

Item on the agenda:4
Proposer: **Supervisory Board**

Material for the Annual Shareholders Assembly of NLB Banka AD Skopje

Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024

The Supervisory Board proposes to the Shareholders Assembly to adopt the following:

Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024

In addition:

- Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024
- Proposal-Decision on the adoption of the Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024 with the Opinion of the Supervisory Board regarding the Report

Skopje, May 2025

NLB Banka AD Skopje

**Independent auditors' report and
Financial statements
in accordance with NBRNM regulation**

for the year ended 31 December 2024

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**Unofficial translation from the original Macedonian Independent Auditors' report
to the shareholders of NLB Banka AD Skopje**

Report on the Audit of Financial Statements

We have audited the accompanying financial statements of NLB Banka AD Skopje ("the Bank"), as set out on pages 1 to 154 which comprise the balance sheet as at 31 December 2024 and the income statement, statement of comprehensive income, statement of changes in equity and reserves and cash flows statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing adopted and published in the Republic of North Macedonia in Official Gazette no. 79 from 11 June 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Unofficial translation from the original Macedonian Independent Auditors' report to the shareholders of NLB Banka AD Skopje

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of the Republic of North Macedonia.

Report on other legal and regulatory requirements

Annual report on the activities of the Bank prepared in accordance with the requirements of article 384 of the Trading Companies Law

As required under article 34(d) from the Law on Auditing, we report that the historical financial information disclosed in the annual report of the Bank, prepared by management as required under article 384(7) of the Trading Companies Law, is consistent, in all material aspects, with the annual account of the Bank and the financial information disclosed in the audited financial statements of the Bank as at and for the year ended 31 December 2024. Management is responsible for the preparation of the annual account of the Bank which was approved by the Managing Board of the Bank on 5 March 2025 and for the preparation of the annual report of the activities of the Bank which was approved by the Managing Board of the Bank on 13 March 2025.

Skopje, 2 April 2025

Certified auditor
Srdjan Randjelovic

KPMG Audit DOO
Managing Director
Srdjan Randjelovic

Material for 144th meeting
of the Supervisory Board of NLB Banka AD Skopje

Agenda number.: 2025-144VS T2.4

Date of the Meeting: 20.03.2025

Proposer: Management Board

Report for the results of the audit performed by Audit Company KPMG Revizija DOO Skopje for the audit of the Financial Statements of NLB Banka AD Skopje for the year ended 31 December 2024 with Opinion on the report by the Audit Company

The Audit Company KPMG Revizija DOO Skopje during the first two months of 2025 audited the Financial Statements of NLB Banka AD Skopje prepared in accordance with the regulation of NBRNM for the year ended 31 December 2024, which include: Income Statement, Statement of other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, Review of significant accounting policies and other explanatory notes.

The audit of the financial statements has been planned and performed in accordance with the International Standards for Audit adopted and published in the Official Gazette of the Republic of North Macedonia No.79 from 11 June 2010 and the Code of Ethics, which the auditors are obliged to respect.

In performing audit, the auditors in accordance with the estimated risk of material misstatement of the financial statements, included appropriate procedures for obtaining audit proof for the amounts and disclosures in the financial statements.

The Audit Company reviewed the internal control in all segments of operations and process of accounting records, recognition, and evaluation of the positions of the Statement of financial position and Income Statement.

Due to the successful and effective perform of the audit of the financial statements ended on 31 December 2024, the KPMG Revizija DOO Skopje started the pre-audit during the fourth quarter of 2024, as of 30.09.2024.

Management is responsible for preparing and fair presenting of the financial statements in accordance with the regulation of NBRNM.

The Supervisory Board reviewed and approved the financial statements in accordance with the regulation of NBRNM.

The Supervisory Board reviewed and acknowledged the Draft opinions of the Audit Company KPMG Revizija DOO Skopje, according to which:

"In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of the Republic of North Macedonia".

Hedvika Usenik
President of the
Supervisory Board

NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Income statement
for the period 01.01.2024 to 31.12.2024

	Note	in thousands denars	
		current year 2024	previous year 2023
Interest income		5,244,591	4,450,008
Interest expenses		(604,377)	(479,653)
Net interest income/(expenses)	6	4,640,214	3,970,355
Fee and commission income		2,483,544	2,427,075
Fee and commission expenses		(935,857)	(1,101,904)
Net fee and commission income/(expenses)	7	1,547,687	1,325,171
Net trading income	8	11,318	(14,586)
Net income from other financial instruments at fair value	9	(9,558)	(7,566)
Net income/(expenses) from exchange differences	10	326,124	366,771
Other operating income	11	430,569	375,124
Share of profit of associated companies	24	-	-
Impairment of financial assets and special reserve for off-balance, net	12	(332,427)	2,891
Impairment of non-financial assets, net	13	(6,304)	152,051
Personnel expenses	14	(1,266,827)	(1,185,537)
Depreciation and amortization	15	(258,581)	(258,473)
Other operating expenses	16	(1,252,238)	(1,153,306)
Share of loss of associated companies	24	(21,053)	(17,743)
Profit/(loss) before tax		3,808,924	3,555,152
Income tax expenses	17	(513,931)	(338,292)
Profit/(loss) for the financial year from continuous operations		3,294,993	3,216,860
Profit/(loss) from a group of assets and liabilities held for sale *			-
Profit/(loss) for the financial year		3,294,993	3,216,860
Profit/(loss) for the financial year, attributable to*:			
the shareholders of the bank			
non-controlling interest			
Earnings per share	41		
basic earnings per share (in denars)		3,858	3,767
diluted earnings per share (in denars)		3,858	3,767

* only for consolidated financial statements

Skopje, 13.03.2025

Signed on behalf of NLB Banka AD Skopje by:

Katerina Jankovikj
Member of the
Management board

Igor Davchevski
Member of the
Management board

Peter Zelen
Member of the
Management board

Toni Stojanovski
President of the
Management board

Aneta Malinova
Certified accountant – number of license
0103827



NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Statement of comprehensive income for the period from 01.01.2024 to 31.12.2024

Profit/(loss) for the financial year

Other gains/(losses) in the period (before tax)

Other gains/(losses) in the period, not recognized in 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 Bank's creditworthiness, for financial liabilities that are measured at fair value

Income tax on other gains/(losses) that are not shown in Income statement

Total other gains/(losses) in the period that are not shown in Income statement

Other gains/(losses) in the period that are or can be reclassified in Income statement (before tax)

Revaluation reserve for debt securities available for sale

- unrealized net changes in fair value of debt securities available for sale
- realized net gains/(losses) from debt securities available for sale, reclassified in Income statement
- additional impairment of debt securities available for sale
- release of impairment of debt securities available for sale

Revaluation reserve for foreclosed assets

- revaluation reserve recognized during the year
- reduction of the revaluation reserve, reclassified in Income statement

Reserve for instruments for cash flow risk protection

- unrealized net changes in fair value of the instruments for cash flow risk protection
- realized net profits/(losses) of the instruments for cash flow risk protection, reclassified in Income statement

Reserve for instruments for risk protection of net-investing in foreign operations

Foreign exchange reserve of investment in foreign operations

Share in other gains/(losses) of associates not recognized in Income statement

Other gains/(losses) not recognized in Income statement

Income tax on other gains/(losses) that are or can be reclassified to Income statement

Total other gains/(losses) in the period that are or can be reclassified to Income statement

Total other gains/(losses) in the period

Comprehensive income/(loss) for the financial year

Comprehensive income/(loss) for the financial year, attributable to*:

the shareholders of the bank

non-controlling interest

Note	in thousands denars	
	current year 2024	previous year 2023
	3,294,993	3,216,860
	26,455	16,650
	-	-
	-	-
17	-	-
	26,455	16,650
	82,440	201,133
	-	-
	-	-
	-	-
	541	-
	(27)	(165,843)
	-	-
	-	-
	-	-
	(108)	-
24	-	-
	(1,294)	(1,171)
17		
	81,552	34,119
	108,007	50,769
	3,403,000	3,267,629
	-	-
	-	-

* only for consolidated financial statements
Skopje, 13.03.2025

Signed on behalf of NLB Banka AD Skopje by:

Katerina Jankovikj
Member of the
Management board

Igor Davchevski
Member of the
Management board

Peter Zelen
Member of the
Management board

Toni Stojanovski
President of the
Management board

Aneta Malinova
Certified accountant – number of license 0103827



NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Balance sheet **
as at 31.12.2024

	Note	<i>in thousands denars</i>		
		current year 31.12.2024	previous year 31.12.2023	previous year*** 01.01.2023
Assets				
Cash and cash equivalents	18	23,425,485	22,442,922	
Trading assets	19	-	-	
Financial assets at fair value through profit and loss upon initial recognition	20	-	-	
Derivative assets held for risk management	21	6,078	1,931	
Loans and advances to banks	22.1	264	753	
Loans and advances to other customers	22.2	84,148,602	74,073,417	
Investments securities	23	20,651,816	15,849,219	
Investments in associates (accounted for under equity method)	24	45,168	45,621	
Income tax receivable (current)	30.1	-	-	
Other receivables	25	883,880	1,846,395	
Pledged assets	26	-	-	
Foreclosed assets	27	25,866	31,655	
Intangible assets	28	171,351	226,498	
Property and equipment	29	1,881,160	1,888,250	
Deferred tax assets	30.2	-	-	
Non-current assets held for sale and disposal group	31	-	-	
Total assets		131,239,670	116,406,661	
Liabilities				
Trading liabilities	32	-	-	
Financial liabilities at fair value through profit and loss upon initial recognition	33	51,420	28,977	
Derivative liabilities held for risk management	21	-	2,875	
Deposits from banks	34.1	370,975	361,945	
Deposits from other customers	34.2	106,913,172	92,521,157	
Debt securities issued	35	-	-	
Borrowings	36	2,268,266	2,757,407	
Subordinated debt	37	1,534,426	2,088,605	
Special reserve and provisions	38	199,865	230,529	
Income tax payable (current)	30.1	203,199	99,670	
Deferred tax liabilities	30.2	-	-	
Other liabilities	39	1,171,430	1,553,072	
Liabilities directly related to the group of assets for disposal	31	-	-	
Total liabilities		112,712,753	99,644,237	

NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Balance sheet ** on 31.12.2024 (continues)

Note	in thousands denars		
	current year 31.12.2024	previous year 31.12.2023	previous year*** 01.01.2023
Equity and reserves			
Subscribed capital	854,061	854,061	
Share premium	2,274,484	2,274,484	
Treasury shares	-	-	
Other equity instruments	612,798	-	
Revaluation reserves	116,401	8,394	
Other reserves	9,290,951	8,556,397	
Retained earnings/(Accumulated losses)	5,378,222	5,069,088	
Total equity and reserves attributable to the shareholders of the bank	18,526,917	16,762,424	
Non-controlling interest*	-	-	
Total equity and reserves	18,526,917	16,762,424	
Total liabilities and equity and reserves	131,239,670	116,406,661	
Contingent liabilities	42	19,060,711	18,828,710
Contingent assets	42	-	-

* only for consolidated financial statements

** this report is also known as "Statement of financial position"

*** this column is filled only if the bank: retroactively applies accounting policies, makes a retroactive error correction, or makes a retroactive reclassification of items from the financial statements.

Skopje, 13.03.2025

Signed on behalf of NLB Banka AD Skopje by:

Katerina Jankovikj
Member of the
Management board

Igor Davchevski
Member of the
Management board

Peter Zelen
Member of the
Management board

Toni Stojanovski
President of the
Management board

Aneta Malinova
Certified accountant – number of license 0103827



NLB BANKA AD SKOPJE

Financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Statement of changes in equity and reserves for the period from 01.01.2024 to 31.12.2024

In MKD thousands

As at 1 January 2023 (previous year)
Opening balance adjustments

As at 1 January 2023 (previous year), adjusted
Comprehensive income/(loss) for the financial year
Profit/(loss) for the financial year

Other income/(losses) in the period
Change in the fair value of the assets available for sale
Debt instruments

- unrealized changes in the fair value (net)
- realized changes in the fair value (net) transferred to the Income statement
- additional impairment of debt assets available for sale
- release of impairment of debt assets available for sale

Equity instruments
- unrealized changes in the fair value (net)
- realized changes in the fair value (net) transferred to the Other reserves

Change of the fair value of instruments for cash flow risk protection
Change of the fair value of instruments for risk protection of net-investment in foreign operations
Exchange differences from investing in foreign operations
Deferred tax (assets)/liabilities recognized in equity and reserves
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value
Other gains/(losses) that are not recognized in the Income statement (specify)

Revaluation reserve for foreclosed assets
Revaluation reserve for actuarial calculation

Total unrealized income/(losses) recognized in equity and reserves

Total comprehensive income/(loss) for the financial year
Transaction with the shareholders, recognized directly in equity and reserves:

Shares issued in the period
Allocation in statutory reserves
Allocation in other reserves
Dividends
Purchase of treasury shares
Sale of treasury shares
Other changes in equity and reserves (specify)
Retained earnings from previous years limited for distribution to the shareholders - Investment in denars

Transaction with the shareholders, recognized in equity and reserves

	Equity				Revaluation reserves					Other reserves			Retained earning		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest **	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for financial assets available for sale	Revaluation reserve for foreclosed assets	Reserves for risk protection	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserves	Capital component of hybrid financial instruments	Other reserves	Available for distribution to the shareholders	Limited for distribution to the shareholders				
As at 1 January 2023 (previous year)	854,061	2,274,484	-	-	(255,375)	211,679	-	-	1,321	7,636,322	-	-	2,463,224	2,385,301	-	15,571,017	-	15,571,017
Opening balance adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2023 (previous year), adjusted	854,061	2,274,484	-	-	(255,375)	211,679	-	-	1,321	7,636,322	-	-	2,463,224	2,385,301	-	15,571,017	-	15,571,017
Comprehensive income/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	2,251,305	965,555	-	3,216,860	-	3,216,860
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in the fair value of the assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- unrealized changes in the fair value (net)	-	-	-	-	201,133	-	-	-	-	-	-	-	-	-	-	201,133	-	201,133
- realized changes in the fair value (net) transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- additional impairment of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- release of impairment of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- unrealized changes in the fair value (net)	-	-	-	-	16,650	-	-	-	-	-	-	-	-	-	-	16,650	-	16,650
- realized changes in the fair value (net) transferred to the Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change of the fair value of instruments for cash flow risk protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change of the fair value of instruments for risk protection of net-investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences from investing in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets)/liabilities recognized in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) that are not recognized in the Income statement (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for foreclosed assets	-	-	-	-	-	(165,843)	-	-	-	-	-	-	-	-	-	(165,843)	-	(165,843)
Revaluation reserve for actuarial calculation	-	-	-	-	-	-	-	-	(1,171)	-	-	-	-	-	-	(1,171)	-	(1,171)
Total unrealized income/(losses) recognized in equity and reserves	-	-	-	-	217,783	(165,843)	-	-	(1,171)	-	-	-	-	-	-	50,769	-	50,769
Total comprehensive income/(loss) for the financial year	-	-	-	-	217,783	(165,843)	-	-	(1,171)	-	-	-	2,251,305	965,555	-	3,267,629	-	3,267,629
Transaction with the shareholders, recognized directly in equity and reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation in statutory reserves	-	-	-	-	-	-	-	-	-	920,075	-	-	(189,160)	(730,915)	-	-	-	-
Allocation in other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(2,076,222)	-	-	(2,076,222)	-	(2,076,222)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings from previous years limited for distribution to the shareholders - Investment in denars	-	-	-	-	-	-	-	-	-	-	-	-	(180,000)	180,000	-	-	-	-
Transaction with the shareholders, recognized in equity and reserves	-	-	-	-	-	-	-	-	-	920,075	-	-	(2,445,382)	(550,915)	-	(2,076,222)	-	(2,076,222)

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail.

NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Statement of changes in equity and reserves for the period from 01.01.2024 to 31.12.2024 (continues)

	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest*	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for financial assets available for sale	Revaluation reserve for foreclosed assets	Reserves for risk protection	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserves	Capital component of hybrid financial instruments	Other reserves	Available for distribution to the shareholders	Limited for distribution to the shareholders				
As at 31 December 2023 (previous year) / 1 January 2024 (current year)	854,061	2,274,484	-	-	(37,592)	45,836	-	-	150	8,566,397	-	-	2,269,147	2,799,941	-	16,762,424	-	16,762,424
Opening balance adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1 January 2024 (current year), adjusted	854,061	2,274,484	-	-	(37,592)	45,836	-	-	150	8,566,397	-	-	2,269,147	2,799,941	-	16,762,424	-	16,762,424
Comprehensive Income/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	2,240,012	1,054,981	-	3,294,993	-	3,294,993
Other income/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in the fair value of the assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- unrealized changes in the fair value (net)	-	-	-	-	82,440	-	-	-	-	-	-	-	-	-	-	82,440	-	82,440
- realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- additional impairment of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- release of impairment of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- unrealized changes in the fair value (net)	-	-	-	-	26,455	-	-	-	-	-	-	-	-	-	-	26,455	-	26,455
- realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change of the fair value of instruments for cash flow risk protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change of the fair value of instruments for risk protection of net-investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences from investing in foreign operations	-	-	-	-	-	-	-	(108)	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets)/liabilities recognized in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(108)	-	(108)
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income/(losses) that are not recognized in the Income statement (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve for foreclosed assets	-	-	-	-	-	514	-	-	-	-	-	-	-	-	-	514	-	514
Revaluation reserve for actuarial calculation	-	-	-	-	-	-	-	-	(1,294)	-	-	-	-	-	-	(1,294)	-	(1,294)
Total unrealized Income/(losses) recognized in equity and reserves	-	-	-	-	108,895	514	-	(108)	(1,294)	-	-	-	-	-	-	108,007	-	108,007
Total comprehensive Income/(loss) for the financial year	-	-	-	-	108,895	514	-	(108)	(1,294)	-	-	-	2,240,012	1,054,981	-	3,403,000	-	3,403,000
Transaction with the shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation in statutory reserves	-	-	-	-	-	-	-	-	-	734,544	-	-	-	(965,554)	-	(231,000)	-	(231,000)
Allocation in other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(2,251,305)	-	-	(2,251,305)	-	(2,251,305)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings from previous years limited for distribution to the shareholders - Investment in denars	-	-	-	612,798	-	-	-	-	-	-	-	-	-	-	-	612,798	-	612,798
Transaction with the shareholders, recognized in equity and reserves	-	-	-	612,798	-	-	-	-	-	734,544	-	-	(2,251,305)	(734,554)	-	(1,638,507)	-	(1,638,507)
As at 31 December 2024 (current year)	854,061	2,274,484	-	612,798	71,303	46,350	-	(108)	(1,144)	9,290,951	-	-	2,257,854	3,120,368	-	18,526,917	-	18,526,917

* only for the consolidated financial reports

Skopje, 13.03.2025

Signed on behalf of NLB Banka AD Skopje by:

Aneta Malinova

Certified accountant – number of license 0103827

Katerina Jankovikj
Member of the
Management board

Igor Davchevski
Member of the
Management board

Peter Zelen
Member of the
Management board

Toni Stojanovski
President of the
Management board

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NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

**Statement of cash flows
for the period from 01.01.2024 to 31.12.2024**

Note	<i>In thousands denars</i>	
	current year 2024	previous year 2023
Operating cash flow		
Profit/(loss) before taxation	3,808,924	3,555,152
Adjusted for:		
Non-controlling interest, included in the consolidated Income statement*	-	-
Amortisation/Depreciation of:		
intangible assets	103,124	107,319
property and equipment	155,457	151,156
Capital gain from:		
sale of intangible assets	-	-
sale of property and equipment	(5,099)	(135)
sale of foreclosed assets	(10)	(60,035)
Capital loss from:		
sale of intangible assets	-	-
sale of property and equipment	-	-
sale of foreclosed assets	-	266
Interest income	(5,244,591)	(4,450,008)
Interest expense	604,377	479,653
Net trading income	(11,318)	14,586
Impairment of financial assets and special reserve for off-balance sheet exposures, net		
additional impairment	1,136,157	659,434
release of impairment	(801,012)	(657,286)
Impairment of non-financial assets, net		
additional impairment	6,331	13,792
release of impairment	(27)	(165,843)
Provisions		
additional provision	8,857	14,674
release of provision	(2,403)	(25,045)
Dividend income	(393)	(2,765)
Share of profit/(loss) of associates	21,053	17,743
Other adjustments	29,997	28,984
Interest received	5,123,655	4,467,922
Interest paid	(474,808)	(402,372)
Profit/(loss) from operations before changes in operating assets	4,458,271	3,747,192
<i>(Increase)/decrease of operating assets:</i>		
Trading assets	11,318	(14,586)
Derivative assets held for risk management	1,931	283
Loans and advances to banks	504	118
Loans and advances to other customers	(10,442,059)	(3,051,137)
Pledged assets	-	-
Foreclosed assets	11	154,025
Obligatory reserve in foreign currency	(42,463)	(1,173,156)
Obligatory deposit held with NBRNM according to special regulations	-	-
Other receivables	1,342,921	1,108,717
Deferred tax assets	-	-
Non-current assets held for sale and disposal group		
<i>Increase/(decrease) of operating liabilities:</i>		
Trading liabilities	-	-
Derivative liabilities held for risk management	(2,875)	(2,048)
Deposits from banks	9,030	39,220
Deposits from other customers	14,264,430	2,275,582
Other liabilities	(413,559)	82,619
Liabilities directly related to group or assets for disposal	-	-
Net cash flow from operating activities before taxation	9,187,460	3,166,829
(Paid)/received income tax	(410,402)	(267,115)
Net cash flow from operating activities	8,777,058	2,899,714

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NLB BANKA AD SKOPJE

Financial reports financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

Statement of cash flows
for the period from 01.01.2024 to 31.12.2024 (continues)

Note	<i>in thousands denars</i>	
	current year 2024	previous year 2023
Cash flow from investing activities		
(Investments in securities)	(28,041,485)	(11,078,924)
Inflows from sale of investment securities	23,507,287	10,736,293
(Outflows from investment in subsidiaries and associates)	(20,600)	(47,363)
Inflows from disposal of investments in subsidiaries and associates	-	-
(Purchase of intangible assets)	(43,117)	(39,396)
Inflows from sale of intangible assets	-	-
(Purchase of property and equipment)	(165,417)	(92,911)
Inflows from sale of property and equipment	7,187	1,057
(Outflows from non-current assets held for sale)	-	-
Inflows from non-current assets held for sale	-	-
(Other outflows from investing activities)	-	-
Other inflows from investing activities	-	2,022
Net cash flow from investing activities	(4,756,145)	(519,222)
Cash flow from financing activities		
(Repayment of debt securities issued)	-	-
Inflows from issued debt securities	-	-
(Repayment of borrowings)	(623,593)	(529,834)
Increase of borrowings	133,893	1,187,511
(Repayment of issued subordinated debts)	(1,168,782)	(676,446)
Inflows from issued subordinated debts	615,369	-
Inflows from issued shares/equity instruments during the period	612,690	-
(Purchase of treasury shares)	-	-
Disposal of treasury shares	-	-
(Dividend paid)	(2,244,037)	(2,069,973)
(Other financing outflows)	-	-
Other financing inflows from financing	-	-
Net cash flow from financing activities	(2,674,460)	(2,088,742)
Effects from allowance for impairment of cash and cash equivalents	(2,718)	(5,039)
Effects from foreign exchange of cash and cash equivalents	-	-
Net increase/(decrease) of cash and cash equivalents	1,343,734	286,710
Cash and cash equivalents as at 1 January	16,038,679	15,751,969
Cash and cash equivalents as at 31 December	17,382,413	16,038,679

* only for consolidated financial statements

Skopje, 13.03.2025

Signed on behalf of NLB Banka AD Skopje by:

Katerina Jankovik
Member of the
Management board

Igor Davchevski
Member of the
Management board

Peter Zelen
Member of the
Management board

Toni Stojanovski
President of the
Management board

Aneta Malinova
Certified accountant – number of license 0103827



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INTRODUCTION

a) General information

NLB Bank AD Skopje (hereinafter: the Bank) is a joint stock company registered and established in the Republic of North Macedonia. Strategic shareholder is Nova Ljubljanska banka d.d. Ljubljana (hereinafter: NLB d.d. Ljubljana), with a share of 86.97% (2023: 86.97%) in the total capital of the Bank. The Bank is a member of the NLB Group and is a subsidiary of NLB d.d. Ljubljana. The shares of the Bank are listed on the official market of the Macedonian Stock Exchange AD Skopje on the sub-segment Mandatory listing - ordinary shares registered under ISIN: "MKTNBA101019".

As at 31 December 2024 the largest shareholder of NLB d.d. Ljubljana with significant influence is the Republic of Slovenia, owning 25.00% plus one share (2023: 25.00% plus one share).

The address of the registered office of NLB Banka AD Skopje is as follows:

Skopje, Municipality of Centar,
Vodnjanska No.1, Skopje - Centar
1000 Skopje, Republic of North Macedonia

The Bank has the authority to perform all banking activities in accordance with the Banking Law.

In accordance with legal regulations and with the decisions issued by the Governor of the National Bank of the Republic of North Macedonia (hereinafter: NBRNM), the Bank has the authority to perform the following activities:

1. Collection of deposits and other recurrent sources of funds;
2. Domestic crediting including factoring and financing of commercial transactions;
3. Foreign crediting, including factoring and financing of commercial transactions;
4. Issuance and administration of payment instruments (payment cards, cheques, traveller cheques, bills of exchange)
5. Issuance of digital money;
6. Finance leasing;
7. Exchange operations;
8. Domestic and foreign payment operations, including purchases and sale of currencies;
9. Fast money transfer
10. Issuance of payment guarantees, avals and other types of security;
11. Lease of safes, vaults and storages;
12. Trade with money market instruments;
13. Trade with foreign exchange assets, which also includes trade with precious metals;
14. Trade with investment securities;
15. Trade with financial derivatives;
16. Provision of services for bank custodian of property, investment and pension funds;
17. Purchase and sale, guaranteeing and issuance of investment securities issuing:
- 17-a) keeping securities for clients;
- 17-b) consultation services for legal entities regarding the capital structure, business strategy or other related issues or provision of services related to mergers and acquisitions of legal entities;
18. Sale of insurance policies;
19. Mediation in conclusion of credit and loan agreements;
20. Processing and analysis of information on legal entities' credit worthiness;
21. Economic-financial consulting;
22. Acting as quotation patron;
23. Execution of transactions, activities necessary for taking over of joint stock companies on behalf of third parties;
24. Acting as an insurance agent
25. Sale and/or purchase of stakes from investment funds, and
26. Other financial activities the Bank is entitled to perform pursuant to the law.

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INTRODUCTION (continues)

a) General Information (continues)

The Bank has an investment in the associated company, NLB Lease&Go DOO Skopje. The Bank participates in the Company's share capital with a monetary contribution corresponding to a 49% stake in the Company. NLB Lease&Go DOO Skopje is registered and headquartered in the Republic of North Macedonia and represents an investment in a related entity. The accounting treatment and presentation of the investment in the associated company in the Bank's financial statements is according to the equity method.

These financial statements have been approved by the Bank's Supervisory Board on 20.03.2025.

b) Basis for preparation of the financial statements

The financial statements of the Bank have been prepared in accordance with the Methodology of recording and valuation of the accounting items and for preparation of the financial statements (Official Gazette No. 83/17), Decision on the types and contents of the financial statements of the banks and the notes on those statements (Official Gazette No. 83/17 and 149/18), the Banking Law (Official Gazette No. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19, 101/19 and 122/21), other acts adopted by the NBRNM and the Trade Companies Law (Official Gazette No. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09, 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18, 120/18, 239/18, 290/20, 215/21, 99/22 and 272/24).

The financial statements are prepared on the going concern principle and according to the historical cost, except for financial assets available for sale, derivative assets and liabilities, and the cash-settled share-based payment transactions that are measured at fair value.

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates and it is the Macedonian Denar (MKD).

The reporting currency in which the financial statements are presented is the Macedonian Denar (MKD).

Foreign currency transactions are recorded initially in their functional currency using the appropriate exchange rate on the transaction's date.

At each Balance sheet date:

- The monetary assets and liabilities denominated in foreign currencies are translated using the official average exchange rate of the NBRNM exchange rate list on the Balance sheet date and are recognized in the Income statement in the period in which they occurred;
- Non-monetary items that are recorded at historical cost, denominated in foreign currency, are translated using the average exchange rate of the NBRNM on the transaction date
- Non-monetary items that are recorded at fair value, denominated in foreign currency, are translated using foreign exchange rates on the date when the fair value is determined.

For other equity instruments classified as capital denominated in foreign currency, exchange rate differences from subsequent measurements of the instruments are included in retained earnings.

INTRODUCTION (continues)**b) Basis for preparation of the financial statements**

The foreign currencies of the Bank are mainly the Euro (EUR), US Dollar (USD) and Swiss Franc (CHF). The foreign exchange rates used for presentation as at 31.12.2024 and 31.12.2023 are as follows:

	2024	2023
	MKD	MKD
1 EUR	61.49	61.49
1 USD	58.88	55.65
1 CHF	65.18	66.41

c) Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, unless otherwise stated. The basic accounting policies applied in the preparation of the financial statements are presented in the text below.

1. Classification of financial assets and financial liabilities**1.1 Financial assets**

A financial asset is an asset which is:

- cash
- an equity instrument of another entity;
- contractual right to receive cash or other financial asset from another entity;
- contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Bank or
- contract that will or may be settled in the Bank's own equity instruments and is:
 - a non-derivative for which the Bank is or may be obliged to receive a variable number of the Bank's own equity instruments or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

1.1.1 Classification

Financial assets are classified into one of 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 and loss.

The Bank classifies the financial assets upon their initial recognition.

The classification of financial assets is carried out on the basis of:

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

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

1.1 Financial assets (continues)

1.1.1 Classification (continues)

In the category of **financial assets measured at amortized cost**, the Bank classifies the financial assets that meet the following criteria:

- the Bank manages the financial assets for the purpose of collecting contractual cash flows and
- in accordance with the contractual terms of the asset, the requirement of "solely payment of principal and interest" (hereinafter: SPPI) is met.

In this category of financial assets, the Bank classifies cash, trade receivables, lease receivables, fee and commission receivables and any other financial assets that are credit risk exposures in accordance with the Decision on the Methodology for Credit Risk Management, and for which the SPPI requirement is not applicable. These assets do not require fulfillment of the SPPI criterion.

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

- the Bank 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 requirement of SPPI criterion is met.

In the category of **financial assets measured at fair value through profit and loss**, the Bank classifies the financial assets that are managed for the purpose of trading and realizing profit from changes in the fair value of the asset. This is also a residual category, i.e. in this category, the Bank classifies all those financial assets that do not meet the criteria of the other two categories.

1.1.2 Business model

The assessment of the business model of the Bank is carried out at the level of the business process, and not by a separate instrument. The Bank has several business processes for managing financial instruments. The Bank uses and manages a particular type of financial instrument in different ways, so that one type of financial instrument may appear in different business processes for managing financial instruments. The assessment of the business model is performed by the Bank's key management personnel, taking into account all relevant and available data on the manner of managing financial instruments, in particular: how the success/ performance of the business model is monitored and how it is reported to the key management personnel of the Bank; what are the risks that affect the realization of the business model and how those risks are managed; what are the rewards of the management of the Bank based upon, etc.

