595,374	-	-	-	-	-	-	1,324	1,994	4	102	4,526,325	4,210,985	12,760,665	**10,808,455**
Transport and warehousing	-	-	1,315,926	974,624	-	-	-	-	-	-	163	341	22	30	350,096	342,836	1,666,206	**1,317,830**
Accommodation facilities and food service industry	-	-	1,964,368	1,792,857	-	-	-	-	-	-	231	217	177	25	72,835	106,719	2,037,611	**1,899,818**
Information and communications	-	-	196,391	261,024	-	-	-	-	-	-	4,574	9,721	1	1	157,797	146,631	358,763	**417,377**
Finance and insurance activities	5,475,887	6,051,077	245,250	297,811	-	-	115,748	84,643	46,971,485	42,069,466	4,580	14,963	28,523	9,103	684,880	187,795	53,526,354	**48,714,858**
Activities related to real estate, renting and business activities	-	-	6,774,132	5,525,029	-	-	-	-	-	-	58	67	0	-	385,887	271,210	7,160,077	**5,796,306**
Professional, scientific and technical activities	-	-	1,660,043	1,800,799	-	-	-	-	-	-	167	295	37	114	185,783	88,839	1,846,029	**1,890,048**
Administrative and utility services	-	-	379,789	219,735	-	-	-	-	-	-	415	613	2	-	59,153	348,154	439,358	**568,502**
Public administration and defense; mandatory social security	-	-	812,752	1,113,634	**7,937,161**	1,754,124	28,296,993	33,114,480	-	-	120	257	25	55	2,457	2,363	37,049,509	**35,984,913**
Education	-	-	325,921	355,032	-	-	-	-	-	-	14	108	0	-	14,927	19,445	340,862	**374,585**
Health care and social work	-	-	1,463,452	1,703,393	-	-	-	-	-	-	255	341	0	-	55,394	130,182	1,519,101	**1,833,916**
Art, entertainment and recreation	-	-	545,186	563,800	-	-	-	-	-	-	186	205	1	1	731,410	770,127	1,276,783	**1,334,132**
Other service activities	-	-	271,107	260,080	-	-	-	-	-	-	115	419	50	24	6,163	4,224	277,435	**264,747**

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	30,633,945	26,822,539	-	-	-	-	-	-	1,962	1,708	1,050,180	613,267	3,689,470	3,555,971	35,375,556	**30,993,484**
Individual merchants and individuals not regarded as merchants	-	-	89,193	86,716	-	-	-	-	-	-	43	125	1	-	11,061	9,805	100,298	**96,646**
Total	5,475,887	**6,051,077**	81,274,638	**73,237,712**	**7,937,161**	**1,754,124**	**30,610,411**	**35,596,905**	**46,971,485**	**42,069,466**	17,776	**39,103**	1,215,084	**759,044**	17,006,755	**15,445,208**	190,509,198	**174,952,639**

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Geographic location																		
Republic of Macedonia	560	532	81,232,164	73,116,304	7,937,161	1,754,124	28,374,600	33,192,876	40,182,753	36,228,725	17,664	38,964	1,214,912	759,042	16,360,380	15,288,982	175,320,194	**160,379,549**
EU member countries	3,303,662	3,486,361	42,421	121,231	-	-	646,249	612,599	4,589,385	4,391,223	111	128	171	1	140,794	128,983	8,722,792	**8,740,524**
Europe (other)	1,708,900	2,101,420	53	177	-	-	6,405	6,247	1,907,482	929,467	1	4	0	-	0	13,642	3,622,842	**3,050,956**
OECD member countries (without European OECD member countries)	462,765	462,765	-	-	-	-	1,583,157	1,785,184	209,330	431,032	-	7	1	1	13,601	13,601	2,268,855	**2,692,591**
Other	-	-	-	-	-	-	-	-	82,536	89,020		-		-	491,980	-	574,516	**89,020**
(the exposure that represents more than 10% of total credit exposure)																		
Total	5,475,887	**6,051,077**	81,274,638	**73,237,712**	**7,937,161**	**1,754,124**	**30,610,411**	**35,596,905**	**46,971,485**	**42,069,466**	**17,776**	**39,103**	**1,215,084**	**759,042**	17,006,755	**15,445,208**	190,509,198	**174,952,639**

The value of total credit exposure by geographic location of debtors show that the highest concentration in the Republic of North Macedonia, amounting to 92.04% as of December 31, 2025 (2024: 91.67%). Exposure to debtors located in EU member amounts to 4.57 % as of December 31, 2025 (2024: 5.00 %). Exposure to debtors located in Other European countries, OECD countries and others amounts to 3.39 % of the total credit exposure of the Bank as of December 31, 2025 (2023: 3.33%).

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 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024	current year 2025	previous year 2024
Current value of financial assets measured at fair value														
Risk category														
Without credit rating	61,408	66,166	31,361	182,652	386,428	374,973	-	-	-	-	-	-	479,197	623,791
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	**61,408**	**66,166**	**31,361**	**182,652**	**386,428**	**374,973**	**-**	**-**	**-**	**-**	**-**	**-**	**479,197**	**623,791**

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, 2025 and 2024 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, 2025 and up to one month and from three to twelve months as at December 31, 2024. 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
2025 (current year)							
Financial assets							
Cash and cash equivalents	46,283,423	-	182	13,772,638	-	-	60,056,243
Held-for-trading assets	93,446		-	-	-	-	93,446
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	386,428	386,428
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	630,339	2,204,581	2,178,208	508	-	462,811	5,476,447
Loans and advances to other customers	1,772,464	3,262,027	19,282,764	10,920,460	24,347,975	25,005,108	84,590,798
Investments in securities	3,412,001	1,600,968	10,275,882	10,989,363	11,476,499	869,002	38,623,715
Investments in associates	-	-	-	-	-	436,179	436,179
Income tax receivable (current)	-	391	-	-	-	-	391
Other receivables	3,483,213	-	40,818	136,183	-	-	3,660,214
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**55,674,886**	**7,067,967**	**31,777,854**	**35,819,152**	**35,824,474**	**27,159,528**	**193,323,861**
Financial liabilities							
Trading liabilities	640	-	-	-	-	-	640
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	49,355	-	-	-	-	-	49,355
Deposits from other customers	108,212,225	8,921,820	32,668,871	8,045,196	6,573,585	234,830	164,656,527
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	77,751	12,023	179,268	274,701	965,821	1,895,615	3,405,179
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	52,176	3,651	-	-	-	-	55,827
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	867,930	5,621	36,569	92,109	-	-	1,002,229
Total financial liabilities	**109,260,077**	**8,943,115**	**32,884,708**	**8,412,006**	**7,539,406**	**2,130,445**	**169,169,757**
Off balance sheet items							
Off balance sheet assets	207,164	306,176	268,338	223,689	17,723	-	1,023,090
Off balance sheet liabilities	8,591,214	1,910,478	5,083,826	3,225,306	125,747	-	18,936,571
Liquidity gap	**(61,969,241)**	**(3,479,450)**	**(5,922,342)**	**24,405,529**	**28,177,044**	**25,029,083**	**6,240,623**

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
2024 (previous 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 and 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 and 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)

2.3 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 %*
2025 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2025)		19,574,212	99,261,351	19.72
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	21,523	19,574,212	100,613,305	19.45
Scenario 2: Denar to appreciate by 5% compared to other currencies	(21,523)	19,574,212	97,909,397	19.99
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	129,139	19,574,212	107,373,070	18.23
Scenario 2: Denar to appreciate by 30% compared to other currencies	(129,139)	19,574,212	91,278,770	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.	791,938	19,574,212	99,276,558	19.72
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.	(791,938)	19,574,212	99,246,144	19.72

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.	1,979,846	19,574,212	99,299,367	19.71
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.	(1,979,846)	19,574,212	99,223,335	19.73
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 31.12.2025 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 0.11% during 2025. Accoring to the Stress test Programe at 31 December 2025, 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 %*
2024 (previous year)				
Amount before **sensitivity analysis/ stress-tests (as at December 31, 2024**)		17,577,873	91,265,641	19.26
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	19,150	17,577,873	92,814,904	18.94
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 3,00 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 increase by 3,00 p.p.	(666,781)	17,577,873	91,252,531	19.26
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.	1,666,953	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 6,00 p.p.	(1,666,953)	17,577,873	91,232,866	19.27

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 31.12.2024 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% at 31 December 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)

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

	current year 2025				previous year 2024			
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, 2025 and 2024 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2025
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	616,695
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(93,264)
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,178,003
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	62,281
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**1,763,714**
3	OWN FUNDS		19,574,212
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**9.01%**
	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%**

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, 2025 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	48,892,103	-	-	-	-	-	**48,892,103**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	622,119	2,183,882	2,159,509	-	-	-	**4,965,510**
Loans and advances to other customers	51,813,401	1,211,268	5,880,662	3,271,716	11,786,746	6,288,341	**80,252,134**
Investments in securities	3,298,874	1,600,531	10,189,717	10,586,305	11,329,683	861,115	**37,866,225**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**104,626,497**	**4,995,681**	**18,229,888**	**13,858,021**	**23,116,429**	**7,149,456**	**171,975,972**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	-	-	**-**
Deposits from other customers	22,843,162	8,346,508	28,507,878	5,564,478	4,886,007	-	**70,148,033**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	234,801	286	107,034	173,828	932,273	1,881,840	**3,330,162**
Subordinated debt	-	-	-	-	-	-	**-**
Other interest sensitive liabilities	-	-	-	-	-	-	**-**
Total interest sensitive financial liabilities	**23,077,963**	**8,346,794**	**28,614,912**	**5,738,306**	**5,818,280**	**1,881,940**	**73,478,195**
Net balance position	**81,548,534**	**(3,351,113)**	**(10,385,024)**	**8,119,715**	**17,298,149**	**5,267,516**	**98,497,777**
Off balance sheet interest sensitive assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off balance sheet interest sensitive liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net off-balance sheet gap	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total net-position	**81,548,534**	**(3,351,113)**	**(10,385,024)**	**8,119,715**	**17,298,149**	**5,267,516**	**98,497,777**

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, 2024 (previous 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)

2.3.3 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, 2025 and 2024.

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
2025 (current year)										
Monetary Assets										
Cash and cash equivalents	38,668,224	16,660,331	2,857,529	-	-	-	-	-	1,868,762	60,054,846
Held-for-trading assets	86,765	6,004	677	-	-	-		-	-	93,446
Financial assets at fair value through profit or loss upon initial recognition	386,428	-	-	-	-	-	-	-	-	386,428
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	560	1,117,104	3,172,955	-	-	-	-	-	1,185,254	5,475,873
Loans and advances to other customers	53,098,585	27,894,287	-	-	-	-	-	-	-	80,992,872
Investments in securities	24,788,040	12,240,839	1,583,628	-	-	-	-	-	-	38,612,507
Investments in associates	436,179	-	-	-	-	-	-	-	-	436,179
Income tax receivable (current)	391	-	-	-	-	-	-	-	-	391
Other receivables	2,833,567	799,615		-	-	-	-	-	-	3,633,182
Assets pledged as collateral				-	-	-	-	-		
Deferred tax assets				-	-	-	-	-		
Total Monetary Assets	**120,298,739**	**58,718,180**	**7,614,789**	**-**	**-**	**-**	**-**	**-**	**3,054,016**	**189,685,724**
Monetary Liabilities										
Trading liabilities	640	-	-	-	-	-	-	-	-	640
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	14,051	9,502	4,130	-	-	-	-	-	21,672	49,355
Deposits from other customers	97,322,392	56,678,571	7,668,293	-	-	-	-	-	2,987,271	164,656,527
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	2,113,422	1,286,574	-	-	-	-	-	-	-	3,399,996
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	55,827	-	-	-	-	-	-	-	-	55,827
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	522,894	424,613	46,613	-	-	-	-	-	8,106	1,002,226
Total Monetary Liabilities	**100,029,226**	**58,399,260**	**7,719,036**	**-**	**-**	**-**	**-**	**-**	**3,017,049**	**169,164,571**
Net-position	**20,269,513**	**318,920**	**(104,247)**	**-**	**-**	**-**	**-**	**-**	**36,967**	**20,521,153**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.3 Foreign Currency Risk (continued)

in thousands of denars	MKD	EUR	USD	list separately the currencies that represent more than 10% of total monetary assets/liabilities					Other currencies	Total
2024 (previous year)										
Monetary Assets										
Cash and cash equivalents	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	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)

2.3.4 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, 2025 and 2024, 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 31.12.2025 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 2025, 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 31.12.2025 amount to 18.50% (of the 2024: 18,00%) 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 2025 and 2024, the Bank has only Common Equity Tier 1 Capital which is a part of the Bank's core capital (Tier 1 Capital Within the framework of the regular core capital in 2025, the Bank recorded treasury shares acquired on the basis of a final court decision for the settlement of a claim from a bankrupt debtor, in the amount of 13,386 thousand denars. These shares represent a deductible item in accordance with the NBRSM regulations. In 2024, the Bank did not record any acquired treasury shares.

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 2025, 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 2025	Previous year 2024
I	**CREDIT RISK- WEIGHTED ASSETS**		
1	Credit risk-weighted assets under the standardized approach	**85,050,902**	**78,702,809**
2	Capital requirement for credit risk	6,804,072	6,296,225
II	**CURRENCY RISK-WEIGHTED ASSETS**		
3	Aggregate foreign exchange position	430,462	593,471
4	Net-position in gold	-	-
5	Capital requirement for currency risk	34,437	47,478
6	Currency risk-weighted assets	**430,462**	**593,471**
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	1,101,998	957,501
9	Operational risk-weighted assets	**13,774,978**	**11,968,765**
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	401	48
14	Capital requirement for other risks (10+11+12+13)	401	48
15	Other risk-weighted assets	**5,009**	**596**
V	**RISK-WEIGHTED ASSETS**	**99,261,351**	**91,265,641**
16	Capital requirement for risks	7,940,908	7,301,252
VI	**OWN FUNDS**	**19,574,212**	**17,577,873**
VII	**CAPITAL ADEQUACY RATIO (VI/V)**	**19.72%**	**19.26%**

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 2025	Previous year 2024
1.	**Own funds**	**19,574,212**	**17,577,873**
2.	**Tier 1 Capital**	**19,574,212**	**17,577,873**
3.	**Common Equity Tier 1 Capital (CET1)**	**19,574,212**	**17,577,873**
3.1.	Positions of CET1	**19,614,261**	**17,612,392**
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	**15,641,947**	**13,802,275**
3.1.4.	Retained unallocated earning	**920,000**	**760,000**
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	**1,720**	**(477)**
3.2.	(-) Deductions of CET1	**(40,049)**	**(34,519)**
3.2.1.	(-) Loss at the end of the year or current loss	**-**	**-**
3.2.2.	(-) Intangibles	**(26,663)**	**(34,519)**
3.2.3.	(-) Deferred tax assets that rely on future profitability of the bank	**-**	-
3.2.4.	(-) Investments in own capital instruments from CET1	**(13,386)**	-
3.2.4.1.	(-) Direct investments in own capital instruments from CET1	**(13,386)**	-
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 2025	Previous year 2024
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 2025	previous year 2024
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, 2025 and 2024 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 31.12.2025 and 31.12.2024, the Group has a significant concentration of two significant clients.

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		
2025 (current year)											
Interest income/(expense), net	-	-	837,049	5,197,983	(4,785)	-	-	-	-	-	**6,030,247**
Fee and commission income/(expense), net	-	4,217	5,008	184,924	914,050	64,733	-	18,091	145,286	20,225	**1,356,534**
Net trading income	-	(14,247)	-	-	-	-	-	-	2,431	-	**(11,816)**
Net income from other financial instruments at fair value	-	11,455	-	-	-	-	-	-	-	-	**11,455**
Other operating income	-	394,472	925,438	161,415	154,754	2,373	-	11,345	124,782	27,516	**1,802,095**
Inter segmented income	-	-	-	-	-	-	-	-	-	-	**-**
Total income by segment	-	395,897	1,767,495	5,544,322	1,064,019	67,106	-	29,436	272,499	47,741	**9,188,515**
Impairment losses of financial assets, net	-	-	(200,000)	(455,259)	-	-	-	-	-	-	**(655,259)**
Impairment losses of non-financial assets, net	-	-	(13)	(5,935)	-	-	-	-	-	-	**(5,948)**
Depreciation and amortization	-	(2,365)	(52,062)	(38,385)	(95,691)	(2,622)	-	(2,622)	(637)	(63,349)	**(257,733)**
Restructuring costs	-										**-**
Investments in property and equipment	-										**-**
Other expenses	-	(28,165)	(798,502)	(311,539)	(798,047)	(19,559)	-	(21,047)	(35,634)	(555,716)	**(2,568,209)**
Total expenses by segment	-	(30,530)	(1,050,577)	(811,118)	(893,738)	(22,181)	-	(23,669)	(36,271)	(619,065)	**(3,487,149)**
Financial result by segment	-	365,367	716,918	4,733,204	170,281	44,925	-	5,767	236,228	(571,324)	**5,701,366**
Income tax											**(566,044)**
Profit/(loss) for the year											**5,135,322**
Total assets by segment	-	444,003	32,438,371	151,478,187	4,457,004	34,272	-	29,967	637,803		**189,519,607**
Unallocated assets by segment										3,159,067	**3,159,067**
Total assets											**192,678,674**
Total liabilities by segment	-	645	124,257,406	44,545,213	251,968	110,659	-	169	30,955		**169,197,015**
Unallocated liabilities by segment										229,064	**229,064**
Total liabilities											**169,426,079**

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		
2024 (previous 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 segment 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)

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		
2025 (current year)*											
Customer 1	**-**	**-**	**-**	**1,260,373**	**(107,928)**	**-**	**-**	**-**	**-**	**(1,138)**	**1,151,307**
Income	-	-	-	1,260,373	11	-	-	-	-	-	1,260,384
(expenses)	-	-	-	-	(107,939)	-	-	-	-	(1,138)	(109,077)
Customer 2	-	-	-	**1,190,812**	**-**	**-**	**-**	**-**	**-**	**(9)**	**1,190,803**
Income	-	-	-	1,190,812	-	-	-	-	-	-	1,190,812
(expenses)	-	-	-	-	-	-	-	-	-	(9)	(9)
Total by segment	**-**	**-**	**-**	**2,451,185**	**(107,928)**	**-**	**-**	**-**	**-**	**(1,147)**	**2,342,110**
2024 (previous 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**

*As at 31.12.2025, the Group has a significant concentration of two significant clients from which it earns revenues amounting to 12.7% and 12.0% 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, 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.

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
2025 (current year)								
Total income*	9,423,555	(275,978)	(48,097)	566	-	3,841	84,628	9,188,515
Total assets	180,378,513	7,929,250	3,616,280	672,095	-	82,536	-	192,678,674
2024 (previous 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

* The negative amount of total revenues in the European Union Member States segment in 2025 results from a higher amount of commission expenses, while in the Europe (other) segment it results from a higher amount of commission expenses and from negative exchange rate differences.

** The negative amount of total revenues in the Europe (other) segment in 2024 results from a higher amount of commission expenses.