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

1.1 Financial assets (continues)

1.1.2 Business model (continues)

Thus:

- the purpose of the business model for the category of financial assets measured at amortized cost is for the Bank to keep the financial assets in order to collect the contractual cash flows. Moreover, if certain financial instruments of this category are sold before their agreed maturity (premature sale), it is not a direct indicator for the change of the Bank's business model, especially if such sales are not of a large scale, are not with increased frequency, and if in the future it is expected that such or similar financial instruments will be managed within such a business model. In case of a premature sale of these assets, the Bank should analyze whether there has been a change in the business model of the Bank for these financial assets, taking into account the frequency data, the periods and the sales volume, the reasons for the sale, and the Bank's expectations to sell assets from this category in the future;
- the purpose of the business model for the category of financial assets measured at fair value through other comprehensive income is that the Bank keeps the financial assets for liquidity management, maintenance of a certain interest yield, in order to adjust the maturity (duration) of the financial assets with the maturity (duration) of the financial liabilities that are the source of those financial assets, etc.;
- the purpose of the business model for the category of financial assets measured at fair value through profit or loss is that the Bank manages the financial assets through active and frequent trading in order to realize profit from the changes in the fair value of the assets. The Bank manages these assets in order to realize their market/fair value and makes management decisions based on their market/fair value.

The Bank has established the following business models:

- business model for financial assets for the purpose of collecting contractual cash flows when approving credit exposure to banks and other clients;
- business model for financial assets for the purpose of collecting contractual cash flows and business model for financial assets for the purpose of collecting contractual cash flows and/or for sale, for financial assets- securities that comprises: treasury bills, government bills and government bonds;
- business model for equity financial assets measured at fair value, for which changes in the fair value are recorded in the revaluation reserves within Other comprehensive income;
- business model for equity financial assets measured at fair value, for which changes in fair value are recorded in the revaluation reserves within Other comprehensive income, for equity instruments for which there is no active market and whose possession is determined by law(s) or is related to the possibility of using the services provided by these institutions;
- business model for financial liabilities for the purpose of payment of the agreed cash flows for the financial liabilities that include: deposits from banks and other customers, issued debt securities, borrowings, and subordinated liabilities;

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

1.1 Financial assets (continues)

1.1.3 SPPI test - Solely Payments of Principal and Interest

- business model for financial liabilities held for the purpose of trading, that comprise financial liabilities held for trading, derivatives held for trading and derivative liabilities held for risk management that consist of derivatives for risk protection, embedded derivatives and other derivatives held for risk management, and
- business model for financial liabilities at fair value through profit or loss, which includes the liabilities to employees based on the payment of a variable part of the salary of the identified employees in the form of assigned instruments whose value is linked to the share price of NLB d.d.

Debt financial assets, which according to the business model of the Bank should be classified in the categories of financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income should meet another condition - in accordance with the contractual terms of the asset, the Bank expects cash flows on certain dates "solely on the basis of payment of principal and interest" - SPPI. Within the contractual cash flows, the "principal" element covers the amount at the initial approval, decreased for all payments; and the "interest" element represents compensation for the time value of money, credit risk, liquidity risk, administrative or service costs, and profit margin.

In order to meet the SPPI requirement, the contractual cash flows should not include any exposure to risks or volatility that does not represent ordinary credit arrangement (for example, exposure to the risk of a change in prices of shares or goods/commodities). The assessment as to whether the SPPI is met is made in the currency in which the asset is denominated. The SPPI requirement can only be considered for debt financial assets. Those debt financial assets that are assessed not to meet the SPPI requirement, the Bank will classify as financial assets measured at fair value through profit and loss and will measure their fair value.

The analysis as to whether the SPPI requirement is met is made upon the initial recognition of each debt financial asset.

The analysis of whether the SPPI requirement is met is based on the contractual terms of the instrument, and all cash flows specified in the agreement are considered. For those debt financial assets that arise from a particular product for which the Bank has a standard type of contract on the product level (or contractual terms) applicable to all individual receivables for that product, the Bank carries out the analysis as to whether the SPPI requirement is met at the product level, and not on individual financial asset.

When analyzing whether the SPPI requirement is met, the Bank also considers the following:

- for financial assets with different interest rate than normally applied to the same or similar financial instruments, the Bank makes a comparison between the undiscounted cash flows of the analyzed financial asset and the undiscounted cash flows of a financial asset with same credit quality and under the same contractual terms, except the interest rate (so-called "benchmark" instrument). If the difference between the cash flows of the two instruments is significant, the analyzed instrument does not meet the SPPI requirement and is classified and measured at fair value through profit and loss;
- for financial assets for which the regulator prescribes a maximum interest rate that must not be exceeded, are considered that meet the SPPI requirement;

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

1.1 Financial assets (continues)

1.1.3 SPPI test - Solely Payments of Principal and Interest

- for financial assets for which a minimum/maximum value under/over which the interest rate cannot fall/exceed, in accordance with the contractual terms, are considered that meet the SPPI requirement;
- for financial instruments whose interest rate is periodically adjusted for the inflation rate, it is considered that they meet the SPPI requirement;
- for financial assets for which the change in the interest rate is foreseen by the contractual terms, if a change in the creditworthiness of the client occurs (stipulated in the agreement that it is monitored through any indication of the client's creditworthiness, for example: failure to pay the contractual obligations in a certain deadline, deterioration/improvement of the internal or regulatory risk category, exceeding a certain value of a certain financial indicator/s for the client's operations, etc.) are considered to meet the SPPI requirements;
- for financial instruments approved in Denars with foreign exchange clause, are considered to meet the SPPI requirement (if other characteristics of the instrument indicate meeting the SPPI requirement);
- if the financial instrument contains a certain feature due to which the SPPI requirement is not met, but this feature has insignificant influence on the contractual cash flows of the assets (de minimis feature), the Bank considers that the SPPI requirement is met;
- if the financial instrument contains a certain characteristic that could change the contractual cash flows of the asset only if an extremely rare event occurs, which is very unlikely to happen, the Bank considers that the SPPI requirement is met;
- if the contractual terms of the financial instrument provide the possibility of early repayment, and if the amount that would be charged in case of early repayment represents the amount of the outstanding principal and the due outstanding interest, as well as a reasonable fee for early termination of the contract (up to 5% of early repaid amount), the Bank considers that the SPPI requirement is met;
- if the contractual terms of the financial instrument provide the possibility of extending the maturity date and if the cash flows in the extended maturity period do meet the SPPI requirement (it may include a reasonable fee for the extension of the maturity period), the Bank considers that the SPPI requirement is met.

In the event of a change in the contractual cash flows of an existing financial asset, the Bank shall, at the date of the amendment, re-evaluate/verify whether the SPPI requirement with the new amended contractual terms has been met and shall appropriately classify the financial asset.

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

1.1 Financial assets (continues)

1.1.4 Reclassification

The reclassification of debt financial assets from one category to another is possible only if there is a change in the business model of the Bank for managing these assets. Reclassifications are made in rare cases when the change in the business model has a significant impact on the Bank's business operations, when the change is due to a change in external or internal factors that have a significant impact on the activities of the Bank, etc. The decision to change the business model is made by the Bank's management. If there is a change in the business model, the Bank must reclassify all financial assets from one category to another. In such cases, the reclassified assets continue to be measured according to the principles of the new category from that date prospectively, i.e., no adjustments are made to all previously recognized profits or losses. The reclassification of equity financial assets from one category to another is not allowed.

1.1.5 Principles of measurement of value

The Bank uses two types of measurement of assets and liabilities:

- principle of measurement at amortized cost, and
- principle of measurement at fair value.

1.1.5.1 Principle of measurement at amortized cost

Amortized cost of a financial asset or a financial liability is the amount at which the asset or liability is measured, considering:

- the amount upon initial recognition;
- decreased by the payments of principal;
- decreased or increased by the accumulated amortization using the effective interest rate method, for each difference between the amount upon initial recognition and the maturity amount; and
- decreased by allowance for impairment due to impairments or non-collectability.

Effective interest rate

The effective interest rate is equal to the rate that discounts the expected future cash inflows and outflows of the instrument to the date of the instrument's eventual maturity or to a shorter period of time, if appropriate. Measurement using the effective interest rate method allows amortization of the cost value of the financial instrument and interest income/expense during the expected maturity period of the instrument.

When calculating the effective interest rate, should be considered:

- all expected future cash flows;
- all paid and/or charged fees and commissions that are part of the effective interest rate of the financial asset or liability (fees for assessing the financial position of the client, mediation in negotiating the terms of the financial instrument, fees for filing a request and processing the application for approval of loans, fees for withdrawal of assets under the financial instrument, regular monthly fee for managing the loan until the final maturity of the loan, which is credited and collected in the same moment with crediting and collection of the regular contractual interest, etc.);
- transaction costs directly related to the transaction (fees and commissions paid to sales agents, consultants, brokers, dealers, fees to regulatory bodies, paid taxes and customs, etc.) and
- premiums and/or discounts granted to the financial instrument.

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

1.1 Financial assets (continues)

1.1.5 Principles of measurement of value (continues)

1.1.5.1 Principle of measurement at amortized cost (continues)

When calculating the effective interest rate, should not be considered:

- impairments (impairment losses).

Fees and commissions, which are an integral part of the effective interest rate, transaction costs directly related to transaction and premiums and/or discounts are directly related to the approval of the financial instrument and therefore, represent a correction of the interest rate of the financial asset, i.e. liability, and are appropriately deferred and recognized in Income statement as interest income, i.e. interest expenses, in the maturity period of the financial instrument.

The Bank makes a substantial analysis of fees and commissions related to the credit products and determines whether they are an integral part of the effective interest of the loan or represent a fee for the service made by/to the Bank. Moreover, if the compensation is directly related to the loan approval or represents a fee charged/paid on a regular basis at the same time with the crediting and the collection/payment of the regular contractual interest, until the final maturity of the loan, it is an integral part of the effective interest. If the fee is compensation for another service, other than the loan approval, made by/to the Bank, it is an income/expense from fees and commissions. Consequently, fees and commissions will be recorded as accumulated amortization of the loan and interest income/expense, or as receivables/liabilities and income/expense from fees and commissions.

Modification of financial assets

The Bank may, under certain conditions, change the contractual terms of the financial assets.

Financial assets for which contractual terms, that have a direct impact on the cash flows, were changed during their lifetime are called "modified financial assets."

Changes in the contractual terms of the Bank's assets may arise at the request of the debtors due to a deteriorated financial position or for the purpose of obtaining more favorable conditions, as well as due to changes in the interest rates on the market, customer loyalty rewards, etc.

When changing the contractual terms of the assets, the Bank makes an analysis and determines whether the client has financial difficulties, or whether there are signs of deterioration in the financial position. If the client has deteriorated financial position or has signs of deterioration, the change in terms represents a restructuring of assets. If the change of contractual terms is in a commercial interest of the Bank, it represents a refinancing of assets that leads to derecognition of the old financial asset and recognition of a new financial asset.

When changing the contractual terms of the assets while restructuring, the Bank makes an assessment as to whether the change of the contractual terms is significant or not, and at the date of the change assesses whether the SPPI is met with the new contractual terms.

If the new contractual terms are significantly different from the original terms, then the change will result in derecognition of the old financial asset and recognition of a new modified financial asset.

If the new contractual terms are not significantly different from the original terms and the asset does not qualify for derecognition, then the changes are reflected to the existing financial asset with recording of modification gain/loss arising from the changed contractual terms.

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

1.1 Financial assets (continues)

1.1.5 Principles of measurement of value (continues)

1.1.5.1 Principle of measurement at amortized cost (continues)

The Bank recognizes the difference between the new carrying amount of the modified asset and the carrying amount of the asset before the change in the contractual cash flows, as a gain or loss of the change in Income statement within the interest income accounts, as well as within the accumulated amortization accounts within the appropriate group of accounts for financial receivable in Balance Sheet.

The carrying amount of the modified asset is equal to the present value of future expected cash flows, discounted using the initial/original effective interest rate.

Crucial for the Bank is to determine when the contractual cash flows have changed to the extent that the criteria for derecognition are met/not met. Hence, the Bank will determine the significance of the changes in the contractual cash flows, through a qualitative and quantitative test.

The qualitative test of significance includes changes in the contractual terms which are self-sufficient indicator for derecognition of the old financial asset and recognition of a new financial asset without additional quantitative test (for example: refinancing, consolidation of multiple receivables into one receivable, change of debtor, change of currency, conversion of part of the credit exposure into capital investment of the client, SPPI test not met, etc.).

The quantitative test of significance is expressed in a percentage value of at least 10%, which is determined when the discounted present value of the cash flows under the new terms using the original effective interest rate is at least 10% different from the carrying value of the remaining cash flow of the original financial asset.

In the event of a change only in the remaining agreed collection period of the receivables, a change only in the adjustable interest rate, early repayment close to the contractual repayment period, or insignificant/small amounts of the prepayments, the Bank does not recognize gain or loss from the change in Income statement, because those changes are insignificant.

1.1.5.2 Principle of measurement at fair value

Measurement at fair value assumes that the asset or liability is exchanged between market participants, in an ordinary transaction, according to current market conditions at the measurement date.

The fair value is determined in different manners, depending on whether the asset or liability is traded on an active market or not.

Active Market: Published price

An active market is the market where transactions of asset or liability are carried out with sufficient frequency and scope to provide price information for the asset or liability.

The relevant quoted market price for the asset or the liability is within the range between the purchase and the sale price, which best represents the fair value in the relevant circumstances. Usually is used the current: purchase price of the asset held or of the obligation to be issued, i.e. the sale/offered price for the asset to be acquired or for the obligation to be held; average market price or other price in accordance with the usual, accepted market practice.

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

1.1 Financial assets (continues)

1.1.5 Principles of measurement of value (continues)

1.1.5.2 Principle of measurement at fair value (continues)

No active market: valuation techniques

If there is no active market for the financial asset or liability, the Bank uses valuation techniques for which it has the most available data, to determine the fair value of the asset or liability, giving preference to the data that can be verified on the market.

Common valuation techniques of the Bank are: *market approach* (quoted prices or other relevant information from market transactions with the same or similar assets or liabilities are used) and *income approach* (discounted value of current market expectations for future amounts (cash inflows or income and expenses) of the asset or the liability).

When applying the valuation techniques, the Bank:

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

Valuation techniques should cover all factors that market participants consider in determining the price and should be consistent with the adopted economic methodologies for determining the price of financial instruments.

The Bank may change or make changes to the valuation technique of the financial instrument, if such change is due to development of new markets, availability of new information, changes in the market conditions or the improvement of the valuation technique, and if it gives more appropriate fair value to the financial instrument. Corrections due to a change in the valuation technique represent a change in the accounting estimates, in accordance with IAS 8.

The analysis of discounted cash flows is an applied technique for determining the fair value of many assets and liabilities. One of the most important factors in applying this technique is determining the appropriate discount rate.

The discount rate should include the uncertainties and risks from the measurement of cash flows that are related to a particular asset or liability, as well as the variability of those risks and uncertainties.

An appropriate discount rate can be determined as follows:

- a rate based on the current market yield of the instrument or instrument with similar characteristics;
- with reference to a risk-free rate, corrected for the corresponding risk of the asset.

When determining the discount rate, both factors shall be considered individually. The risk-free rate is normally based on government bonds with comparable characteristics (currency and maturity) of the assets or liabilities for which the discount rate will apply. The risk premium of an asset is equal to the amount that market participants would have asked for as compensation for the uncertainty of the future cash flows of the asset.