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Financial Liabilities

in thousands of denars	Current year 2025		Previous year 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	60,054,846	60,054,846	55,480,410	55,480,410
Held-for-trading assets	93,446	93,446	250,635	250,635
Financial assets at fair value through profit or loss upon initial recognition	386,428	386,428	374,973	374,973
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	5,475,873	5,475,873	6,051,011	6,051,011
Loans and advances to other customers	80,992,872	80,992,872	72,975,118	72,975,118
Investments in securities	38,612,507	38,331,146	37,416,023	36,868,301
Investments in associates	436,179	436,179	422,412	422,412
Income tax receivable (current)	391	391	391	391
Other receivables	3,633,182	3,633,182	2,894,876	2,894,876
Assets pledged as collateral	-	-	-	-
Deferred tax assets	-	-	-	-
Financial Liabilities				
Trading liabilities	640	640	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	49,355	49,355	1,233,413	1,233,413
Deposits from customers	164,656,527	164,118,618	153,366,826	152,828,917
Debt instruments issued	-	-	-	-
Borrowings	3,399,996	3,399,996	1,456,825	1,456,825
Subordinated debt	-	-	-	-
Income tax payable (current)	55,827	55,827	262,671	262,671
Deferred tax liabilities	-	-	-	-
Other liabilities	1,002,226	1,002,226	1,131,865	1,131,865

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 64,934 thousands of denars (2024: 64,993 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% (2024: 0.17%).

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 37,218,558 thousands of denars (2024: 31,647,104 thousands of denars). Fixed interest rates refer to time deposits up to one year applicable (26,770,674 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, 2025 (current year)					
Financial assets measured at fair value					
Held-for-trading assets	19	32,038	61,408	-	**93,446**
Financial assets at fair value through profit or loss upon initial recognition	20	-	386,428	-	**386,428**
Derivative assets held for risk management	21	-	-	-	
Investments in available-for-sale securities	23.1	-	7,937,161	64,935	**8,002,096**
Total		**32,038**	**8,384,997**	**64,935**	**8,481,970**
Financial liabilities measured at fair value					
Trading liabilities	32	640	-	-	640
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	
Derivative liabilities held for risk management	21	-	-	-	
Total		**640**	**-**	**-**	**640**
December 31, 2024 (previous 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**

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 2025		Previous year 2024	
	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, 2024 (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, 2024 (previous year)	**-**	**-**	**64,965**	**64,965**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2024 (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, 2025 (current year)	-	-	64,993	**64,993**	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	(59)	**(59)**	-	-	-
- 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, 2025 (current year)	-	-	**64,935**	**64,935**	-	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2025 (current year)	-	-	**(59)**	**(59)**	**-**	**-**	**-**

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 2025	previous year 2024
Interest income		
Cash and cash equivalents	1,427,325	1,584,206
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	208,192	201,624
Loans and advances to other customers	3,831,383	3,639,543
Investments in securities	1,289,828	1,232,247
Other receivables	-	-
(Allowance for impairment of Interest Income, net)	(18,692)	(15,143)
Collected interest previously written off	147,337	116,684
Total interest income	**6,885,373**	**6,759,161**
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	608	3,940
Due to other customers	786,839	741,576
Debt instruments issued	-	-
Borrowings	27,706	31,518
Subordinated debt	-	-
Other liabilities	39,973	14,803
Total interest expense	**855,126**	**791,837**
Interest income/(expense), net	**6,030,247**	**5,967,324**

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

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

	in thousands of denars	
	current year 2025	previous year 2024
Interest income		
Non-financial companies	2,259,933	2,207,150
Government	1,233,997	1,192,832
Not for profit institutions that serve to household	11,090	13,039
Banks	4,634	1,109,033
Other financial institutions (non-banks)	1,261,145	189,403
Households	1,518,426	1,370,134
Non-residents	467,503	576,029
(Allowance for impairment of Interest Income, net)	(18,692)	(15,143)
Collected interest previously written off	147,337	116,684
Total interest income	**6,885,373**	**6,759,161**
Interest expense		
Non-financial companies	89,418	79,439
Government	549	724
Not for profit institutions that serve to household	6,703	6,676
Banks	15,587	14,817
Other financial institutions (non-banks)	13,053	12,144
Households	703,036	640,475
Non-residents	26,780	37,562
Total interest expense	**855,126**	**791,837**
Net interest income/(expense)	**6,030,247**	**5,967,324**

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 2025	previous year 2024
Fee and commission income		
Loans	154,265	136,402
Payment's operation		
domestic	477,703	491,350
abroad	304,987	304,370
Letter of credit and guarantees	177,665	181,176
Brokerage operations	23,781	18,874
Asset management	139,181	91,206
Fiduciary activities	44,380	33,768
Issuing securities	-	-
Other		
Credit cards transactions with merchants	707,785	649,534
Fees under credit cards activities	194,851	248,593
Income for keeping transaction accounts of citizens	99,760	87,171
Income for payment operations of citizens	37,387	42,351
Other	156,790	139,902
Total fee and commission income	**2,518,535**	**2,424,697**
Fee and commission expense		
Loans	894,527	855,598
Payment's operation		
domestic	165,416	199,957
international	58,591	50,733
Letter of credit and guarantees	-	-
Brokerage operations	1,517	1,171
Asset management	-	-
Fiduciary activities	6,758	3,883
Issuing securities	-	-
Other	35,192	32,902
Total fee and commission expense	**1,162,001**	**1,144,244**
Net fee and commission income/(expense)	**1,356,534**	**1,280,453**

7 Net fee and commission income/(expense)

B Sector analysis of fee and commission income and expense

	in thousands of denars	
	current year 2025	previous year 2024
Fee and commission income		
Non-financial companies	1,540,515	1,540,515
Government	5,305	5,305
Not for profit institutions that serve to household	33,284	33,284
Banks	72,369	72,369
Other financial institutions (non-banks)	237,098	87,630
Households	455,397	455,397
Non-residents	174,567	174,567
Total fee and commission income	**2,518,535**	**2,369,067**
Fee and commission expense		
Non-financial companies	35,516	35,516
Government	9	9
Not for profit institutions that serve to household	-	-
Banks	106,326	104,091
Other financial institutions (non-banks)	165,814	156,687
Households	5,560	-
Non-residents	848,776	848,776
Total fee and commission expense	**1,162,001**	**1,145,079**
Net fee and commission income/(expense)	**1,356,534**	**1,223,988**

8 Net trading income/(expense)

	in thousands of denars	
	current year 2025	previous year 2024
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	492	7,002
unrealized	436	4,489
Profit/(loss) from fair value changes of equity instruments, net		
realized	(20,011)	(3,569)
unrealized	3,351	43,539
Income from dividends from trading assets	4,258	2,133
Income from interest of trading assets	-	1,922
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	(379)	3,479
unrealized	37	170
Net income/(expense) from trading	**(11,816)**	**59,165**

9 Net income from other financial instruments at fair value

	in thousands of denars	
	current year 2025	previous year 2024
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	11,455	10,837
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	**11,455**	**10,837**

10 Net foreign exchange gains/ (losses)

	in thousands of denars	
	current year 2025	previous year 2024
Realized foreign exchange gains/(losses), net	432,106	382,471
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	260	167
Foreign exchange differences of special reserve for off-balance sheet exposures, net	75	(168)
Other foreign exchange differences, net	(6,259)	(5,680)
Net foreign exchange gain/(loss)	**426,182**	**376,790**

11. Other operating income

	in thousands of denars	
	current year 2025	previous year 2024
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	5,248	307
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
Property, plant and equipment	5,698	5,241
Intangible assets	-	-
Foreclosed assets	489,407	630,433
Non-current assets held-for-sale and group for disposal	-	3,585
Income from rent	3,712	5,883
Income from litigations	42	91
Collected receivables previously written off	705,727	455,090
Release provisions for:		
Contingent commitments based on litigations	-	-
Pensions and other employee benefits	-	-
Restructuring	-	-
Onerous contracts	-	-
Other provisions	-	-
Other		
Income from foreign exchange operations	851	843
Other income	40,446	60,531
Total other operating income	**1,251,131**	**1,162,004**

The amount of 489,407 thousand denars (2024: 630,433 thousand denars) in the position "Capital gain from sale of foreclosed assets based on unpaid receivables" largely arises from the sale of the Bank's foreclosed property, which includes a large area of administrative and business premises and land, as well as a multi-storey garage with complete installations and equipment. The sold foreclosed property from which the capital gain was realized was foreclosed by debtor legal entities to which the Bank had significant credit exposure.

The amount of 705,727 thousand denars (2024: 455,090 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**
2025 (current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	866	2,427,405	-	16,342	8,414	15,550	33,326	2,501,903	254,830	2,756,733
(Release of allowance for impairment and special reserve)	(871)	(1,793,162)	-	(5,686)	(8,294)	(6,262)	(8,455)	(1,822,731)	(278,743)	(2,101,474)
	(5)	**634,243**	**-**	**10,656**	**120**	**9,288**	**24,871**	**679,172**	**(23,913)**	**655,259**
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net										
2024 (previous year)										
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
Additional allowance for impairment and special reserve	(575)	(1,618,505)	-	(2,416)	(9,004)	(4,197)	(29,550)	(1,664,247)	(365,585)	(2,029,832)
(Release of allowance for impairment and special reserve)	**299**	**611,893**	**-**	**(2,229)**	**(14)**	**9,135**	**60,336**	**679,420**	**(8,961)**	**670,459**

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**
2025 (current year)							
Additional impairment loss	-	-	5,948	-	-	-	**5,948**
(Release of impairment loss)	-	-	-	-	-	-	**-**
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**5,948**	**-**	**-**	**-**	**5,948**
2024 (previous 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**

*) only for consolidated financial statements

14. Personnel expenses

	in thousands of denars	
	current year 2025	previous year 2024
Short-term benefits for employees		
Salaries	1,048,181	996,782
Compulsory social and health insurance contributions	366,409	346,332
Short-term paid absences	2,498	2,929
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	1,174	2,402
	1,418,262	**1,348,445**
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	89	-
	89	**-**
Termination benefits	-	-
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	126,817	117,902
Total costs for employees	**1,545,168**	**1,466,347**

15. Depreciation and amortization

	in thousands of denars	
	current year 2025	previous year 2024
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	14,648	15,539
Other internal developed intangible assets	-	-
Other intangible assets	7,856	8,476
Investments in intangible assets taken under lease	-	-
	22,504	**24,015**
Depreciation of property and equipment		
Buildings	95,705	82,763
Vehicles	25,197	21,729
Furniture and equipment	27,747	22,783
Other equipment	74,669	87,105
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	11,911	9,344
	235,229	**223,724**
Total depreciation	**257,733**	**247,739**

16. Other operating expenses

	in thousands of denars	
	current year 2025	previous year 2024
Loss from sale of assets available for sale	-	-
Software licensing expense	98,370	62,238
Deposit insurance premium	283,211	261,472
Premium on property and employee insurance	8,057	9,133
Materials and services	355,159	312,440
Administrative and marketing expenses	187,056	160,971
Other taxes and contributions	1,706	1,628
Rental expense	10,356	22,763
Court litigation expenses	1,357	1,772
Provisions for pension and other employee benefits, net	6,047	9,910
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		
Costs in the process of realization of the alienation of property	-	110,890
Costs based on operations with bank cards	31,614	32,101
Other expenses	40,108	53,903
Other operating expense	**1,023,041**	**1,039,221**

17 Income tax

A Expense/income based on current and deferred tax

	in thousands of denars	
	current year 2025	previous year 2024
Current income tax		
Expense/(income) based on current income tax for the year	566,044	564,418
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	-	-
	566,044	**564,418**
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	**566,044**	**564,418**

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	566,044	564,418
Recognized in the equity and reserves	-	-
	566,044	**564,418**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
	-	**-**
Total expense/(return) on income tax	**566,044**	**564,418**

17 Income tax (continued)

B Reconciliation between average effective tax rate and applicable tax rate

	in %	*in thousands of denars*	*in %*	*in thousands of denars*
	current year 2025		previous year 2024	
Profit/ (loss) before taxation	100	5,701,366	100	5,524,532
Income tax as per applicable tax rate	10	570,137	10	552,453
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	0.5	28,020	0.7	37,246
Tax-exempt income	(0.5)	(29,017)	(0.5)	(25,281)
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	(0.1)	(3,096)	-	-
Total expense/(return) on income tax		**566,044**		**564,418**
Average effective tax rate	**9.9**		**10.2**	

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 2025			previous year 2024		
	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 2025	previous year 2024
Cash on hand	3,367,653	3,035,871
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	9,715,708	34,074,716
Current accounts and transaction deposits with foreign banks	1,425,073	917,120
Current accounts and transaction deposits with local banks	3,661	4,676
Treasury bills that may be traded on the secondary market	28,474,692	2,413,617
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	5,313,763	4,639,761
Other short-term highly liquid assets	-	356
Interest receivables	5,125	23,752
(Allowance for impairment)	(1,368)	(1,213)
Included in cash and cash equivalents for the purposes of the Statement of cash flows	**48,304,307**	**45,108,656**
Obligatory foreign currency deposits	11,458,397	10,052,025
Restricted deposits	292,171	319,761
(Allowance for impairment)	(29)	(32)
Total	**60,054,846**	**55,480,410**

As at 31 of December 2025, the Group has restricted deposits in the amount of 292,171 thousands of denars (2024: 319,761 thousands of denars), as follows:

- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 209,626 thousands of denars (2024: 230,733 thousands of denars),
- In the United Overseas Bank Limited account, for for operational purposes for Visa cards, assets in the amount of 82,545 thousands of denars (2024: 89,029 thousands of denars)

18 Cash and cash equivalents (continued)

The amount of 28,474,692 thousands of denars (2024: 2,413,617 thousands of denars) refers to treasury bills issued by NBRSM acquired on the primary market with due of 8 days and interest rate of 4% (2024: due in 49 days and interest rate of 5.55%).

The amount of 11,458,397 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 (2024: 10,052,025 thousands of denars).

in thousands of denars

	current year 2025				previous year 2024			
	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	**1,039**	**-**	**206**	**1,245**	**1,268**	**-**	**-**	**1,268**
Impairment loss for the year								
Additional impairment	8,414	-	-	**8,414**	8,741	-	249	**8,990**
(Release of impairment)	(8,215)	-	(79)	**(8,294)**	(8,979)	-	(25)	**(9,004)**
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	(23)	-	55	**32**	19	-	(28)	**(9)**
(Written off receivables)	-	-	-	**-**	-	-	-	**-**
As at December 31	**1,215**	-	**182**	**1,397**	**1,039**	-	**206**	**1,245**

19 Trading assets (continued)

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

	in thousands of denars	
	current year 2025	previous year 2024
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	31,322	36,625
Corporate bonds	-	-
Other debt instruments	30,086	29,541
	61,408	**66,166**
Quoted	31,322	36,625
Unquoted	30,086	29,541
Equity instruments for trading		
Equity instruments issued by banks		
Other equity instruments	31,361	182,652
	31,361	**182,652**
Quoted	31,361	182,652
Unquoted	-	-
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	677	1,817
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	677	**1,817**
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	**93,446**	**250,635**

The debt trading instruments in the amount of 61,408 thousands of denars (2024: 66,166 thousands of denars) refer to government bonds issued in the amount of 31,322 thousands of denars (2024: 36,625 thousands of denars) and shares in Open investment funds in the amount of 30,086 thousands of denars (2024: 29,541 thousands of denars).

Quoted equity trading instruments in the amount of 31,361 thousands of denars (2024: 182,652 thousands of denars) refer to investment in shares issued by domestic non-financial companies. In 2025, shares of two joint-stock companies that are part of the MBI10 index were fully sold, resulting in net realized losses in the amount of 20,011 thousand denars.

Derivatives for trading in the amount of 677 thousands of denars (2024: 1,817 thousand of denars) 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 2025	previous year 2024
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	386,428	374,973
	386,428	**374,973**
Quoted	-	-
Unquoted	386,428	374,973
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	**386,428**	**374,973**

Other unquoted debt instruments in the amount of 386,428 thousands of denars refer to investments in participation in investment funds (2024: 374,973 thousands of denars), as follows: participations in the open investment fund KB Invest - Balanced in the amount of 15,670 thousands of denars (2024: 13,730 thousands of denars) and participation in the open investment fund KB Invest - Paricen in the amount of 370,758 thousands of denars (2024: 361,242 thousands of denars).

21 Derivative assets and liabilities held for risk management

		in thousands of denars			
		current year 2025		previous year 2024	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A.	**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 2025		previous year 2024	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks	-	65	-	48
Foreign banks	-	-	-	-
Time deposits over 3 months				
Domestic banks	-	508	-	496
Foreign banks	4,961,845	462,811	5,507,495	462,812
Repo				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other receivables				
Domestic banks	-	-	-	-
Foreign banks	3,587	-	5,904	-
Interest receivables	47,617	-	74,874	-
Current maturity	65	(65)	48	(48)
Total loans and advances to banks before impairment	**5,013,114**	**463,319**	**5,588,321**	**463,308**
(Allowance for impairment)	(501)	(59)	(559)	(59)
Total loans and advances to banks, net of allowance for impairment	**5,012,613**	**463,260**	**5,587,762**	**463,249**

22 Loans and advances (continued)

22.1 Loans and advances to banks (continued)

in thousands of denars

	current year 2025				previous year 2024			
	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	**618**	-	-	**618**	**301**	-	-	**301**
Impairment loss for the year								
Additional impairment	866	**-**	**-**	**866**	874	**-**	**-**	**874**
(Release of impairment)	(871)	**-**	**-**	**(871)**	(575)	**-**	**-**	**(575)**
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	(53)	-	-	**(53)**	18	-	-	**18**
(Written off receivables)	-	-	-	**-**	-	-	-	**-**
As at December 31	**560**	**-**	**-**	**560**	**618**	**-**	**-**	**618**

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 2025		previous year 2024	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	10,555,343	41,358,075	9,463,206	37,562,147
Interest receivables	161,577	-	149,605	-
Government				
Receivables upon principal	18,249	804,066	286	1,117,211
Interest receivables	5,099	-	6,117	-
Non-profit institutions that serve households				
Receivables upon principal	18,838	197,985	50,713	222,895
Interest receivables	1,123	-	712	-
Financial companies, besides banks				
Receivables upon principal	3,095	12,131	2,996	8,854
Interest receivables	46	-	29	-
Households				
Receivables upon principal				
Housing loans	103,822	13,211,501	95,060	11,000,589
Customer loans	903,456	14,459,200	735,204	12,925,602
Vehicle loans	-	188	-	419
Mortgage loans	-	-	-	-
Credit cards	48,959	881,074	55,666	954,753
Other loans	830,392	622,414	861,961	602,934
Interest receivables	69,320	-	65,392	-
Non-residents, except banks				
Receivables upon principal	43,057	-	123,197	-
Interest receivables	21	-	87	-
Current maturity	11,269,775	(11,269,775)	10,638,947	(10,638,947)
Total loans and advances to other customers before impairment	**24,032,172**	**60,276,859**	**22,249,178**	**53,756,457**
(Allowance for impairment)	(1,631,729)	(1,684,430)	(1,286,763)	(1,743,754)
Total loans and advances to other customers, net of allowance for impairment	**22,400,443**	**58,592,429**	**20,962,415**	**52,012,703**

The Group has established a pledge of receivables in the form of a notarial deed in favor of RBSM under sub-loan agreements with end-users approved by the EIB credit lines and the Hungarian credit line and the credit line for Digitalization/Energy Efficiency/Renewable Energy Sources, administered through DBNM. As of 31 December 2025, the amount of loan liabilities for which the Group has established a pledge of receivables under sub-loan agreements amounts to 3,113,389 thousand denars (31.12.2024: 796,190 thousand denars) (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 2025				previous year 2024			
	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	492,526	1,523,132	1,014,859	**3,030,517**	404,960	2,189,430	384,356	**2,978,746**
Impairment loss for the year								
Additional impairment	488,141	825,177	1,114,087	**2,427,405**	471,715	356,477	1,402,207	**2,230,398**
(Release of impairment)	(587,821)	(565,906)	(639,435)	**(1,793,162)**	(541,663)	(623,740)	(453,102)	**(1,618,505)**
Transfer to:								
Impairment loss for Group 1	(43,140)	42,594	546	**-**	(46,706)	45,930	776	**-**
Impairment loss for Group 2	185,273	(448,093)	262,820	**-**	197,393	(478,426)	281,033	**-**
Impairment loss for Group 3	8,681	26,076	(34,757)	**-**	6,828	33,441	(40,269)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-	**-**	-	-	(46,792)	**(46,792)**
Foreign exchange gain/losses	30	(114)	(158)	**(242)**	-	20	(197)	**(177)**
(Written off receivables)	-	-	(348,358)	**(348,358)**	-	-	(513,153)	**(513,153)**
As at December 31	**543,690**	**1,402,866**	**1,369,604**	**3,316,160**	**492,526**	**1,523,132**	**1,014,859**	**3,030,517**