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

1.1 Financial assets (continues)

1.1.5 Principles of measurement of value (continues)

1.1.5.2 Principle of measurement at fair value (continues)

No active market: Equity instruments

The Bank measures/determines the fair value of equity instruments that do not have a traded price on an active market and derivatives related to them, which must be settled by the delivery of such unquoted equity instruments. The Bank determines the fair value by applying a method that best reflects the fair value of the equity instrument. For the Bank'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 of these institutions, it can be considered that their cost reflects their fair value. The Bank classifies these investments as financial assets measured at fair value through other comprehensive income.

1.1.6 Derecognition

The Bank derecognizes a financial asset or part of a financial asset only when it loses control of the contractual rights accompanying the financial asset. This control is lost if:

- it exercises (uses) the rights of the benefits determined by the contract;
- the rights expire and
- financial assets are sold.

The Bank derecognizes the financial asset, entirely or partially, if full or partial recovery of contractual receivables is not expected.

At the time of derecognition of available for sale assets (sold or matured, etc.), the cumulative gains or losses previously recognized in equity are derecognized from equity and net gains or losses are recognized in Income statement as other income/other expenses, except in case of derecognition of equity securities for which the amounts recognized in the Revaluation reserves are transferred to an appropriate account of retained earnings/accumulated losses.

For those financial instruments that are held to maturity, the gain or loss on derecognition is recognized in the net profit or loss of the Bank.

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure

1.2.1 Impairment/allowance for impairment for expected credit losses of financial assets and provisions for off-balance sheet exposure

On a monthly basis, the Bank assesses and recognizes impairment/allowance for impairment for expected credit losses on financial assets carried at amortized cost and on debt financial assets measured at fair value through other comprehensive income, as well as provisions for off-balance sheet credit exposure and for receivables based on lease agreements, receivables from debtors, and other receivables that are part of the credit risk exposure.

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

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure (continues)

1.2.1 Impairment/allowance for impairment for expected credit losses of financial assets and provisions for off-balance sheet exposure (continues)

In determining expected losses, credit risk exposure is classified into one of the following three credit risk groups:

- Stage 1, includes all financial assets at initial recognition (except those purchased with explicit expected credit losses), financial assets with low credit risk and financial assets that do not have significant deterioration of creditworthiness after initial recognition. Allowance for impairment of financial assets in Stage 1 represents the lifetime expected losses of the asset that would result from events of loss that could occur in the next 12 months or a shorter period, if the asset's life is shorter than 12 months (not expected cash losses over the next 12 months), i.e. it is equal to expected credit losses for lifetime of asset, weighted by the probability that a specific event of loss will occur during the next 12 months.
- Stage 2, includes financial assets that have significant deterioration of creditworthiness after initial recognition, but there is not any objective evidence for impairment yet (transfer from Stage 1). Allowance for impairment includes expected credit losses that may occur as a result of all loss events during the remaining life of an asset
- Stage 3, includes financial assets that have objective evidence for impairment and financial assets purchased or issued with explicit expected credit losses. Allowance of impairment of the assets is equal to the total amount of expected credit losses that may occur as a result of all loss events during the remaining life of the asset.

The amount of credit loss is equal to the difference between the:

- contractual cash flows of the asset, and
- expected cash flows of the asset, discounted with the original effective interest rate (present value of expected cash flows).

Determining the amount of expected losses is based on the following basic principles:

- measuring and recognizing expected credit losses for the lifetime of the financial asset and/or for off-balance sheet credit exposure;
- shall reflect/represent expectations of creditworthiness (credit quality), deterioration, and improvement over the lifetime of the asset;
- to react to information for changes in the credit quality of a financial asset and/or of the off-balance sheet credit exposure, so that in case of information for expected significant deterioration in credit quality, a transfer from Stage 1 to Stage 2 or Stage 3 should be made.

At initial recognition, all financial assets, except those that meet the criteria for classification in Stage 2 or Stage 3, should be classified in Stage 1. In Stage 1 are classified all financial assets that have low credit risk at the reporting date, and also those financial assets that do not have a significant increase in credit risk from initial recognition. If the Bank notices a significant deterioration in the creditworthiness of the asset after initial recognition, it should reclassify the exposure from Stage 1 to Stage 2, whereas the transfer to Stage 3 occurs when there is objective evidence that an impairment has taken place.

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

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure (continues)

1.2.1 Impairment/allowance for impairment for expected credit losses of financial assets and provisions for off-balance sheet exposure (continues)

Financial assets with low credit risk are those that meet the following criteria:

- have a low risk of default;
- it is assessed that, in the short term, the debtor has the capacity to fulfill the obligations;
- the Bank's expectations/perceptions are that long-term, negative changes in economic and business conditions could, but not necessarily, reduce the ability of the debtor to meet its obligations.

In Stage 2 are classified those financial assets that have a significant deterioration in credit risk after initial recognition, but there is no objective evidence of impairment loss yet.

In Stage 3 are classified those financial assets for which there is one or more objective evidence that an impairment has occurred. The objective evidence that an impairment has occurred are:

- significant financial difficulties of the borrower or the issuer of a debt financial instrument;
- breach of agreement, such as significant delays in payments or non-payments;
- creditors have granted some relief to the borrower because of his deteriorating financial position;
- there is a possibility that a bankruptcy procedure or other form of financial reorganization will be initiated against the borrower;
- absence (disappearance) of an active market for a financial asset due to the financial difficulties of the issuer, and
- purchase or issue of a financial asset, at a significant discount due to incurred credit losses.

The assessment of whether there has been a significant deterioration in credit quality (a significant increase in credit risk) after initial recognition should be based on an assessment of risk of default, i.e. the risk of default on the assessment date (current date) and the assessed risk of default on this date at initial recognition shall be compared. This assessment should be based on the change/deterioration of the risk of default for the lifetime of the asset, and not the change/increase in the amount of expected credit losses. If the asset has a low credit risk at the reassessment date, the Bank may consider that no significant deterioration in the creditworthiness of the asset has occurred.

In assessing whether there is a significant increase in credit risk, the Bank takes into account all reasonable and available supporting information, such as: changes in external conditions (e.g. market conditions), changes in the Bank's internal conditions and changes of the debtor. The information is based on past experience, current state and forecasts of future conditions.

Examples of the type of information that the Bank follows to assess whether a significant credit risk increase has occurred are: current or expected changes in the external credit rating of the financial instrument, analysis of the debtor's creditworthiness, credit risk growth, etc. If there is a delay in the payment of the contractual obligations over a period of more than 31 days, it is considered to be a significant increase in the credit risk of the asset and, consequently, the Bank reclassifies the assets from Stage 1 to Stage 2.

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

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure (continues)

1.2.1 Impairment/allowance for impairment for expected credit losses of financial assets and provisions for off-balance sheet exposure (continues)

The risk of default is considered to arise at the latest in the event of a delay of more than 90 days and the Bank classifies those financial assets in Stage 3.

The estimation of the amount of expected credit losses is made at the amount of the maximum contractual residual credit exposure of the asset (not on a higher amount) during the remaining contractual lifetime of the financial asset. As an exception, for credit products that, on a specific date consist of used and unused part (credit commitments, e.g. credit cards, approved overdrafts, etc.), the expected credit loss is assessed for the estimated life of the Bank's credit product.

When determining the present value of expected future cash flows, for discounting purposes, an effective interest rate on an annual basis is used.

For discounting of expected future cash flows of receivables with floating rate, the Bank applies effective interest rate, in accordance with the contract, which is effective at the date of determining the present value of the expected cash flows. In these cases, the effective interest rate is calculated for the entire period of the contract (not just the remaining period until maturity), using the interest rate that is valid at the date of determining the present value of the expected cash flows.

If, due to financial difficulties of the client, the Bank approves an amendment to the lending terms regarding the amount of interest and repayment period of the client's liabilities, for discounting of expected future cash flows an effective interest rate that was valid before changes of the lending terms is used.

At the time of transfer from Stage 1 to Stage 2 or Stage 3, in the Income statement are recognized all the amounts of expected credit losses for the remaining lifetime of an asset.

Return from Stage 2 or 3 to Stage 1 is only possible for those assets that were initially classified in Stage 1, but only if the conditions for their classification in Stage 2 or 3 no longer exist, or if their creditworthiness (credit quality) is significantly improved and have low credit risk at the revaluation date.

In assessing the credit risk/credit quality of an asset, the value of the collateral given for that financial asset is not considered. The value of the collateral, less any costs related to the acquisition and sale of the collateral, is considered only when calculating the required amount of allowance for impairment/special reserve.

Impairment losses on investment in equity instruments are not calculated.

The Bank determines expected credit losses on an individual basis.

When assessing on an individual basis, the risk that the asset carries from the point of view of the group of similar financial assets should be taken into account, i.e. those assets with similar credit characteristics that demonstrate the debtor's creditworthiness for repayment of amounts that are due, such as: type of the instrument, credit ratings, type of collateral, the date of origin of an asset, residual maturity, activity, geographical location of the debtor etc. Expected credit losses that arise from a group of similar financial assets are estimated based on the Bank's past experience for losses of financial assets with credit characteristics that are similar to those in the group, current conditions, and estimates of future events and conditions in the economy.

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

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure (continues)

1.2.1 Impairment/allowance for impairment for expected credit losses of financial assets and provisions for off-balance sheet exposure (continues)

If allowance for impairment is determined on an individual basis, the carrying amount of the asset should be reduced to its estimated expected recoverable amount by using an account for impairment within the respective asset. The amount of the loss is included in the Income statement in the line Impairment on financial assets and special reserve for off-balance sheet exposures, net.

If, at a subsequent date of assessment, the Bank determines a lower amount of allowance for impairment, the difference with the previously recognized amount of allowance for impairment (impairment loss) is released/reversed by adjusting the account for allowance for impairment within the respective asset.

Reversal of allowance for impairment should not lead to carrying amount of the financial asset exceeding the amount that would otherwise represent the amortized cost of the asset had impairment not been recognized. The amount of the reversal is included in the Income statement in the line Impairment on financial assets and special reserve for off-balance sheet exposures, net.

Impairment/allowance for impairment of debt securities available for sale

For debt securities available for sale, for the amount of the allowance for impairment, cumulative loss (the difference between the initial value at cost and the current fair value of the asset) that was recognized directly in revaluation reserves, should be deducted from revaluation reserves and recognized in the Income statement in the line Impairment on financial assets and special reserve for off-balance sheet exposures, net, although the financial asset is not derecognized.

If, in the subsequent period, the fair value of the debt instrument classified as available for sale increases, and the increase can be objectively linked to an event that occurred after the impairment loss was recognized in the Income statement the allowance for impairment is reversed/ released. The amount of the reversal will be included in the Income statement in the line Impairment on financial assets and special reserve for off-balance sheet exposures, net. The remaining amount, up to the new fair value (if any), represents an increase in the fair value of the asset and is recognized in revaluation reserves.

In the financial statements of the Bank, the balance on accounts for impairments within the accounts for investments in available for sale debt securities the Bank presents as a revaluation reserve for available for sale, and not as part of the assets.

1.2.2 Extension of the maturity date

Extension of the maturity date means extension of the deadline for settlement, where the extension is not a consequence of the deteriorated financial position of the client, but due to changes in the financial services offered by the Bank and/or changes in the operations of the client and/or the Bank.

At each extension of the maturity, the Bank is obliged to analyze the reasons for the extension.

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

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure (continues)

1.2.3 Restructuring of a receivable

Restructuring of credit exposure involves changing the contractual terms of existing credit exposure or refinancing of exposures for clients in distress.

Credit exposure is considered as restructured if:

- the new contractual terms are significantly more favorable than the existing contractual terms, and a deteriorating financial situation or inability to settle obligations under existing contractual terms has been established;
- the new contractual terms are significantly more favorable in relation to the contractual terms offered by the Bank at that time to other customers with a similar risk profile, whereby the analysis establishes a deteriorating financial situation or the inability to settle obligations under existing contractual terms;
- Credit exposure where contractual terms change or new credit exposure is approved should be treated as non-performing credit exposure;
- credit exposure would have the treatment of non-performing credit exposure if no change in contractual terms or the approval of a new credit exposure was carried out, with a deteriorating financial situation or inability to settle obligations under existing contractual terms;
- the new contractual terms include a complete or partial reduction in credit exposure through write-off;
- on the date of approval of the credit exposure or within 31 days of the approval of the credit exposure, the customer pays other obligations to the Bank which have treatment of non-performing credit exposure, and the Bank has no documented proof that the approved loan will not be used for repayment to the Bank;
- on the date of approval of the credit exposure or within 31 days of the approval of the credit exposure, the customer pays other obligations to the bank which have treatment of non-performing credit exposure if those payments have not been made and the Bank has no documented proof that the approved loan will not be used for repayment to the Bank, whereby the analysis establishes a deteriorating financial situation or the inability to settle obligations under existing contractual terms;
- the new contractual terms include reducing credit exposure by activating collateral.

Credit exposures may be excluded from the category of restructured credit exposures if the following conditions are met:

- the probation period has passed, and
- at the end of the probation period, all the client's credit exposures are classified in risk category "A".

Probation period shall denote a period of two years from the date of the restructuring or from the date of the fulfillment of the conditions for exclusion of credit exposure from the category of restructured non-performing credit exposure.

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

1.2 Impairment/allowance for impairment for financial assets and provisions for off-balance sheet exposure (continues)

1.2.3 Restructuring of a receivable (continues)

If during the probation period a new restructuring is carried out, or if a client is more than 60 days late based on the restructured credit exposure, that credit exposure receives the treatment of a restructured non-performing exposure.

As a restructured non-performing credit exposure, is considered:

- Credit exposure that had non-performing credit exposure treatment at the restructuring date or would become non-performing exposure if no restructuring had been carried out.
- Restructured credit exposure in which during the probation period:
 - the bank has restructured credit exposure with a significant change in contractual terms;
 - Credit exposure to which restructuring is carried out with a significant change in contractual terms, including a restructuring that meets one of the other indicators of unlikeliness to pay
 - the customer is more than 60 days late on the basis of the restructured credit exposure.

The restructured non-performing credit exposure may be excluded from the category of non-performing credit exposures if at least one year has been spent since:

- restructuring date,
- the date on which credit exposure received treatment for non-performing credit exposure, and
- the date on which the grace period approved by the restructuring ended.

1.2.4 Write-off of receivables

Write-off of credit exposure is made at least in the following cases:

Transfer to Off-Balance Sheet Records:

- The Bank shall not be entitled to future cash flows, i.e., the rights to collect credit exposure, regardless of the grounds on which the rights are lost or expired, which in particular include: a valid court decision on the groundlessness of the Bank's claim, a valid court decision on the groundlessness of the Bank's claim, a valid court decision on the approved plan for reorganization of a debtor in bankruptcy, provided that a correction of the value of 100% is made;
- The Bank has no reasonable expectation of charging the credit exposure in whole or in part, provided that a 100% adjustment is made;
- Small amounts of individually insignificant claims not exceeding an amount exceeding 3 thousand denars for products of natural persons and an amount exceeding 6 thousand denars for products of legal entities;
- If twelve months have elapsed from the date on which the Bank was required to make a correction of the value, i.e. to set aside a separate reserve of 100%, and
- The Bank issued a Debt Relief Order in accordance with the law waiving further collection of the claim.

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

1.2.4 Write-off of receivables (continues)

The Bank may perform a partial or complete write-off of receivables, whereby the written off receivable is transferred to a special off-balance sheet account (with the exception of individually insignificant credit exposure as well as in cases where the bank does not have the right to a certain claim, i.e. wrongly claims a certain amount) and for which the Bank keeps a separate record for a period of at least ten years.

Final write-offs

Final write-offs are write-offs that can be enforced on accounts receivable that have been kept in off-balance sheet records for a period of at least 10 years and such write-offs may be disposed of and closed in the Bank's accounting records after the expiration of the specified period. Final write-offs of receivables under the jurisdiction of the Department for Restructuring and Management of Problematic Placements PP transferred to off-balance sheet records are carried out on the basis of at least one or more criteria specified in the Rules for write-off of receivables in NLB Bank AD Skopje.

1.3 Cash and cash equivalents

Cash of the Bank comprises:

- cash on hand (in Denars and foreign currency);
- funds on the account of the Bank at NBRNM;
- not restricted deposits with NBRNM, including the mandatory reserve, and
- demand deposits (including transaction accounts).

Cash equivalents of the Bank comprise:

- time deposits with an contractual maturity of three months or less, from the acquisition date;
- restricted deposits with a maturity of three months or less, from the acquisition date;
- treasury bills and government bills that can be traded on a secondary market with a maturity of three months or less, from the acquisition date, and
- other highly liquid financial assets with a maturity of three months or less, from the acquisition date.

For the purposes of preparing the Statement of cash flows, the mandatory reserve in foreign currency and restricted deposits are excluded from cash and cash equivalents.

The Bank recognizes cash at the moment when it is made available for unlimited use, on the basis of the submitted statements for the balance and the turnover of those assets.

The Bank recognizes treasury bills and similar securities as assets at the trading date.

Cash and cash equivalents are measured at amortized cost, which is usually equal to their nominal value, except for the treasury bills which are measured at fair value through other comprehensive income.

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

1.4 Loans and receivables

Loans and receivables include all receivables arising from transactions with customers and banks, those originated by the Bank as well as those acquired on the secondary market. Loans and receivables are non-derivative financial assets that meet the SPPI criterion.

Loans to financial companies given under a repurchase agreement ("reverse repo") are presented separately as approved loans for which securities are pledged as a collateral. Pledged securities are recorded on off-balance sheet accounts.

Loans and receivables to other customers include loans and receivables from different clients, net investments in financial leasing, and other receivables.

Loans and receivables to banks include loans to banks, time deposits with banks with an original maturity of more than 3 months, repurchase agreements and other receivables. Loans to banks are defined as transactions for which the concluded loan agreement is valid.

The Bank recognizes loans and receivables as assets in the Balance sheet on the date when it becomes a party to the contractual provisions of the instrument, i.e. when the asset is delivered.

Loans and receivables are initially recorded at cost (fair) value. Transaction costs that are directly related to acquisition or issue are included in the initial measurement of loan receivables. After initial recognition, loan receivables are measured at amortized cost using the effective interest rate method.

1.5 Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are initially recognized at fair value. The transaction costs of these assets are not included in the amount according to which the instrument is initially measured. They are immediately recognized in the Income statement in line Fee and commission income/expenses.

After initial recognition, the financial assets at fair value through profit and loss are measured at fair value (the fair value represents the purchase price of the assets and the sale price for liabilities) without reducing the transaction costs that may arise from the sale or disposal.

Gains or losses from fair value changes should be included in the Income statement in the period in which they arise, as follows: for trading assets - in the line Net trading income; for financial assets at fair value through profit and loss designated at initial recognition - in the line Net income from other financial instruments at fair value.

Derivatives are recognized on the trading date.

Derivatives are derecognized from the Balance sheet in case of realization, expiry or other reasons for derecognition.

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

1.5 Financial assets at fair value through profit and loss (continues)

1.5.1 Financial assets held for trading

Financial assets classified as held for trading are those assets that the Bank acquires or have occurred mainly for the purpose to be sold or repurchased in a short term and for which there is evidence of a close probable model of short-term profit.

In this category, the Bank also classifies the financial assets that do not meet the SPPI requirement and therefore cannot be classified in the category of financial assets measured at amortized cost or in the category of financial assets at fair value through other comprehensive income.

A financial asset is classified for trading if it is:

- acquired or occurred for the purpose of sale in the near future;
- a part of a portfolio of identified financial instruments that are managed collectively/in a group and for which there is evidence of a recent, factual/real model of trading and realization of short-term profits or
- derivative which is not held for the purposes of risk management or risk protection.

Financial assets and derivatives held for trading in the Balance sheet are presented as Trading assets.

1.5.2 Financial assets at fair value through profit and loss designated at initial recognition

On initial measurement, any financial asset can be designated as a financial asset at fair value through profit or loss, except for unquoted equity instruments and the financial instruments that do not have quoted market prices and whose fair value cannot be measured reliably.

In this category, investments in securities and loans and receivables can be classified, if they meet the following conditions:

- the accounting mismatch arising from the measurement and recognition of assets or related income and expenses on different bases are eliminated or substantially reduced; or
- a group of financial assets are managed, and their realization is measured at fair value in accordance with the documented strategies for investments or risk management as well as because the monitoring and reporting to the management staff of the Bank for that group is carried out at fair value.

Financial assets at fair value through profit and loss designated at initial recognition are presented in the basic structure of the Balance Sheet in the position of the same name.

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

1.5 Financial assets at fair value through profit and loss (continues)

1.5.3 Derivative assets held for risk management

The Bank takes activities for risk protection to reduce exposure to various financial risks, through financial instruments classified as derivatives for risk protection.

The Bank holds instruments whose price depends directly or indirectly on foreign exchange rates.

1.6 Debt financial assets available for sale

Debt financial assets available for sale are those debt financial assets held by the Bank for the purpose of collection of contractual cash flows and/or for sale and which, according to the contractual terms of the asset, meet the SPPI requirement (the Bank expects cash flows on certain dates "solely on the basis of payment of principal and interest").

Financial assets available for sale are recognized in the Balance sheet on the trading date.

The Bank initially recognizes available for sale financial assets at cost value, which equals the fair value plus transaction costs directly related to the acquisition of the asset. Usually, the transaction price is treated as fair value of a financial asset.

After initial recognition, the Bank measures the financial assets at their fair value without reducing the transaction costs that may arise during sale or disposal.

Gains or losses arising from the change in the fair value of available for sale debt securities are equal to the difference between the amortized cost and the current fair value of the asset and are recognized directly in equity and reserves, in the line Revaluation reserves. The Bank also has evidence of the amortized cost of debt securities classified as available for sale (on the basis of which it allocates and records the interest income in certain accounting periods) and the fair value. When selling these assets, the accumulated amortization related to the assets is appropriately derecognized.

At the time of derecognition of available for sale financial assets, the cumulative gain or loss, previously recognized in the equity, is derecognized from the equity and is recognized in the Income statement. Interest income calculated by applying the effective interest rate method and foreign exchange gains and losses from assets classified as available for sale, as well as impairment/allowance losses, are recognized in the Income statement for the current year.

The current bid price is used to determine the fair value of the financial assets quoted on an active market.

The balance on the allowance for impairment accounts for the investments in debt securities available for sale, if any, the Bank presents in the equity and reserves within the line Revaluation reserve for assets available for sale and not as part of the Assets.

The Bank derecognizes debt financial assets available for sale when the contract rights for the acquisition of cash flows from financial assets expire or when the Bank has transferred the cash flows rights from the asset with a transaction in which all the risks and rewards of ownership of the financial asset are transferred to another party.

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

1.7 Investments in associated companies

The Bank has investments in an associated company. An investment that provides over 20% and more of the total number of shares or equity, or voting rights of the company in which it is invested (there is significant influence, but not control over the company in which it is invested), represents an investment in an associated company.

An investment in an associated company is recognized as an asset in the Balance Sheet at the trading date. The initial measurement of the investment in the associated company is according to the cost value (costs of the investment). Transaction costs are included in the initial measurement of investments.

The Bank subsequently measures the investment in an associated company using the equity method whereby the carrying amount is increased or decreased in order to recognize the Bank's share in the realized net gains/losses of the associated company. All distributions (dividends) received from the company in which it is invested, decrease the carrying amount of the investment.

1.8 Investments in equity instruments available for sale

The Bank has investments in equity securities that represent less than 20% of the share capital of the company which the Bank has invested in. There is no significant influence on these investments, they cannot be controlled or significantly influenced by the decisions made by the management of the company where it was invested.

The Bank recognizes these equity securities as financial assets available for sale in the Balance sheet on the trading date.

The equity financial assets are classified and measured at fair value (they do not have contractual cash flows based on principal and interest, i.e., they are not subject to the requirements of the SPPI). The decision on the classification and measurement of these assets at fair value in the Bank is made for an individual instrument, only at initial recognition. Reclassification of the instrument is not allowed.

The equity instruments, which are not traded, the Bank has chosen to classify as financial assets measured at fair value through other comprehensive income. The changes in the fair value (realized and unrealized/calculated) are recognized in the Revaluation reserves. At derecognition of equity instruments, the amounts recognized in the Revaluation reserves are reclassified to another category of equity i.e., Retained earnings/Accumulated losses but can never be recognized in the Income statement.

For investments in equity instruments of certain specific institutions, whose ownership is determined by law and/or is related to the possibility of using the services of these institutions, if there is no active market it is considered that their cost value reflects their fair value.

For investments in equity instruments, impairment is not calculated.

Foreign exchange gains and losses on equity instruments classified as available for sale are recognized in Other comprehensive income. Dividends arising from equity investments classified as available for sale are recognized in the Income statement when the entity's right to receive payment is determined.

1. Classification of financial assets and financial liabilities (continues)**1.9 Financial assets held to maturity**

In the category of financial assets held to maturity are included debt instruments managed by the Bank in order to collect the contractual cash flows and which, according to the contractual terms of the asset, meet the requirements of the SPPI.

The Bank recognizes them as financial assets on the Balance sheet at the trading date.

The initial recognition of held to maturity financial assets is carried at their cost value, which is the fair value of the consideration given, including the transaction costs directly related to the acquisition of the asset.

Investments held to maturity are subsequently measured at amortized cost using the effective interest rate method.

Profit or losses from subsequent measurements are recognized in Income statement only when assets are derecognized or impaired, as well as through the depreciation process.

1.10 Intangible assets

On initial recognition, intangible assets acquired by the Bank are stated at cost and are subsequently measured at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenses are capitalized only when it is probable that an increase of the future economic benefits associated with the asset will generate inflow to the Bank and they can be reliably measured. All other expenses are recognized in the Income statement in the period when they occurred.

Depreciation is recognized in the Income statement by writing off the cost of the asset over its useful life. Intangible assets are depreciated from the date they are available for use by applying the straight-line method.

The useful life is as follows:

	2024	2023
Software	4-10 years	4-10 years
Patents and licenses	3 -10 years	3 -10 years
Other	5 years	5 years

Useful life of the asset and the depreciation method is reviewed once a year, at the end of the financial year.

1. Classification of financial assets and financial liabilities (continues)**1.11 Property and equipment**

Property consists of land and buildings. All property and equipment are stated at cost decreased for depreciation and accumulated impairment losses, if any.

Cost value includes costs directly related to the acquisition of the asset.

Subsequent expenses are included in the cost of the asset or are stated as a separate asset only when it is probable that the future economic benefits associated with the asset will generate inflow to the Bank and they can be reliably measured. All other repairs and maintenance of property and equipment are recognized in the Income statement in the period when they occurred.

Depreciation of property and equipment is calculated using the straight-line basis method to allocate their cost value to the remaining value over their useful life.

Property and equipment are depreciated from the date they are available for use.

Land and arts are not depreciated.

The useful life of the assets is as follows:

	2024	2023
Buildings	40 years	40 years
Furniture and equipment	4-10 years	4-10 years

At each Balance sheet date, the Bank reviews the residual value of the assets and the useful life of the assets and adjusts them, if necessary.

Assets that are subject to depreciation are revised for impairment when events and changes show that the carrying amount cannot be recovered. If the carrying amount of an asset is higher than the recoverable amount, then the carrying amount of the asset is reduced to the recoverable amount. The recoverable amount represents the higher amount of the fair value less costs to sell the asset and its value in use. Gains and losses on disposal are determined as the difference between the net inflows from sale and the carrying amount.

In case of a conversion of a foreclosed asset in an asset that serves the Bank in its operations, the value at which the asset is recognized shall be the lower between the last valid estimate made by an authorized valuator for the foreclosed asset being transferred in property and the initial carrying amount of the asset at the foreclosure date.

1.12 Leases

Operating lease is a lease which is not a finance lease, i.e., when all risks and rewards inherent to ownership are not transferred.

The total payments from operating leases of the Bank as a lessee during the lease period are stated in the Income statement as rental payments on a straight-line basis over the lease period. The total income from the operating leases of the Bank as a lessor during the lease period is stated in the Income statement as rental income on a straight-line basis during the lease period.

If at the Bank as a lessee or lessor, there are prepaid/received assets for future periods, then they are presented as accruals/deferrals and are recorded as expenses/income in the period which they refer to.

When an operating lease is terminated before the lease period expires, any payment that should be paid to the lessor as a penalty is recognized as an expense in the period in which the termination occurred.

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

1.13 Foreclosed assets

The category of foreclosed assets includes land, business and residential buildings, equipment and other valuables that are received as an exchange for collection of uncollected receivables.

Foreclosed assets are recognized at the moment of acquisition of the legal basis for registering the property, i.e. when the following criteria are met: the loan or other receivable (balance and off-balance sheet) is legally considered to be settled at the time of the acquisition of the asset pledged as collateral for that loan or other receivables, thus the criteria for derecognition of the loan/receivables are met, all rights and risks arising from the foreclosed asset are transferred to the Bank, the foreclosed asset will create future economic benefits that will generate an inflow for the Bank and can reliably measure its cost.

Foreclosed assets on the basis of uncollected receivables are initially recognized at their initial carrying amount, i.e. at lower of: the cost value (the carrying amount) of the loan before the impairment on the day of acquisition of the asset, i.e. the value stated in the act adopted by the competent authority from which arises the legal basis for acquiring the property, and the estimated (fair) value decreased for expected sales costs (notary fees, taxes, etc.), that will be paid by the Bank.

At the acquisition date, the Bank is required to provide an estimate of the market value of the foreclosed asset that is valid at the acquisition date of the asset and in the Balance sheet to present impairment of at least 20% of the initial carrying amount of the foreclosed asset. If the amount of the closed impairment/provision is higher than the impairment that is recorded at the acquisition date, the Bank should recognize this difference as revaluation reserve, which is part of the Bank's equity.

If the relevant receivable settled by foreclosure of securities and shares was previously impaired, the impairment (impairment loss) should be released through the Income statement.

The part of the receivables that is not collected by the foreclosure of the asset can be written-off by the Bank.

Foreclosed assets (excluding foreclosed securities and shares) are subsequently measured at the lower of the carrying amount and the estimated fair value less costs to sell.

At least once in a period of twelve months, the Bank is obligated to provide an estimate of the value of the foreclosed assets, and in the Income statement to recognize an impairment loss to the assets equal to at least the larger amount of the:

- 1) negative difference between the estimated value and the net value of the foreclosed asset;
- 2) 20% of the net value of the foreclosed asset.

In the period between two estimates of the market value of the foreclosed asset, the Bank recognizes in the Income statement an additional amount of impairment loss equal to the negative difference between the net value and the amount of the announced reduced selling price of the foreclosed asset.

The foreclosed securities and shares are subsequently measured at the lower value of the carrying amount and the fair value decreased by the costs to sell.

At least once in a period of twelve months, the Bank is required to reassess the value of the foreclosed securities and shares, and if this value is less than the carrying amount less impairment recognized in the past periods, the Bank is obligated to present impairment losses for impairment in the amount of the difference between the two values.