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 2025	previous year 2024
(current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the bank)	1,998,176	2,060,913
Government securities	-	-
Government unconditional guarantees	2,886,537	2,005,000
Bank guarantees	-	4,007
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except banks and guarantees from insurance companies)	1,230,490	1,282,296
Guarantees from individuals	-	-
Mortgage on real estate		
Property for private use (flats, houses)	17,255,125	14,941,875
Property for business	27,748,491	24,988,243
Pledge over movables	6,636,947	6,990,828
Other types of collateral	1,964,716	1,483,945
Unsecured	21,272,390	19,218,011
Total loans and advances to other customers, net of allowance for impairment	**80,992,872**	**72,975,118**

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 2025	previous year 2024
Debt securities		
Treasury bills	-	-
Government bills	7,424,456	1,241,605
Other instruments in the money market	-	-
Government bonds	512,705	512,519
Corporate bonds	-	-
Other equity investments	-	-
	7,937,161	**1,754,124**
Quoted	512,705	512,519
Unquoted	7,424,456	1,241,605
Equity investments		
Equity investments issued by banks	-	-
Other equity investments	64,935	64,994
	64,935	**64,994**
Quoted	-	-
Unquoted	64,935	64,994
Total investment in financial instruments available for sale	**8,002,096**	**1,819,118**

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 2025				previous year 2024			
	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)

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

The investments in equity instruments available-for-sale in the amount of 64,935 thousands of denars (2024: 64,994 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.

Investing in treasury bills with a maturity of one year and interest rates from 3,80% to 4,00% is in the amount of 7,424,456 thousands of denars (2024: 1,241,604 thousands of denars with a maturity of one year and interest rates from 3,80% to 4,10%), and in continuous government bonds with a maturity of ten years and an interest rate of 1,50% is in the amount of 512,705 thousands of denars (2024: 512,519 thousands of denars with a maturity of ten years and an interest rate of 1,50%).

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 2025	previous year 2024
Debt securities		
Treasury bills	-	-
Government bills	-	618,480
Other instruments in the money market	-	-
Government bonds	28,374,599	32,569,695
Corporate bonds	5,000	5,252
Other debt securities	2,242,019	2,404,029
	30,621,618	**35,597,456**
Quoted	30,616,618	34,978,976
Unquoted	5,000	618,480
***Total investment in financial instruments held to maturity before* impairment**	**30,621,618**	**35,597,456**
(Impairment)	(11,207)	(551)
Total investment in financial instruments held to maturity after impairment	**30,610,411**	**35,596,905**

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

in thousands of denars

	current year 2025				previous year 2024			
	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	**-**	**551**	**-**	**551**	2,229	551	-	**2,780**
Impairment loss for the year								
Additional impairment	6,207	2,386	7,749	**16,342**	158	29	-	**187**
(Release of impairment)	-	(551)	(5,135)	**(5,686)**	(2,387)	(29)	-	**(2,416)**
Transfer to:								
Impairment loss for Group 1	-	-	-	**-**	-	-	-	**-**
Impairment loss for Group 2	-	(2,386)	2,386	**-**	-	-	-	**-**
Impairment loss for Group 3	-	-	-	**-**	-	-	-	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-	**-**	-	-		**-**
Foreign exchange gain/losses	-	-	-	**-**	-	-	-	**-**
(Written off receivables)	-	-	-	**-**	-	-	-	**-**
As at December 31	**6,207**	**-**	**5,000**	**11,207**	**-**	**551**	**-**	**551**

Debt securities in the amount of 30,621,618 thousands of denars (2024: 35,597,457 thousands of denars) include government bonds issued by the Republic of North Macedonia in the amount of 28,374,599 thousands of denars (2024: 32,569,696 thousands of denars), corporate bonds issued by domestic financial company in the amount of 5,000 thousands of denars (2024: corporate bonds issued by domestic financial company in the amount of 5,252 thousands of denars) and other debt instruments – government bonds issued by foreign countries in the amount of 2,242,019 thousands of denars (2024: 2,404,029 thousands of denars).

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 19,504,716 thousands of denars with a maturity period from 2026 to 2034 and bear interest at a rate of 1.63 % to 4.65 % annually (2024: 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) and government bonds issued on foreign markets (Eurobonds) in the amount of 8,869,884 thousands of denars with a maturity period from 2026 to 2028 and bear interest at a rate from 1.625 % to 6.96 % annually (2024: 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).

Corporate bonds consist of bond issued by a domestic financial company in the amount of 5,000 thousands of denars with a maturity until 2027 and a coupon interest rate of 6 % (2024: bonds 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 620,720 thousands of denars with maturity of 2027, government bonds issued by the U.S. Department of the Treasury in the amount of 1,583,157 thousands of denars with maturity until 2028 and coupon interest rate of 2.5% to 4.36%, government bonds issued by the state of Turkey in the amount of 6,405 thousands of denars and government bondsissued by the state Romania in the amount of 31,736 thousand of denars (2024: government bonds issued by the Ministry of Finance France in the amount of 612,599 thousand denars with maturity to 2025, government bonds issued by the US Department of Treasury in the amount of 1,785,184 thousand denars with maturity to 2025 and 2028 and government bonds issued by Turkey in the amount of 6,247 thousand 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 2025	previous year 2024	current year 2025	previous year 2024
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%

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 2025					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	923,677	40,282	883,395	516,430	254,656
	923,677	**40,282**	**883,395**	**516,430**	**254,656**
Previous 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**

According to the equity method, in the Income Statement, the Group shows a profit corresponding to the Bank's share in the company. In 2025, the Group presented in the income statement a share in the profit of the associated company in the amount of 124,782 thousand of denars (2024: 111,015 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 111,015 thousands of denars (2024: 92,507 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 2025 is 436,179 thousands of denars (31 December 2024: 422,412 thousands of denars)

25 Other receivables

	In thousands of denars	
	current year 2025	previous year 2024
Trade receivables	1	4
Prepaid expenses	-	-
Deferred income	-	-
Fees and commission receivables	45,594	44,649
Receivables from employees	6	2
Advances for intangible assets	-	319
Advances for property and equipment	27,695	13,496
Other (receivables representing more than 10% of the total other receivables)		
Pre-paid pensions	2,340,856	2,044,825
Bank credit card settlement transactions	778,120	565,651
Other receivables by other basis in denars	405,924	182,631
Other receivables by other basis in foreign exchange currency	12,299	10,455
Suspicious and doubtful receivables from receivables from clients and other receivables	15,859	69,600
Inventory, petty inventory and numismatic collection	51,518	35,383
Other receivables	61,554	51,790
Total other receivables before value allowance	**3,739,426**	**3,018,805**
(Allowance for impairment)	(27,031)	(75,052)
Total other receivables, net of allowance for impairment	**3,712,395**	**2,943,753**

The line “Pre-paid pensions” in the amount of 2,340,856 thousands of denars (2024: 2,044,825 thousands of denars) refer to paid pensions for December 2025 from the Bank’s funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 2 January 2026 (for 2024 on 2 January 2025).

25 Other receivables (continued)

in thousands of denars

	current year 2025				previous year 2024			
	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	1,379	418	73,255	**75,052**	**6,187**	**338**	**30,535**	**37,060**
Impairment loss for the year								
Additional impairment	4,920	3,243	40,713	**48,876**	3,691	4,281	95,245	**103,218**
(Release of impairment)	(4,957)	(1,627)	(8,134)	**(14,718)**	(8,457)	(3,303)	(21,987)	**(33,747)**
Transfer to:								
Impairment loss for Group 1	(266)	260	6	**-**	(104)	103	1	**-**
Impairment loss for Group 2	164	(1,775)	1,611	**-**	55	(1,064)	1,010	**-**
Impairment loss for Group 3	4	76	(80)	**-**	6	63	(70)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-	**-**	-	-	(106)	**(106)**
Foreign exchange gain/losses	-	-	1	**1**	-	-	-	**-**
(Written off receivables)	-	-	(82,180)	**(82,180)**	-	-	(31,373)	**(31,373)**
As at December 31	**1,244**	**595**	**25,192**	**27,031**	**1,379**	**418**	**73,255**	**75,052**

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 2025	previous year 2024
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 2024 (previous 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 (previous year)	**59,543**	**1,058,541**	**44,978**	**74,519**	**2,007**	**1,239,588**
As at January 1, 2025 (current year)	59,543	1,058,541	44,978	74,519	2,007	1,239,588
Foreclosed during the year	14,397	13,637	1,093	-	13,386	42,513
(sold during of the year)	(24,350)	(518,026)	(7,483)	(6,109)	(15,393)	(571,361)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2025 (current year)	**49,590**	**554,152**	**38,588**	**68,410**	**-**	**710,740**
Impairment						
As at January 1, 2024 (previous 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
(sold during the year)	-	-	-	-	-	-
(transfer into assets for own use)	(77,120)	(562,230)	(671,763)	(30,397)	(46,607)	(1,388,117)
As at December 31, 2024 (previous year)	**58,685**	**1,049,199**	**44,687**	**74,519**	**2,007**	**1,229,097**
As at January 1, 2025 (current year)	**58,685**	**1,049,199**	**44,687**	**74,519**	**2,007**	**1,229,097**
Impairment loss during the year	14,564	19,133	1,315	-	-	35,012
(transfer into assets for own use)	-	-	-	-	-	-
(sold during the year)	(24,325)	(517,711)	(7,414)	(6,109)	(2,007)	(557,566)
As at December 31, 2025 (current year)	**48,924**	**550,621**	**38,588**	**68,410**	**-**	**706,543**
Net carrying amount						
As at January 1, 2024 (previous year)	**858**	**9,342**	**291**	**-**	**-**	**10,491**
As at December 31, 2024 (previous year)	**833**	**4,401**	**-**	**-**	**-**	**5,234**
As at December 31 2025 (current year)	**666**	**3,531**	**-**	**-**	**-**	**4,197**

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 2025 is 4,147 thousands of denars (as at 31 December 2024 in the amount of 5,357 thousands of denars).