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

1.13 Foreclosed assets (continues)

When evaluating, the Bank acts in accordance with the "Decision on the accounting and regulatory treatment of foreclosed assets" and for those assets that will not be sold within the deadlines specified in this Decision (within 5 years), the net value of the assets will be reduced to zero.

Foreclosed assets and the amount of impairment are derecognized upon sale when they are permanently withdrawn from use or in case of conversion into fixed assets. The realized surplus over the carrying amount on sale is recognized as income in the Income statement in the line Other operating income and the realized lower amount below the carrying amount on sale is recognized as an expense in the Income statement in the line Other operating expenses.

On sale, the Bank will also derecognize the revaluation reserve for the foreclosed asset by release of the impairment for other non-financial assets in the Income statement. The Bank could also derecognize revaluation reserve when the asset is not sold by excluding the revaluation reserve from the Bank's equity only for the amount equal to the profit after taxation according to the Decision of the Shareholders Assembly of the Bank for distribution to reserves or retained undistributed profit if the conditions for inclusion in the regular basic capital are met according to the methodology for determining the capital adequacy.

1.14 Non-current assets held for sale and disposal group

The Bank classifies in this category all non-current assets that are held for sale (by selling or otherwise), that is, when their carrying amount is recovered through sale rather than through continuous use for own or administrative purposes.

Assets are recognized as held for sale assets and a disposal group and assets classified as held for distribution to the holders at the time, they become available for immediate sale, i.e. sales expected to be made within a period of one year from the date of classification and when its sales must be highly probable.

The non-current asset classified as held for sale i.e., classified as held for distribution to the owners, is initially measured at the lower of its carrying value and the fair value reduced by expected costs to sell which will be borne by the Bank.

The Bank recognizes impairment loss in the Income statement for any initial or subsequent decrease in the asset's value to the fair value less costs to sell.

1.15 Other assets

This group of assets contains: stock of materials and small inventory, trade receivables, prepaid expenses, receivables from employees, advances given, assets for other purposes, net receivables on behalf of other parties, receivables for fees and commissions, receivables from card operations without a limit and other receivables that are not shown in any other position of the assets in the Balance sheet. Short-term receivables with no stated interest rates are usually measured according to the original invoice amount unless the effect of imputed interest would be significant.

Assets acquired without a purchase should be recognized at their fair value, unless the transaction is without a commercial basis, or the fair value of the asset (received or granted) cannot be reliably measured. In that case, assets are recognized at cost.

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

1.15 Other assets (continues)

Subsequently, the asset is measured at the lower of its carrying amount or the net realizable value. The net realizable value is equal to the estimated selling price minus the estimated cost of completion, repairs, and the estimated costs necessary to make the sale.

Small inventories are asset/equipment/appliances/inventory with a value lower than EUR 500 in Denar equivalent and/or which have a shorter useful life than one year and are not related to a specific item of property and equipment. Small inventory is considered inventory that is used in the operational activities of the Bank, which are related to the performance of the Bank's activity, as well as for the purposes of promotional activities of the Bank.

Stock of materials and small inventories are recognized at cost. The small inventory is written-off completely when it is put into operation, unless otherwise stated in a decision.

Prepaid expenses for future periods are expressed as prepayments and are calculated as costs of the period which they refer to, based on an appropriate accounting document. Such costs are: paid insurance premiums, paid rentals, subscriptions to magazines and official newsletters, etc.

Income relating to the current accounting period that is due for collection in the future period is expressed as accrued income. Such income is not due accrued income, except for not due interest income.

1.16 Provisions

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

The Bank recognizes provisions for litigation when there is a risk of loss due to the occurrence of costs related to the fulfilment of obligations that the Bank based on (for it) a negative court decision must fulfill.

Provisions for litigation are used to cover the costs of litigation for which they have been recognized.

Provisions for litigation (legal risk) are released upon legally completion of the litigation against the Bank.

If the Bank has an onerous contract, the present value of the liability under the onerous contract should be recognized as a provision. An onerous contract is one in which the unavoidable costs of meeting the obligations under the contract, exceed the economic benefits that are expected from it.

1. Classification of financial assets and financial liabilities (continues)**1.17 Provisions for pensions and other employee benefits****1.17.1 Plans for defined contributions**

The Bank pays contributions to the pension funds in accordance with the requirements of the legislation. The contributions determined on the basis of the salaries of employees are paid to the pension funds, which are responsible for the payment of pensions. The Bank has no additional obligation for payment upon these plans. Payments of contributions to defined contribution plans are recognized as an expense in the Income statement when they are accrued.

1.17.2 Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized when the relevant service is received.

The Bank recognizes a liability in the amount that is expected to be paid as a bonus or as a share of the profits and if the Bank has a present legal or constructive obligation to make such payments as a result of services rendered in the past period and if the liability can be reliably estimated.

1.17.3 Other long-term employee benefits

The net liability of the Bank in respect of long-term employee benefits, except for the retirement plans, is the amount of future benefits that the employees earned in return for their service in the current and the past period, where these benefits are discounted to determine their net present value, thus the discounted amount is shown as interest expense. Other long-term employee benefits include cost for the period for jubilee awards and retirement benefits.

Actuarial profit or losses arising as a result of a change in actuarial assumptions (demographic, financial, and experiential) for severance pay are recognized as revaluation reserves in the Other comprehensive income. Actuarial profit or losses on jubilee awards are recognized as profit or loss in the Income statement in the period in which they occurred.

1.18 Current tax assets/liabilities

Income tax consists of current and deferred tax. Income tax is recognized in the income statement, except when it refers to items that are taken directly to equity and the corresponding income tax is recognized in equity. Current income tax is the expected tax liability from the profit before taxation for the year, applying the applicable tax rate of 10% on the day of the balance sheet and corrections of the tax liability relating to previous years.

Under the low minimum global corporate income tax, the Bank applies the rules for the payment of a minimum global income tax, from 2024 financial year onwards, ensuring that the effective income tax rate is at least 15%. The additional global minimum tax is included in current income tax (Note 17).

Deferred tax is recognized using the balance sheet method, and results from the temporary differences between the accounting value of assets and liabilities for financial reporting purposes and their value for tax purposes. Deferred tax is measured by applying the tax rates that are expected to be applied when the temporary differences are realized based on the laws that have been enacted or substantially enacted on the reporting date. A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which the asset will be utilized. A deferred tax asset is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it becomes probable that sufficient taxable profit will be available. An unrecognized deferred tax asset is assessed at the end of each reporting period and recognized to the extent that it is probable that future taxable income against which the asset can be utilized, will be sufficient.

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

1.19 Financial liabilities

Financial liabilities are liabilities that are:

- a contractual obligation to transfer cash or another financial asset, or to exchange financial instruments with another party, or
- an agreement that can or will be settled with the Bank's equity instruments and is a non-derivative for which the Bank is or may be, obligated to submit a variable number of equity instruments or a derivative that will be, or may be, settled in any way other than by exchanging a fixed amount of cash or another financial asset for a number of equity instruments of the Bank.

The Bank shall classify its financial liabilities at initial recognition in one of the following categories:

- financial liabilities measured at fair value through profit and loss or
- financial liabilities measured at amortized cost.

1.19.1 Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are cash-settled share-based payment transactions. Financial liabilities at fair value through profit and loss are initially recognized at fair value. Transaction costs are not included in the amount at which the instrument is initially measured. They are recognized immediately in the Income Statement in the position Income/Expenses from fee and commissions. Until the liability is settled, the fair value is measured at each reporting date and at the settlement date, with all changes in fair value recognized in the Income Statement for the period.

1.19.2 Financial liabilities measured at amortized cost

Deposits, borrowings, subordinated liabilities and issued securities

The Bank measures at amortized cost the deposits, borrowings, subordinated liabilities and issued securities that are main source of financing for the Bank's activities.

The Bank classifies equity instruments as financial liabilities or as instruments of equity in accordance with the substance of the contractual terms of the instrument.

The Bank initially recognizes the deposits, borrowings, subordinated liabilities, and issued securities on the date when they occurred.

Deposits, borrowings, subordinated liabilities and issued securities are initially measured at cost, which is equal to their fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition, less the repayment of principal, reduced or increased for the accumulated amortization of each difference between the initial amount and the amount at the maturity date. The Bank derecognizes the financial liability (or part of the financial liability) only if the liability expires, when the liability specified in the agreement is settled, canceled, or extinguished.

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

1.20 Other liabilities

Other liabilities include: liabilities for commissions in Denars and foreign currency, gross salaries and other liabilities to employees, dividend payables, liabilities towards suppliers, liabilities upon given payment instruments, liabilities on behalf of others, advances received, accrued not due liabilities, deferred income and other liabilities that are not reported in any other liability position of the Balance sheet.

Other liabilities are recorded at nominal value based on an appropriate accounting document (invoice, contract, calculation) in accordance with the Bank's regulations and decisions.

Cash inflows that are not recognized as income in the current period are deferred for the future period and are recorded as deferrals. When income is earned, the deferral is closed, and income is recorded.

The costs for which it can be reliably determined that they refer to the current accounting period, but are an obligation for a future period, are recorded as accruals.

1.21 Fiduciary activities

The Bank provides asset management services to its clients. Assets held in a fiduciary capacity are not reported in Bank's financial statements as they do not represent assets of the Bank. Fee and commission income and expenses relating to fiduciary activities are commonly recognized in the Income statement when the service has been provided.

1.22 Off-balance sheet records

The Bank keeps off-balance sheet records of performed transactions that do not meet the recognition criteria at the moment as an asset or liability and which can generate future inflows and outflows of assets and which are a source of information about the operations, for determining the risk of operations and possible future obligations.

This records include the following items: issued uncovered financial and service guarantees, uncovered letters of credit, acceptances, irrevocable loan commitments, unused portion of approved framework credits, unused credit card limits, unused overdrafts on current accounts, and other forms of guarantee on which basis the receivables and payables by the Bank may be incurred, as well as other accounting evidence that does not present a special risk for the Bank (records of written-off receivables, covered letters of credit, covered guarantees, etc.).

The Bank also keeps off-balance sheet records for potential assets and liabilities for derivatives held for risk management, i.e. contracts subject to change in the exchange rate.

The off-balance sheet exposure is recorded on the day of the event.

1.22.1 Financial guarantee agreements

Financial guarantee contracts are contracts that require the issuer to make special payments in order to compensate the guarantor for the loss to which it is exposed because the debtor has not settled the payment obligation on time. Such financial guarantees are given to banks, financial institutions, and other institutions, and in favor of customers in order to secure loans, overdrafts, import guarantees and other banking instruments.

Financial guarantees are initially recognized at fair value on the date when they were issued, which is normally evidenced by the fees received. After initial recognition, the Bank's liabilities are measured at initial value, which is decreased by the accumulated amortization that is calculated in order to recognize in the Income statement the commission income that is received on a straight-line basis during the period of validity of the guarantee.

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

1.23 Equity

Bank's equity consists of:

- share capital that is equal to the nominal value of all shares (subscribed and paid-up capital);
- increase of capital on the basis of the realized difference between the nominal value of the shares and the amounts for which they are sold (share premiums);
- increase of capital on the basis of allocated revaluation reserve (distribution of revaluation reserve from previous years);
- other equity instruments and
- retained earnings/accumulated losses from previous years.

The share capital of the Bank consists of ordinary shares. Ordinary shares have a nominal value of 1,000 Denars per share. All issued shares are fully paid for.

1.24 Reserves

The Bank's reserves consist of legal and statutory reserve, revaluation reserve and other reserves.

The Bank's legal and statutory reserve is stated at nominal value with a distribution from the net profit, portion for the legal reserves, and a portion for the statutory reserves and for other reserves.

The reserve fund of the Bank is formed by the distribution of the net profit in the amount of the determined percentage (5%) in accordance with the Bank's Statute and the Trade Companies Law. The Bank has the obligation to allocate part of the profit to the reserve fund until the fund reaches one tenth of the share capital. As long as it does not reach that amount, the reserve fund can be used exclusively to cover losses.

In the revaluation reserve are recorded gains and losses arising from changes in the fair value of available for sale assets, resulting in an increase or decrease of equity (other than profit and losses from exchange differences on debt securities which are recognized in the Income statement).

When the decrease in the value of the available for sale financial asset is recognized directly in the revaluation reserve and when there is objective evidence that the asset is impaired, the cumulative loss should be removed from equity and recognized in the Income statement. On derecognition of available for sale financial assets (sale, collection and other ways of disposal), cumulative profit/loss from changes in fair value is derecognized from revaluation reserves and are recognized in the Income statement.

At derecognition of equity financial assets available for sale, cumulative profit/loss from changes in fair value are derecognized from revaluation reserves and are recognized in Retained earnings/(Accumulated losses).

Revaluation reserve is also recorded in the case of foreclosure of assets, i.e., when closing the amount of the impairment/provision that the Bank has eliminated from the Balance sheet because of the closing of the outstanding receivables, whereby the difference from the closed impairment/provision and at least 20% of the initial carrying amount of assets is recorded as revaluation reserve.

The derecognition of the revaluation reserve is carried out on sale of the foreclosed asset, when it is permanently withdrawn from use, in case of conversion of the foreclosed asset into fixed assets or exclusion of the revaluation reserve from the common capital of the Bank only for the amount equal to the profit after taxation according to the Decision of the Shareholders Assembly of the Bank for distribution of mandatory general reserve or reserves or retained undistributed profit if the conditions for inclusion in the regular Tier 1 capital are met according to the methodology for determining the capital adequacy.

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

1.24 Reserves (continues)

The Bank also recognizes revaluation reserves when measuring the present value of the defined benefit obligations in accordance with IAS 19.

In revaluation reserves are recorded changes in actuarial assumptions about severance pay as a difference from the previous actuarial calculation and a new actuarial calculation that includes the effect of the events that happened in the period. Such experiential changes that are recorded in revaluation reserves are: changes in financial assumptions (discount rate, expected rate of return, levels of future wages and benefits), changes in demographic indicators, changes in experiential assumptions, and others.

1.25 Other equity instruments

Upon initial recognition, other equity instruments are classified in part or in whole as equity instruments if the contractual characteristics of the instruments are such that the Bank must classify them as equity instruments in accordance with IAS 32 - Presentation of Financial Instruments. An issued financial instrument is considered to be a equity instrument only if that instrument does not constitute a contractual obligation to pay cash or transfer another financial asset.

Issued financial instruments with capital characteristics are recognized in equity in the Balance sheet. Expenses directly related to the issuance of a financial instrument should be recorded as a decrease in its initial accounting value. For financial instruments denominated in foreign currency, exchange rate differences from subsequent measurements of the condition of the instruments in denars are recorded in other comprehensive income, i.e. under Revaluation Reserves of Foreign Exchange Differences.

No gain or loss shall be recognized in the Balance Sheet on the purchase, sale, issuance or cancellation of the Bank's equity instruments. Interest on such instruments is recognized directly in retained earnings and is paid out of the profits available for distribution.

1.26 Retained Earnings / Accumulated Losses

Profit or loss for the current year is determined in accordance with the legal regulations. Realized net profit of the current year is transferred and allocated next year in accordance with the decision made by the Shareholders Assembly of the Bank.

Part of the retained profit of the Bank presents reinvested profit which includes profit realized with the annual account of the previous year, which with allocation is designed for investments and next year is invested in tangible and intangible assets. The profit designed for investments in tangible and intangible assets in accordance with a Decision made by the Shareholders Assembly is limited for allocation in form of dividends for the Bank's shareholders.

Also, at derecognition of equity securities, amounts presented as revaluation reserves are transferred to Retained earnings/(Accumulated losses).

1.27 Earnings per share

The Bank presents the earnings per share in the basic structure of the Income statement if the regular shares are subject to public market trade or if it is in a process of issuing regular shares on public markets.