The fair value of foreclosed assets as at 31 December 2025 is in the amount of 597,843 thousands of denars (as at 31 December 2024 is in the amount of 1,035,190 thousands of denars).

Part of the recognised impairment in 2024, in the amount of 5,948 thousands of denars (2024: 19,290 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 2025 the Group realized capital gain from the sale of foreclosed assets in the amount of 489,407 thousands of denars (2024: 630,433 thousands of denars) (see note 11).

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, 2024 (previous 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 combination)	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	**-**
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	**-**
As at December 31, 2024 (previous year)	**-**	**289,140**	**-**	**112,486**	**26,593**	**-**	**-**	**428,219**
As at January 1, 2025 (current year)	**-**	289,140	-	112,486	26,593	-	-	**428,219**
Increases by new supplies	-	72,267	-	10,995	(4,307)	-	-	**78,955**
Increases by internal development	-	-	-	-	-	-	-	-
Increases by business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(265)	-	(431)	-	-	-	**(696)**
(disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-
As at December 31, 2025 (current year)	**-**	**361,142**	**-**	**123,050**	**22,286**	**-**	**-**	**506,478**

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, 2024 (previous 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)**
As at December 31, 2024 (previous year)	**-**	**253,076**	**-**	**88,984**	**-**	**-**	**-**	**342,060**
As at January 1, 2025 (current year)	**-**	**253,076**	**-**	**88,984**	**-**	**-**	**-**	**342,060**
Depreciation for the year	-	14,627	-	7,877	-	-	-	**22,504**
Impairment loss during the year	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)		(255)	-	(431)	-	-	-	**(686)**
Balance at December 31, 2025 (current year)	**-**	**267,448**	**-**	**96,430**	**-**	**-**	**-**	**363,878**
Current carrying amount								
Balance at January 1, 2024	**-**	**45,313**	**-**	**13,920**	**12,439**	**-**	**-**	**71,672**
Balance at December 31, 2024 (previous year)	**-**	**36,064**	**-**	**23,502**	**26,593**	**-**	**-**	**86,159**
Balance at December 31, 2025 (current year)	**-**	**93,694**	**-**	**26,620**	**22,286**	**-**	**-**	**142,600**

*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 2024 (previous year)	-	-	-	-	-	-	**-**
As at December 31 2025 (current year)	-	-	-	-	-	-	**-**

As at 31 December 2025, the Group has not pledged intangible assets as collateral for the Bank's liabilities (as at 31 December 2024: none).

According to concluded agreement, the Group has undertaken an obligation for purchase of intanbigle assets in the upcoming period, but mostly during 2026, for the expansion of the Group’s activities.

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	Right of use assets	**Total**
Purchase value										
As at 1 January 2024 (previous 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)	-	-	**238,818**
Increase through business combinations		-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	(185)	(13,923)	(26,534)	(20,860)	-	-	-	-	**(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 (previous year)	**89,200**	**3,373,261**	**209,264**	**357,375**	**861,489**	**13,509**	**23,478**	**94,228**	-	**5,021,804**
As at 1 January 2025 (current year)	89,200	3,373,261	209,264	357,375	861,489	13,509	23,478	94,228	79,341	**5,101,145**
Increases	-	107,726	2,759	30,982	37,138	-	15,038	1,760	19,018	**214,421**
Increase through business combinations	-	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	(16,665)	(22,940)	(13,760)	-	-	-	-	**(53,365)**
(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 2025 (current year)	**89,200**	**3,480,987**	**195,358**	**365,417**	**884,867**	**13,509**	**38,516**	**95,988**	**98,359**	**5,262,201**

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	Right of use assets	**Total**
Depreciation and impairment										
As at 1 January 2024 (previous year)	-	1,070,241	128,898	282,875	625,704	-	-	47,760	-	**2,155,478**
-	-	82,763	21,729	22,783	87,105	-	-	9,344	-	**223,724**
-	-	-	-	-	-	-	-		-	**-**
-	-	-	-	-	-	-	-		-	-
-	-	(57)	(13,923)	(25,891)	(20,858)	-	-	(346)	-	**(61,075**
-	-	(4,735)	-	-	-	-	-	-	-	**(4,735**
-	-	-	-	-	-	-	-		-	**-**
-	-	-	-	-	-	-	-		-	-
Balance at 31 December 2024 (previous year)	**-**	**1,148,212**	**136,704**	**279,767**	**691,951**	**-**	**-**	**56,758**	**-**	**2,313,392**
Balance at 1 January 2025 (current year)	-	1,148,212	136,704	279,767	691,951	-	-	56,758	-	**2,313,392**
Depreciation for the year	-	84,940	25,197	27,734	74,682	-	-	11,911	10,765	**235,229**
Impairment loss during the year	-	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	(16,665)	(22,939)	(13,756)	-	-	-	-	**(53,360**
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-	**-**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-		**-**
Other transfers	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2025 (current year)	**-**	**1,233,152**	**145,236**	**284,562**	**752,877**	**-**	**-**	**68,669**	**10,765**	**2,495,261**
Current carrying amount										
As at 1 January 2024 (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 (previous year)	**89,200**	**2,225,049**	**72,560**	**77,608**	**169,538**	**13,509**	**23,478**	**37,470**	**-**	**2,708,412**
As at 31 December 2025 (current year)	89,200	**2,247,835**	**50,122**	**80,855**	**131,990**	**13,509**	**38,516**	**27,319**	**87,594**	**2,766,940**

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 2024 (previous year)	-	-	-	-	-	-	-	-	-
As at December 31 2025 (current year)	-	-	-	-	-	-	-	-	-

The amount of unpaid liabilities for the purchase of property and equipment in 2025 is in the amount of 7,476 thousands of denars (2024: 20,614 thousands of denars).

As at 31 December 2025, the Group has not pledged property and equipment as collateral for the Group's liabilities (as at 31 December 2024: none).

According to concluded agreement, the Group has undertaken an obligation for purchase of hardware equipment in the upcoming period, but mostly during 2026, for the expansion of the Group's activities.

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

	in thousands of denars	
	current year 2025	previous year 2024
Income tax receivables (current)	391	391
Income tax liabilities (current)	55,827	262,671

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	current year 2025			previous year 2024		
in thousands of denars	Deferred tax assets	(Deferred tax liabilities)	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 2025	previous year 2024
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 2024				
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 2025				
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 2025	previous year 2024
Intangible assets	-	-
Property and equipment	-	-
Total non-current assets held for sale	**-**	**-**

During 2024, one real estate property, previously classified as a function of the Group, was transferred to non-current assets held for sale and was sold during the year.
In 2024, a capital gain in the amount of 3,585 thousand denars was realized from the sale of non-current assets held for sale.

B Disposal Group

	in thousands of denars	
	current year 2025	previous year 2024
Group of assets for disposal		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
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 2025	previous year 2024
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

32 Trading liabilities

	in thousands of denars	
	current year 2025	previous year 2024
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	640	1,647
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
Total trading liabilities	**640**	**1,647**

Trading liabilities in 2025 in the amount of 640 thousands of denars refer to trading derivatives, agreements depending on exchange rate change (2024: 1,647 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 2025		previous year 2024	
	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 2025	Previous year 2024
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 2025		previous year 2024	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	31,031	-	21,376	-
foreign banks	18,324	-	15,940	-
Demand deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Time deposits				
domestic banks	-	-	1,196,010	-
foreign banks	-	-	-	-
Restricted deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities				
domestic banks	-	-	87	-
foreign banks	-	-	-	-
Current maturity	-	-	-	-
Total deposits from banks	**49,355**	**-**	**1,233,413**	**-**

34 Deposits (continued)

34.2 Other deposits

	in thousands of denars			
	current year 2025		previous year 2024	
	Short term	Long term	Short term	Long term
Non-financial companies				
Current accounts	32,210,703	-	32,492,296	-
Demand deposits	158,221	-	209,863	-
Time deposits	4,121,595	454,374	3,301,628	927,790
Restricted deposits	506,575	1,177,216	530,668	1,190,642
Other deposits	-	-	-	-
Interest payable on deposits	24,780	-	24,097	-
	37,021,874	**1,631,590**	**36,558,552**	**2,118,432**
Government				
Current accounts	554,872	-	514,533	-
Demand deposits	2,996	-	3,135	-
Time deposits	25,000	-	25,000	20,000
Restricted deposits	191	-	2,496	-
Other deposits	-	-	-	-
Interest payable on deposits	205	-	814	-
	583,264	**-**	**545,978**	**20,000**
Non-profit institutions in service of households				
Current accounts	2,437,003	-	2,440,352	-
Demand deposits	432	-	696	-
Time deposits	342,154	209,629	336,240	211,378
Restricted deposits	18,859	2,065	20,144	723
Other deposits	-	-	-	-
Interest payable on deposits	5,458	-	2,562	-
	2,803,906	**211,694**	**2,799,994**	**212,101**
Financial companies, other than banks				
Current accounts	555,995	-	568,658	-
Demand deposits	365	-	432	-
Time deposits	716	367,279	270	373,779
Restricted deposits	136,606	17,629	1,587	14,819
Other deposits	-	-	-	-
Interest payable on deposits	6,176	-	5,152	-
	699,858	**384,908**	**576,099**	**388,598**
Households				
Current accounts	55,008,194	-	47,957,448	-
Demand deposits	8,626,380	-	8,588,619	-
Time deposits	28,395,539	24,622,303	28,054,475	21,113,238
Restricted deposits	803,537	1,643,517	710,006	1,660,522
Other deposits	-	-	-	-
Interest payable on deposits	576,634	-	395,659	-
	93,410,284	**26,265,820**	**85,706,207**	**22,773,760**
Non-residents, other than banks				
Current accounts	910,580	-	919,124	-
Demand deposits	1,489	-	1,494	-
Time deposits	60,211	422,310	69,048	475,998
Restricted deposits	246,632	910	199,248	1,184
Other deposits	-	-	-	-
Interest payable on deposits	1,197	-	1,009	-
	1,220,109	**423,220**	**1,189,923**	**477,182**
Current maturity	14,079,622	(14,079,622)	6,028,112	(6,028,112)
Total other deposits	**149,818,917**	**14,837,610**	**133,404,865**	**19,961,961**