The Bank presents basic and diluted earnings per share. The basic earnings per share is part of the profit or loss that belongs to the shareholders of ordinary shares for the effects of all common shares in circulation during the period.

The basic earnings per share is calculated when net profit or loss that belongs to the holders of ordinary shares is divided by the weighted average number of ordinary shares in circulation during

1. Classification of financial assets and financial liabilities (continues)**1.27 Earnings per share (continues)**

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 corrected by the number of shares issued or purchased during the period multiplied by the period ponder (number of days in which these shares are in circulation – compared with the total number of days in the year).

Diluted earnings per share in the Bank is identical with the basic earnings per share, because there is not issued potential ordinary shares for which effect corrections are made on net profit that belongs to holders of ordinary shares.

1.28 Interest income and expenses

The income and expenses based on interest for all interest-bearing financial instruments except those classified for trading are recognized as Interest Income and Interest expense in the Income statement using the effective interest rate method. The effective interest rate method is a method for measurement of financial assets and liabilities according to the amortized cost and allocation of income and expenses from interest in the period of expected maturity of financial instruments. In Interest income/expense are included the expenses from interest determined with actuarial calculation due to the change in the current value of benefits for employees due to approximation to the date of payment, allowance for impairment and release of allowance for impairment on non-performing assets based on interest, as well as their collection.

1.29 Fee and commission income

Fee and commission income mainly consists of financial services performed by the Bank including issuance of guarantees, opening letters of credit, payment transactions in the country and abroad, commissions from transactions with traders, settlement with cards, commissions from custody activities, brokerage commissions which represent commissions from securities trading, commissions for assets management, commissions on loans, commissions on mediation in insurance, commissions from transport of cash, as well as commissions for other services. Fees and commissions are mainly recognized on an accrued basis when the service is performed.

1.30 Dividend income

Dividend income is recognized in the Income statement when the right of the Bank to receive the payment is determined and when the inflow of economic benefits is probable.

1.31 Net trading income

Net trading income are realized and unrealized changes in the fair value at subsequent measurement, profit or loss at disposal, dividends, income and expenses from interest on assets and liabilities for trading as well as changes in fair value of derivatives for trading. Net trading income is measured according to the change in fair value of financial assets and liabilities for trading that is the difference between the carrying amount and the fair value on the date of the Balance sheet.

1.32 Net income from other financial instruments at fair value

Net income from other financial instruments at fair value are realized and unrealized changes in fair value at subsequent measurement, realized profit or loss at disposal and dividends of:

- derivative assets held for risk management;
- derivative liabilities held for risk management;
- financial assets determined at fair value through profit and loss and
- financial liabilities determined at fair value through profit and loss upon initial recognition.

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

1.32 Net income from other financial instruments at fair value (continues)

Change in fair value is the difference between carrying amount (value at cost of the asset or liability acquired in the reporting period or their last fair value) and the fair value on the Balance sheet date or the sale price on the date of sale.

Income/expenses from interest of financial assets/liabilities determined at fair value through profit and loss upon initial recognition and derivatives held for risk management are recognized in Interest income/expenses.

1.33 Net income and expenses from exchange differences

Net income and expenses from exchange differences include realized and unrealized exchange differences arising from:

- settlement of transactions in foreign currency of monetary and non-monetary items during the entire financial year; and
- exchange rates adjustments of monetary items denominated in foreign currency on the date of the Balance sheet.

1.34 Other operating income

This group includes:

- net income from investments in subsidiaries and associated companies;
- gains from sale of debt financial assets available for sale;
- income from dividends from equity securities available for sale;
- gains from disposal of property and equipment and intangible assets which is the difference between income from sale and their net carrying value on the date of disposal;
- gains from sale of foreclosed assets;
- income from collected previously written off loans and receivables;
- income from operating leases;
- net release from provisions by individual type of provision (for potential liabilities for litigations and other provisions); and
- other income.

The income is recognized and measured in accordance with the appropriate standard for the certain asset, based on which income was realized.

1.35 Impairment Losses/Asset Value Adjustment and Special Off-Balance Sheet Exposure Provision

The Bank regularly assesses and recognizes the allowance for impairment and provisions for expected credit losses of financial assets which are measured at cost and of the financial assets which are measured at fair value through other comprehensive income, as well as on the off-balance sheet exposure to credit risk.

Loss allowance is the difference between the carrying value of the asset and the current value of the estimated future cash flows discounted with the original effective interest rate of the financial asset:

- loans and advances to banks and other customers;
- financial assets held to maturity;
- financial assets available for sale, and
- off-balance sheet exposures.

When the reasons for allowance for impairment (loss allowances) disappear, the previously recognized allowance for impairment should be released through the Income statement in the line Impairment on financial assets and provisions for off-balance, net.

Subsequent release of the allowance for impairment is recognized only for the financial assets which are recorded at amortized cost and for the debt securities available for sale.

Allowances for impairment (loss allowances) and provisions are measured and recognized individually.

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

1.36 Impairment of non-financial assets

Impairment of non-financial assets is the difference between the carrying value and the recoverable amount of:

- property and equipment;
- intangible assets;
- foreclosed assets;
- non-current assets held for sale and disposal group and
- other non-financial assets.

The Bank estimates, on each Balance sheet date, whether there is objective evidence that the non-financial asset or a group of non-financial assets are impaired.

Impairment is recognized at the moment when there is an evidence that the carrying value is higher than the estimated recoverable amount of the non-financial assets and is recognized in the Income statement as an Impairment of non-financial assets.

When the reasons for impairment disappear, the previously recognized impairment should be released through the Income statement in the line Impairment of non-financial assets, net, but mostly at the amount of the previously recognized impairment.

Subsequent release of impairment is not recognized for foreclosed assets. Release of impairment is recognized on sale of foreclosed assets or their transfer into fixed assets for the operations of the Bank, as release of impairment of the other non-financial assets.

1.37 Personnel expenses

Personnel expenses consist of:

- short-term employee benefits (salaries, mandatory contributions for social and health insurance, personal income tax, short-term paid leaves, bonuses, etc.),
- long-term employee benefits (jubilee awards, retirement benefits, etc.) and
- benefits after termination of employment (benefit contributions to plans for defined contributions - payments for contributions in separate fund.

Short-term benefits are recognized at the moment when they occur, when the appropriate service is provided. The short-term benefits are measured at non-discounted amount which is expected to be paid based on employment contract and are recognized in the Income statement as expenses.

Long-term benefits are measured according to the present value of the liability for defined benefits on the Balance sheet date, decreased by the fair value of the plan assets on the Balance sheet date out of which the liabilities should be settled directly.

Each actuarial profit or loss is recognized in the Income statement in the period when it occurred, with the exception of the effects of the differences between the previous actuarial presumptions and what really happened and the effects of change in demographic and financial presumptions, discount factor etc., for the part of severance pay which are presented in the Other comprehensive income.

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

1.38 Share-Based Payment Transactions

Cash-settled share-based payment transactions.

If certain conditions are met, members of the Management Board and employees who perform special work (i.e. those who can significantly influence the Bank's risk profile within the scope of their tasks and activities) receive part of their variable remuneration in the form of financial instruments, the value of which is related to the value of the share of NLB d.d. Upon expiration of the legally prescribed period on NLB Group level, beneficiaries receive cash payments, depending on the value of the shares of NLB d.d. The first agreements, including for the allocation and payment of part of the variable part of salary for the financial year 2019 and 2021 in the form of financial instruments were concluded in the second quarter of 2022. The agreements, including for the allocation and payment of part of the variable part of salary for the financial year 2022 and 2023 in the form of financial instruments were concluded in the 2023 and 2024 respectively.

In the Balance Sheet, the liability is recognized in the position Financial liabilities at fair value through profit and loss. Initially, the liability is measured at fair value, as well as at each reporting date and settlement date, with changes in fair value recognized in the Income Statement in the position Net income from other financial instruments at fair value.

Equity-settled share-based payment transactions

The Bank does not have any equity-settled share-based payment transactions.

1.39 Amortization of intangible assets

The amortization of intangible assets is allocated on a systematic basis during the best assessment of the life of use of the asset. The Bank estimates whether the life of the use of intangible assets is finite or indefinite and if it is finite, the period of use represents its useful life.

The calculation of amortization starts when the asset becomes available for use and ends when the asset is classified as held for sale or is derecognized. The amortization continues to be calculated for intangible assets that are out of use. The Bank amortizes all intangible assets separately, grouping in amortization groups those assets that have the same useful life and the same amortization method.

Amortization rates are determined so that the value of intangible assets is allocated into costs in the estimated useful life. Amortization is calculated according to the straight-line method, and the amortization cost for each period is recognized as an expense in the Income statement in the line Amortization and depreciation.

The amortization calculation period (residual value and useful life of the asset) and the amortization method are reviewed at the end of each financial year, and if a change is identified, it should be recorded as a change in the accounting estimate, prospectively in the current and future periods.

1.40 Depreciation of tangible assets

The depreciation of tangible assets is allocated on systemic base during the best assessment of the useful life of the asset. The calculation of depreciation starts when the asset becomes available for use and ends when the asset is classified as held for sale or is derecognized. The depreciation continues to be calculated for tangible assets that are out of use. The Bank depreciates all tangible assets separately, grouping in depreciation groups those assets that have the same useful life and the same depreciation method.

The land has an unlimited useful life and is not depreciated. Art works are not depreciated.

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

1.40 Depreciation of tangible assets (continues)

Depreciation rates are determined so that the value of tangible assets is allocated into costs in the estimated period of use. Depreciation is calculated according to the straight-line method and the depreciation cost for each period is recognized as an expense in the Income statement in the line Amortization and depreciation.

The depreciation calculation period (residual value and useful life of the asset) and the depreciation method are reviewed at the end of each financial year, and if a change is identified, it should be recorded as a change in the accounting estimate, prospectively in the current and future periods.

1.41 Other operating expenses

Other operating expenses include: administrative costs, deposit insurance costs, property and employee insurance, materials and services, lease charges, loss from sale of available for sale financial assets, loss from disposal of property and equipment, loss from disposal of intangible assets, losses from sale of foreclosed assets, expenses for provisions on net basis and other expenses that cannot be categorized in a specific position.

Other operating expenses are recognized and measured in accordance with the appropriate standard for the certain asset, based on which the expense was incurred.

Other operating expenses are recognized and recorded on the basis of actual costs declared with reliable accounting documents (invoices, contracts, calculations). Also, in this position are reported the forecast costs based on calculations and forecast costs incurred during the reporting period, for which no relevant documentation for the record has been received.

1.42 Netting off of financial assets and liabilities

Financial assets and liabilities are netted off, and the net amount is disclosed in the Balance sheet only when the Bank has the legal right to net the recognized amounts and intends to settle the transaction on a net basis or to realize the asset and settle the liability simultaneously..

1.43 Events after the Balance sheet date

Those events after the Balance sheet date that provide additional information on the financial position of the Bank at the Balance sheet date (adjusting events) are reflected in the financial statements. The subsequent events that do not have the character of adjusting events are presented in the relevant note, if they are materially significant.

d) Use of assessments and estimates

1.44 Description of variability/uncertainty of accounting assessments

The financial statements and the financial result of the Bank depend on the accounting policies, assumptions, assessments, and judgments of the management that are used for preparation of the financial statements. The Bank also makes estimates and assumptions that affect the reporting of the amounts in the assets and liabilities during the next financial year. Estimates and judgments are continuously evaluated on an ongoing basis and are based on prior experience and other factors, including expected events that are considered probable under the given conditions.

1. Classification of financial assets and financial liabilities (continues)
d) Use of assessments and estimates (continues)

1.45 Description of significant estimates in the application of accounting policies

1.45.1 Loss allowances of loans and receivables

The Bank reviews the portfolio of loans and receivables to assess impairment on a monthly basis. When determining whether a loss due to impairment should be recognized in the Income Statement, the Bank determines it through an internal system and a developed scoring model that includes quantitative and qualitative criteria for the client's credit risk.

1.45.2 Allowance for impairment for foreclosed assets

The process for calculating the loss allowance requires important and complex assumptions to be made in relation to the planned sales period of the foreclosed assets, their estimated net sale values, and the corresponding discount rate in order to reduce the net present value of the expected cash flows from sale of foreclosed assets.

Bank's management expects that the foreclosed assets will be sold within a reasonable time frame without losses. Otherwise, adjustments will be made if market activity indicates that such adjustments are appropriate.

1.45.3 Actuarial calculation

The present value of long-term benefits for pension plans depends on a number of factors that are determined on the basis of an actuarial calculation using assumptions.

The main actuarial assumptions included in the calculation of employee benefits are the following:

- discount factor of 5.6% (2023: 7.25%);
- number of employees eligible to use the right of benefits;
- rate of increase of average net salary in RNM and amount of jubilee awards based on the predicted inflation index from the IMF and others.

The Bank uses services from an independent qualified actuary when valuing the current value of long-term benefits for pension plans.

e) Changes in accounting policies, accounting estimates and correction of errors

Errors are omissions and errors from an earlier period as a result of abuse or omission in the use of information, such as mathematical errors, overlooks or misinterpretation of facts, and frauds and are retroactively corrected in the financial statements.

Change in accounting estimates is a correction of the carrying amount of the asset or liability as a result of an assessment of the current status of an asset or liability or of the expected future uses and obligations of the asset or liability. This is the result of new information or new situations and accordingly there is no error correction. The effects of a change in an accounting estimate should be prospectively recognized in the Income statement.

Any change in the useful life, residual value or in the depreciation method of an item of property and equipment or intangible asset, is considered as a change in the accounting estimate.

Changes in accounting policies are changes that are required in accordance with the NBRNM methodology or if the change has led to a reliable and more realistic presentation of events or transactions in the financial statements.

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

f) Compliance with legislation

In 2024, the Bank based its work in compliance with the applicable regulations, using regular control of the compliance with regulations and continuous adjustment of the Bank's operations with the new legal regulations and by-laws.

Compliance and Integrity Center performs identification and monitoring of the risks from the non-compliance of the Bank's operations with the regulations, informs the Management and Supervisory Board of non-compliance risks in the area of compliance of the Bank's operations with the regulations, as well as the activities undertaken for their overcoming, assesses the compliance of the new products and systems in the Bank, carries out training for all employees and assesses the potential impact of changes in the regulations on the Bank's operations.

The Compliance and Integrity Center performs analysis of the proposed regulation and informs when the proposed changes are relevant for the Bank, with the aim of timely notification to the Bank's organizational units for information and compliance of the Bank with the proposed changes in the legal regulation.

In that direction, in 2024 the Center prepared an analysis of the adopted new or amended legal regulations that are of importance for the Bank's operations. According to the prepared analyses of the changes, guidelines and recommendations for compliance by the Bank in separate segments were given, and they were appropriately controlled and coordinated.

The Compliance and Integrity Center prepared relevant internal acts, adopted by the Management Board and/or the Supervisory Board, for improvement of the internal procedures and processes in the Bank and harmonization with the applicable legislation.

Through the work of the Center and its activities, the Bank contributes to improving the communication between the organizational units and increasing the awareness of the employees of the Bank to respect the work ethics, integrity and monitoring and implementation of the new legal regulations in the daily professional work.

The Compliance and Integrity Center has established internal control through assessments of suitability of the key function holders in the Bank, as well as through management of the conflict of interest and corruption.

The Bank has established internal control systems and mechanisms for identifying, monitoring and managing risks, maintaining an adequate level of liquidity, has established a system of corporate governance, which enables timely identification, monitoring and control of the risks it is exposed to.