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 2025	previous year 2024
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 2025		previous year 2024	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	6,150	3,172,966	182	1,146,204
Repo-transactions	-	-	-	-
Interest payables	3,063	-	3,063	-
Non-residents				
Loans payable	-	215,453	-	304,552
Repo-transactions	-	-	-	-
Interest payables	2,364	-	2,824	-
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	257,465	(257,465)	252,345	(252,345)
Total loans payable	**269,042**	**3,130,954**	**258,414**	**1,198,411**

36 Borrowings (continued)

B Borrowings according to the creditor

	in thousands of denars			
	Current year 2025		Previous year 2024	
	short-term	long-term	short-term	long-term
domestic sources:				
Development Bank of North Macedonia - DBNM (previously MDBP) – ZKDF – IFAD 2	6,157	-	187	3,636
DBNM-EIB (European investment bank)	2,934	995,896	2,900	1,060,197
DBNM-Digitalization/ Energy efficiency/Renewable energy sources	122	63,648	158	82,371
DBNM – Hungarian credit line	-	2,113,422	-	-
	9,213	**3,172,966**	**3,245**	**1,146,204**
foreign sources:				
EBRD - TARA (Transfer and Amendment and Restatement Agreement)	228	19,279	453	39,963
EBRD - CSP (SME Competitiveness Support Programme)	10	21,764	26	79,898
EBRD - GEFF II (Western Balkans Green Economy Financing Facility)	-	-	217	12,184
EBRD – REBOOT (Sustainable Reboot SME Programme)	-	-	184	27,330
EBRD - GEFF III (Western Balkans GEFF III – REpower Residential Programme)	-	-	363	24,339
EBRD - GEFF III Loan 2 (Western Balkans GEFF III – REpower Residential Programme)	2,080	142,275	1,581	120,838
EBRD-GFF (Green Finance Facility)	46	32,135	-	-
	2,364	**215,453**	**2,824**	**304,552**
Current maturity	257,465	(257,465)	**252,345**	**(252,345)**
Total borrowings	**269,042**	**3,130,954**	**258,414**	**1,198,411**

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 - Hungarian Credit Line	MKD	0 %	According to the agreements concluded with final users	2 bills of exchange * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
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 II	EUR	6-month EURIBOR + 1.7 pp. annually, value zero for negative Euribor rate	Paid 10.03.2025	Unsecured
EBRD-REBOOT	EUR	3-month EURIBOR + 1.7 pp. annually, value zero for negative Euribor rate	Paid 12.05.2025	Unsecured
EBRD-GEFF III	EUR	6-month EURIBOR + 1.55 p. p annually, value zero for negative Euribor rate	Paid 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
EBRD-GFF	EUR	3-month EURIBOR + 1.35 pp. annually, value zero for negative Euribor rate	16.12.2027	Unsecured

The Group has established a pledge of receivables in the form of a notarial deed in favor of RBSM under sub-loan agreements with end-users approved by the EIB credit lines and the Hungarian credit line and the credit line for Digitalization/Energy Efficiency/Renewable Energy Sources, administered through RBSM. As of 31 December 2025, the amount of liabilities under loans for which the Group has established a pledge of receivables under sub-loan agreements amounts to 3,113,389 thousand denars (31.12.2024: 796,190 thousand denars) (Note 22.2).

As of 31.12.2025, the Group is in compliance with the covenants pursuant to the agreements with the EBRD.

37 Subordinated liabilities

	in thousands of denars	
	current year 2025	previous year 2024
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, 2024 (previous 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 (previous year)	**233,636**	**-**	**45,327**	**-**	**-**	**-**	**278,963**
Balance at January 1, 2025 (current year)	233,636	**-**	45,327	**-**	**-**	**-**	**278,963**
Additional provisions during the year	254,830	-	6,878	-	-	-	**261,708**
(provisions used during the year)	-	-	(1,905)	-	-	-	**-**
(release of provisions during the year)	(278,743)	-	(831)	-	-	-	**(279,574)**
Exchange rate effect	(75)	-	-	-	-	-	**(75)**
(Written off receivables)	(2,790)		-				**(2,790)**
As at 31 December 2025 (current year)	**206,858**	**-**	**49,469**	**-**	**-**	**-**	**256,327**

38 Special reserves and provisions (continued)

The written-off receivables are receivables that have been transferred to off-balance sheet records, but with the right to collection, in accordance with the regulations of the NBRNM.

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 2025, 95.40% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 3.39%, and risk categories C, D and E with 1.21%.

39 Other liabilities

	in thousands of denars	
	current year 2025	previous year 2024
Trade payables	49,894	50,049
Received advances	28,798	9,519
Fee and commission liabilities	6,486	18,818
Accrued expenses	200,419	204,987
Deferred income from previous years	-	-
Short - term liabilities to employees	-	-
Short - term liabilities for employee benefits	533	616
Other:		
Lease liabilities	84,000	-
Other liabilities on other basis	53,945	60,398
Credit card settlement transactions	263,985	449,427
Liabilities to entities in the process of founding a company	5,518	10,282
Delayed payments liabilities based on collections from abroad	246,394	295,070
VAT liabilities	4,648	1,805
Liabilities in foreign currency for establishing legal entities	3,506	4,208
Other liabilities		
(liabilities less than 10% of the total other liabilities)	59,281	29,104
Total other liabilities	**1,007,407**	**1,134,283**

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 2025	previous year 2024	Current year 2025	Previous year 2024	Current year 2025	Previous year 2024
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 carry the right to a proportionate share in the division of the remainder of the bankruptcy, i.e. liquidation estate.

As of December 31, 2025, the Bank holds 558 treasury shares. These shares were acquired by court decision and in accordance with Article 338 of the Law on Trade Companies and Article 77 of the Law on Banks, the rights contained in those shares are dormant.

According to the share register, as of December 31, 2025, 197,662 ordinary shares, i.e. 8.67% of the total share capital (as of December 31, 2024, 206,756 ordinary shares, i.e. 9.07%), have restrictions on the right(s) based on law and/or a Decision or act of a competent authority.

The open-end investment funds managed by the Bank's subsidiary, KB Invest AD Skopje, own a total of 13,065 ordinary shares, i.e. 0.57% of the total share capital, of which KB Invest - Balanced owns 2,000 ordinary shares, i.e. 0.08% total share capital and KB Invest MBI 10 owns 11,065 ordinary shares, i.e. 0.49% of the total share capital (as of 31.12.2024, they own a total of 13,030 ordinary shares, i.e. 0.57% of the total share capital, of which 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.

40 Subscribed Capital (continued)

B Dividends

B.1 Announced and paid dividends by the Group

	in thousands of denars	
	current year 2025	previous year 2024
Declared dividends and paid dividends for the year	-	-

	In denars	
	current year 2025	previous year 2024
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 2025	previous year 2024
Announced dividends after December 31	3,076,740	2,848,834

	In denars	
	current year 2025	previous year 2024
Dividend per ordinary share	1,350	1,250
Dividend per preference share	-	-

The draft decision on determining the amount of the dividend and the dates of dividend payment for 2025 has been approved by the Supervisory Board.
As of the date of issuance of the financial statements, the dividend has not yet been adopted by the Shareholders' Meeting.
During 2025, the Broup paid dividends to shareholders from the profit for 2024 in the amount of 2,848,834 thousand denars.

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

	in thousands of denars		*in %*	
	current year 2025	Previous year 2024	Current year 2025	Previous year 2024
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 2025	previous year 2024
Net - Profit attributable to holders of ordinary shares		
Net profit for the year	5,115,174	4,946,892
(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	**5,115,174**	**4,946,892**

	Number of shares	
	current year 2025	previous year 2024
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	-	-
Effect of acquired own shares by court decision	(180)	-
Weighted average number of ordinary shares on 31 December	**2,278,887**	**2,279,067**
Basic earnings per share (in Denars)	**2,245**	**2,171**

B Diluted earnings per share

	in thousands of denars	
	current year 2025	previous year 2024
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)	5,115,174	4,946,892
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)	**5,115,174**	**4,946,892**

	Number of shares	
	current year 2025	previous year 2024
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	-	-
Effect of acquired own shares by court decision	(180)	-
Weighted average number of the ordinary shares (diluted) on 31 December	**2,278,887**	**2,279,067**
Diluted earnings per share (in Denars)	**2,245**	**2,171**

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars	
	current year 2025	previous year 2024
Unsecured payment guarantees		
in Denars	1,295,225	1,423,166
in foreign currency	2,027,279	1,230,366
in Denars with foreign currency clause	174,855	264,003
Unsecured performance guarantees		
in Denars	4,764,729	4,400,483
in foreign currency	296,123	223,689
in Denars with foreign currency clause	1,626,982	1,128,190
Unsecured letter of credit		
in Denars	-	-
in foreign currency	555,487	658,511
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	2,379,989	2,236,339
Unused credit card limits	1,277,444	1,246,800
Foreclosed liabilities for crediting and unused credit limits	2,815,499	2,867,298
Issued secured guarantees	1,194,207	972,766
Covered letter of credit	28,633	66,619
Other secured contingent liabilities	1,673,765	1,857,547
Total contingent liabilities before provisions	**20,110,218**	**18,575,777**
(Provisions)	(206,858)	(233,636)
Total contingent liabilities, net of provisions	**19,903,360**	**18,342,141**

As at 31 December 2025, the Group is conducting 22 court proceedings (2024: 17 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 2025 was 300,121 thousands of denars including interest (2024: 334,461 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 1,673,765 thousands of denars, and amount of irrevocable are in the amount of 6,472,933 thousands of denars (2024: 1,857,547 thousands of denars, and the amount of irrevocable is 6,350,437 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 2025	previous year 2024
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 2025			previous year 2024		
	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	52,750	51,924	826	69,765	68,693	1,072
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	1,701	(1,701)	-	2	(2)
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	49,471	49,471	-	47,405	47,429	(24)
Other	709	3,364	(2,655)	912	3,516	(2,604)
Total	**147,349**	**150,879**	**(3,530)**	**162,501**	**164,059**	**(1,558)**

44 Related party transactions

All related party transactions occur in the regular and usual course of business and under market conditions.

A Balance sheet

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2025 (current year)						
Assets						
Current accounts	-	-	-	-	-	-
Held-for-trading assets	-	-	-	-	-	-
Loans and receivables						
Mortgage loans	-	-	-	140,911	-	140,911
Consumer loans	-	-	-	23,601	-	23,601
Financial lease receivables	-	-	-	-	-	-
Factoring and forfeiting of receivables	-	-	-	-	-	-
Other loans and receivables	-	-	5	1,502,587	-	1,502,592
Investment in securities	-	-	436,179	-	-	436,179
(Impairment provisions)	-	-	-	(20,014)	-	(20,014)
Other assets	-	-	-	-	-	-
Total	**-**	**-**	**436,184**	**1,647,085**	**-**	**2,083,269**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	826	1,683,355	-	1,684,181
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	71	-	71
Total	**-**	**-**	**826**	**1,683,426**	**-**	**1,684,252**

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 2025 (current year)						
Contingent liabilities						
Issued guarantees	-	-	-	1,663,571	-	1,663,571
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	305	73,258	-	73,563
(Provisions)	-	-	(8)	(1,046)	-	(1,054)
Total	**-**	**-**	**297**	**1,735,783**	**-**	**1,736,080**
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 2024 (previous 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**

44 Related party transactions (continued)

*A Balance sheet (*continued)

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	**-**
Deposits	-	-	635	1,405,124	-	**1,405,759**
Issued securities	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	99	-	**99**
Total	**-**	**-**	**635**	**1,405,223**	**-**	**1,405,858**
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	**-**	**-**	-	-	-	-

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 2025 (current year)						
Income						
Interest Income	-	-	-	60,373	-	**60,373**
Fee and commission income	-	-	359	22,675	-	**23,034**
Net trading income	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**-**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	124,818	6,652	-	**131,470**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**125,177**	**89,700**	**-**	**214,877**
Expense						
Interest expense	-	-	-	32,267	-	**32,267**
Fee and commission expense	-	-	-	-	-	**-**
Net trading losses	-	-	-	-	-	**-**
Expences for procurement of non-current assets	-	-	-	-	-	**-**
Impairment provisions of financial assets, on net basis	-	-	-	4,051	-	**4,051**
Other expences	-	-	4	5,774	-	**5,778**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**4**	**42,092**	**-**	**42,096**

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 2024 (previous year)						
Income						
Interest Income	-	-	-	65,954	-	**65,954**
Fee and commission income	-	-	305	16,668	-	**16,973**
Net trading income	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**-**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	111,053	3,989	-	**115,042**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**111,358**	**86,611**	**-**	**197,969**
Expense						
Interest expense	-	-	-	27,958	-	**27,958**
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	-	**5,255**
Other expences	-	-	3	3,329	-	**3,332**
Transfers between entities	-	-	-	-	-	-
Total	**-**	**-**	**8**	**36,537**	**-**	**36,545**

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	in thousands of denars	
	current year 2025	previous year 2024
Short-term benefits for employees	350,286	338,223
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	17,432	17,369
Total	**367,718**	**355,592**

45. Leases from January 1, 2025

A. Lessor

A.1 *Receivables from financial leases*

	in thousands of denars	
	Current year 2025	Current year 2025
Finance lease receivables (amount of undiscounted		
- up to 1 year	-	-
- over 1 to 2 years	-	-
- over 2 to 3 years	-	-
- over 3 to 4 years	-	-
- over 4 to 5 years	-	-
- over 5 years	-	-
Total	-	-
(unpaid finance income)	-	-
Total finance lease receivables	-	-

A.2 Irrevocable operating lease receivables (continued)

	in thousands of denars	
	Current year 2025	Current year 2025
Operating lease receivables (amount of undiscounted		
- up to 1 year	-	-
- over 1 to 2 years	-	-
- over 2 to 3 years	-	-
- over 3 to 4 years	-	-
- over 4 to 5 years	-	-
- over 5 years	-	-
Total	-	-

in thousands of denars	Land	Buildings	Transport equipment	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
Value of property given under							
As at 31 December 2025	-	-	-	-	-	-	-
As at 31 December 2024	-	-	-	-	-	-	-
Вкупно	-	-	-	-	-	-	-

45 Leases (continued)

B. Lessee

B.1 Lease obligations

	in thousands of denars	
	Current year 2025	Current year 2025
Operating lease receivables (amount of undiscounted payments), by maturity period		
- up to 1 year	8,979	-
- over 1 to 2 years	9,414	-
- over 2 to 3 years	9,678	-
- over 3 to 4 years	9,615	-
- over 4 to 5 years	7,563	-
- over 5 years	38,751	-
Total	**84,000**	-

in thousands of denars	Land	Buildings	Transport equipment	Furniture and office equipment	Other equipment	Other items of property, plant and equipment	Total
Value of property given under operating leasehold:							
Purchase price							
As at 31 December 2024 (previous year)	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-
(disposal and expenditure)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
As at 31 December 2024 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2025 (current	-	79,341	-	-	-	-	79,341
Increases	-	19,018	-	-	-	-	19,018
(disposal and expenditure)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
As at 31 December 2025 (current year)	**-**	***98,359***	**-**	**-**	**-**	**-**	***98,359***

The Bank leases real estate – business premises for the purpose of carrying out its business. The most significant lease agreements are the agreements concluded for the lease of business premises (branch offices) within large shopping centers in Skopje, with an estimated term of use from 2030 to 2042.

For the period 01.01 - 31.12.2025, the Bank presented interest expense in Note 6 of the Income Statement under lease liabilities in the amount of 4,798 thousand denars.

45. Leases from January 1, 2025 (continued)

B. Lessee (continued)

B.1 Lease obligations (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, 2024 (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, 2024 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2025 (current year)							
depreciation for the year	-	10,765	-	-	-	-	10,765
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at December 31, 2025 (current year)	-	***10,765***	**-**	**-**	**-**	**-**	***10,765***
Current carrying amount		-	-	-	-	-	-
at January 1, 2024 (Previous year)	**-**	-	-	-	-	-	**-**
At December 31, 2024 (previous year)	**-**	-	-	-	-	-	**-**
At December 31, 2025 (current year)	**-**	***87,594***	**-**	**-**	**-**	**-**	***87,594***

45 Leases until 31 December 2024

A Lessor

A.1 Finance lease receivables

in thousands of denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
As at 31 December 2025 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2024 (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 2025 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2024 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 2025 (current year)	-	-	-	-	-	-	**-**
As at 31 December 2024 (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	Over 5 years
As at 31 December 2025 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2024 (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 2024 (previous year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2024 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 1 January 2025 (current year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2025 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Lease (continued)

B Lease (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, 2025 (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, 2024 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2025 (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, 2025 (current year)	-	-	-	-	-	-	**-**
Current carrying amount							
at January 1, 2024 (Previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2024 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2025 (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, 2025 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
Balance at December 31, 2024 (previous year)	37,208	4,285	9,107	23,816
Total	**37,208**	**4,285**	**9,107**	**23,816**

46 Share based payments

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

	Current year 2025		Previous year 2024	
	number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
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 Invest 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 (2024: 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 2025	For the year ended 31 December 2024
Assets		
Cash and cash equivalents	38,643	19,079
Held for trading financial assets	62,656	67,667
Financial assets held to maturity	113,777	78,530
Bank deposits	16,000	16,000
Property and equipment	14,964	320
Intangible assets	1,168	690
Other assets	22,796	13,405
Total assets	**270,004**	**195,691**
Liabilities		
Liabilities to suppliers and other liabilities	44,962	20,506
Total liabilities	**44,962**	**20,506**
Net assets	**225,042**	**175,185**
Carrying amount of non-controlling interest	**48,541**	**37,787**

In thousands of denars	For the year ended 31 December 2025	For the year ended 31 December 2024
Revenue	171,986	112,337
Expenses	(78,578)	(51,041)
Profit/(loss)	93,407	61,296
Total comprehensive income/(loss)	**93,407**	**61,296**
Profit/(loss) of non-controlling interest	**20,148**	**13,222**

47. Подружници на Групата (продолжува)

Неконтролирано учество во подружници (продолжува)

Во илјади денари	For the year ended 31 December 2025	For the year ended 31 December 2024
Cash flows from operating activities	94,499	59,155
Cash flows from investing activities	(31,385)	(10,289)
Cash flows from financing activities, before dividends to non-controlling interest	(35,685)	(24,549)
Cash flows from financing activities, dividends to non-controlling interest	(7,865)	(7,142)
Net increase/(decrease) of cash and cash equivalents	**19,564**	**17,175**

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.