As of 31 December 2024, the Bank is in accordance with the exposure limits, solvency and capital adequacy and its own assets, the Bank's investments, the liquidity of the Bank and the open foreign currency position determined by the laws and by-laws of the NBRNM, i.e. the Bank is in compliance from material aspect, with the regulation prescribed by the NBRNM.

g) Risk management disclosures

The quantitative information for each risk is separately given in notes 2.1, 2.2, 2.3.1, 2.3.2, 2.3.3 and 3. The qualitative information on particular types of risks is given below (note 2).

2 Risk management disclosures

The Bank's activities are exposed to various financial risks and those activities include analysis, assessment, acceptance, and management of a certain degree of risk or a combination of risks. Taking risk is the basis of the financial business and operational risks are an inevitable consequence of the operations. Therefore, Bank's aim is to achieve a certain balance between risk and return on assets and to minimize the potential adverse effects of the Bank's financial performance.

Bank's risk management policies are designed to identify and analyze risks, to determine certain limits and controls, to monitor risks and to comply with limits through reliable and up-to-date information systems. The Bank regularly reviews risk management policies and systems, in line with changes in the market, products and the appearance of best solutions.

2 Risk management disclosures (continues)

Risk management is carried out by the Risk, Evaluation and Control Division of the Bank, applying policies approved by the Supervisory Board. The Supervisory Board provides, in written form, principles for overall risk management and policies covering specific areas such as credit risk, currency risk, interest rate risk and liquidity risk. Furthermore, the Internal Audit Division is responsible for independent supervision of risk management and control.

The most important types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk and other market risks.

2.1 Credit risk

The Bank is exposed to credit risk when a client causes financial loss by defaulting on its obligations to the Bank. Credit risk is the most significant risk in the Bank's operations, and management therefore carefully considers the exposure to credit risk. Exposure to credit risk is primarily due to credit activities, i.e. loans and receivables, and investment activities in debt instruments and other securities in the Bank's assets. Also, credit risk exists for off-balance sheet financial instruments. The management and control of credit risk is centralized in the Risk Management Department within the Risk, Evaluation and Control Division, which is accountable to the Management Board.

2.1.1 Measurement of credit risk

The Bank made a classification and determined allowance for impairment and provisions on an individual basis for all credit exposures.

1. Risk management disclosures (continues)

2.1 Credit risk (continues)

2.1.1 Measurement of credit risk (continues)

2.1.1.1 Loans and receivables

Measurement of the credit risk associated with loans and receivables given to customers and banks, is performed through:

- classification of the credit exposure according to:
 - the creditworthiness of the client/financial project and
 - regularity in meeting obligations;
- determination of impairment and provisions.

The classification system is developed internally and combines the financial analysis with the ratings of the loan officer and confirmed with comparing additional external data, where possible. Bank's clients are classified into five risk categories. The methodology for credit exposure is regularly reviewed and upgraded, if necessary.

From 01.01.2024, the new Decision on the methodology for credit risk management prescribed by the NBRNM entered into force. The changes envisaged by this decision, which the Bank has implemented in the already established Credit Risk Management Policy approved by the Supervisory Board of the Bank. The same policy is regularly reviewed by the Supervisory Board, and in accordance with the Decision on Credit Risk Management adopted by the NBRNM. The policy is subject to assessment of its adequacy by the Supervisory Board at least once a year.

The most significant changes are in the definition of "non-performing credit exposure", as follows:

Non-performing credit exposure shall denote:

- defaulted credit exposure;
- exposure impartially proven to be impaired under the the National Bank of the Republic of North Macedonia regulation on the methodology for recording and valuation of accounting items and for preparation of financial statements;
- credit exposure classified in D and E risk categories;
- credit exposure eligible under Forborne non-performing credit exposure;
- off-balance sheet item with likelihood to be called or used, where the on-balance exposure that will arise with its calling or utilization will become eligible to become non-performing credit exposure.

Defaulted credit exposure shall denote bank's credit exposure to a client who meets any of the following conditions:

- the amount of due claims to the client on any basis (principal, interest, other non-interest-bearing claims) has not been collected for more than 90 consecutive days from the date when the due amount exceeded the materiality threshold;
- it has been determined that the client will not be able to settle their obligations to the bank in full, without recourse by the bank to actions such as realizing collateral (hereinafter: unlikeness to pay).

2. Risk management disclosures (continues)

2.1 Credit risk (continues)

2.1.1 Measurement of credit risk (continues)

2.1.1.1 Loans and receivables (continues)

Materiality threshold shall denote fulfillment of the absolute and relative components. The materiality threshold shall be considered exceeded if both materiality threshold components are exceeded.

Absolute component shall denote the total amount of all due claims. The absolute component shall equal to:

- Denars 6 thousand or an equivalent amount in another currency, for clients - private individuals,
- Denars 30 thousand or an equivalent amount in another currency, for clients - legal entities (including small companies).

Relative component shall imply percentage ratio between the total amount of all due claims and the gross amount of all bank's balance sheet exposures to a client, i.e. without impairment and accumulated depreciation. The relative component shall equal 1%.

The bank shall consider as non-performing credit exposures all client exposures whose joint credit exposure meets the criteria for defaulted credit exposure.

Joint credit obligations shall denote total exposure to two or more clients (co-borrowers) who are equally responsible for meeting the obligations arising from the joint credit exposure approved by the bank.

The credit exposure treated as a non-performing credit exposure may be excluded from this category if the following conditions have been met:

- at least 90 consecutive days have passed since the day when the criteria stipulated in several internal acts of the Bank ceased to be met;
- the Bank has determined the regularity of the client in settling his obligations, has determined the appropriate financial condition of the client and has determined that none of the indicators of unlikeliness to pay are met;
- the conditions referred to in indents 1 and 2 of this paragraph have been met also in terms of the new credit exposures approved to the client.

Classification system of the Bank

Bank's risk categories

A
B
C
D
E

The changes in the credit exposure classification requirements in an appropriate risk category, according to the Decision on Methodology for credit risk management, refer to define new conditions for full impairment of the claims (receivables that have recognized collateral and are overdue 2 years should be fully impaired, as well as receivables that are overdue 1 year and that are without recognized collateral).

2. Risk management disclosures (continues)

2.1 Credit risk (continues)

2.1.1 Measurement of credit risk (continues)

2.1.1.1 Loans and receivables (continues)

The criteria for classification of financial assets or loan commitments in risk categories A, B, C, D and E is as follows:

In risk category "A" are classified:

- claims on the European Central Bank and the central governments and central banks of countries with 0% risk weight pursuant to the National Bank's regulation on the methodology for determining the capital adequacy;
- credit exposure to a client whose financial position and cash flows allow smooth operating and opportunity to cover current and future liabilities to the bank;
- credit exposure where no increased credit risk has been identified
- credit exposure whose liabilities on the classification date are performed in line with the contractual terms, i.e. the current days of delay do not exceed 31 day;
- credit exposure whose liabilities in the previous six months have been repaid under the contractual terms, with a delay that does not exceed 31 day, or 60 days as an exception, if the delay is up to two times within the range from 32 to 60 days;
- part of credit exposure that is secured by first-class collateral instruments, if the instrument is launched within 60 days of the maturity date of the credit exposure;
- credit exposure that is in the last year of the probation period.

In risk category "B" are classified:

- credit exposure to a client/project that has financial weaknesses, but the financial situation enables its smooth delivery;
- credit exposure with current days of delay that do not exceed 60 days;
- credit exposure whose liabilities in the previous six months have been repaid with a delay that does not exceed 60 days, or 90 days as an exception, if the delay is up to two times within the range from 61 to 90 days;
- credit exposure with a status of forborne credit exposure, but only if the credit exposure did not have the status of forborne non-performing credit exposure or at least one year has passed since the credit exposure was excluded from the category of forborne non-performing credit exposure.

In risk category "C" are classified:

- credit exposure to a client/project whose cash flows are unsuitable for regular repayment of liabilities;
- credit exposure to a client/project with an inadequate maturity structure between the sources of funding and its proceeds;
- credit exposure to a client with high debt to equity ratio and/or a client who has a significant debt to creditors;
- credit exposure to a client/project the latest updates of which are not known to the bank to make assessment of the client's creditworthiness, i.e. the project quality;
- credit exposure with current days of delay that do not exceed 120 days;
- credit exposure whose liabilities in the previous six months have been repaid with a delay that does not exceed 120 days, or 180 days as an exception, if the delay is up to two times within the range from 121 to 180 days;
- credit exposure to a client - non-financial entity that has claims based on financial loan on entity enjoying a credit rating equal to or lower than CCC+ (according to Standard & Poor's or Fitch) or Caa1 (according to Moody's);
-

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail

2 Risk management disclosures (continues)

2.1 Credit risk (continues)

2.1.1 Measurement of credit risk (continues)

2.1.1.1 Loans and receivables (continues)

- credit exposure to a client - non-financial entity that has claims based on financial loan on entity enjoying a credit rating higher than that referred to in indent 7 of this sub-item, but its domicile country's credit rating equals to or is lower than CCC+ (according to Standard & Poor's or Fitch) or Caa1 (according to Moody's);
- credit exposure to a client - non-financial entity that has claims based on financial loan on entity who has not been assigned credit rating, but its domicile country's credit rating equals to or is lower than B- (according to Standard & Poor's or Fitch) or B3 (according to Moody's) or its domicile country's has not been assigned a credit rating.

The Bank may not classify the credit exposure to the client referred to in lines,8 and 9 in the risk category "C" if:

- the exposure is based on customs guarantee or a guarantee for participation in a tender;
- the financial loan is less than 31,000,000 Denars (if the financial loan is given in foreign currency, the Denar equivalent of the given loan is taken into account) or
- the financial loan is equal to or greater than 31,000,000 Denars, and the exposure of the Bank is greater than the amount of the financial loan and the Bank has made an allowance for impairment, i.e. it has made a provisions, at least in the amount above 20% of the amount of the financial loan, where the credit exposure or the client meets the criteria for classification in another risk category.

The risk category "D" shall be classified as follows:

- credit exposure to a client that is illiquid;
- forbore non-performing credit exposure for which the client is past-due for more than 60 days or for which new forbearance has been approved;
- credit exposure with current days of delay that do not exceed 240 days;
- credit exposure whose liabilities in the previous six months have been repaid with a delay that does not exceed 240 days, or 300 days as an exception, if the delay is up to two times within the range from 241 to 300 days;
- credit exposure to a client (including governments and central banks) enjoying a credit rating equal to or lower than CCC+ (according to Standard & Poor's or Fitch) or Caa1 (according to Moody's);
- credit exposure to a client enjoying a credit rating higher than the rating referred to in indent 5 of this subitem, but its domicile country's credit rating is equal to or lower than CCC+ (according to Standard & Poor's or Fitch) or Caa1 (according to Moody's);
- credit exposure to a client that has not been given any credit rating, but its domicile country's credit rating is equal to or lower than B- (according to Standard & Poor's or Fitch) or B3 (according to Moody's) or its domicile country has not been given any credit rating yet.

The Bank may not classify the exposures specified in lines 5, 6 and 7 of the risk category "D" in the case of an off-balance sheet exposure based on a customs guarantee or guarantee for participation in a tender, or if it is an exposure to another bank, based on current accounts in foreign currency abroad.

In risk category "E" are classified:

- credit exposure whose liabilities are performed with a delay, that is not eligible for classification in risk category D;

2 Risk management disclosures (continues)**2.1 Credit risk (continues)****2.1.1 Measurement of credit risk (continues)****2.1.1.1 Loans and receivables (continues)**

- credit exposure to a client under a bankruptcy proceeding, except when there is a reorganization plan adopted for the client in accordance with law;
- credit exposure to a client that denies existence of any credit exposure (in litigation or arbitration).

2.1.1.2 Debt and other securities

For debt and other securities in the credit risk exposure management section, classifications are used depending on the issuer: NBRSM, Republic of North Macedonia, Kingdom of Belgium, Republic of Austria, Kingdom of the Netherlands, USA and Federal Republic of Germany. Investment in such securities represent way to increase credit quality and at the same time maintain available sources of funds to meet funding requirements. Investments are allowed only in liquid securities that have a high credit rating. With the high credit rating, the Bank's management does not expect the contracting party to fail to fulfill its obligations. The maximum exposure to credit risk is represented by the accounting value of each financial asset in the Balance sheet.

2.1.2 Policy of limit control and risk mitigation policy

The Bank manages limits and controls the concentration of credit risks, wherever they are noticed, especially for individual clients and groups, as well as for industrial and geographical risks.

The Bank structures the levels of credit risk that it undertakes by setting limits on the amount of accepted risk in relation to one borrower, or a group of borrowers and in terms of geographical and industrial segmentation. Such risks are monitored continuously and are subject to audits on annual or more frequent level, when necessary. Levels of credit risk limits by product and industrial sector are approved by the Supervisory Board.

Credit risk exposure is also managed through regular analysis of the ability of the borrowers and potential borrowers to meet the obligations for payment of interest and principal and by changing these limits when approving loans where appropriate.

Several other specific control and mitigation measures of credit risk are shown below

2.1.2.1 Collateral

The Bank applies a number of policies and experiences to reduce the credit risk. The most common way is to take a guarantee of the approved assets, which is often applied. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk limitation.

The main types of collateral for loans and advances are:

- cash deposits;
- mortgage on residential property;
- mortgage on business property;
- bank and corporate guarantees;
- financial instruments (debt and equity securities) and
- other acceptable collateral that the Bank defined in the internal acts.

Loans granted to enterprises and households are usually secured, overdrafts and credit cards issued to individuals are secured with bill of exchange in full amount. In order to minimize loan losses, the Bank will request additional collateral from customers as soon as loss allowance for the relevant individual loans and receivables are recorded.

For the purposes of the financial statements (note 22.2B), loans and receivables from other customers secured with bills of exchange are shown as unsecured.

In general, the Bank does not require collateral for loans and advances to banks.

Debt securities, treasury bills and other bills in which the Bank invests, are usually not secured.

2. Risk management disclosures (continues)**1.1 Credit risk (continues)****2.1.2 Policy of limit control and risk mitigation policy (continues)****2.1.2.2 Credit liabilities**

The primary purpose of these instruments is to ensure that assets are available at customer's request. Guarantees and letters of credit have the same credit risk as loans and are secured with same collateral as loans.

2.1.3 Policies for impairments and provisions

The internal ranking systems described in note 2.1.1 presents the quality of the credit exposure from the approval to full repayment. Impairments and provisions are recognized in the financial statements and present the loss that the Bank expects, on the basis of objective evidence of impairment.

Internal rankings help the management to determine whether objective evidence of impairment exists, and which are based on the following criteria set by the Bank:

- failure to fulfil the contractual payment of principal or interest;
- difficulties in the borrower's cash flow (e.g. equity ratio, percentage of net sales income);
- breach of the contract and terms of the loan;
- initiation of a bankruptcy procedure;
- reduction of the borrower's competitive position and
- reducing the value of the collateral.

The assessment usually includes the received collateral (including a re-confirmation of its ability to take effect) and the assets received in advance for that individual account.

Impairment losses on loans and other active balance sheet and off-balance sheet positions are carried out in accordance with the regulations prescribed by NBRNM.

The percentages applied separately for each risk category in 2024 and 2023 are as follows:

<u>Risk Category</u>	<u>Impairment interval</u>
A	from 0,01% to 5%
B	above 5% to 20%
C	above 20% to 45%
D	above 45% to 70%
E	above 70% to 100%

2.1.4 Maximum exposure to credit risk

The maximum exposure to credit risk before giving collateral or other credit enhancements (Note 2.1 A) represents a worst-case scenario of exposure to credit risk of the Bank on 31.12.2024 and 31.12.2023, without taking in consideration any received collateral or other credit enhancements that are provided. For the assets in the Balance sheet, the exposure is based on net carrying value as it is presented in the Balance sheet.

For the financial statements (Note 2.1 A), the Bank has matched the groups of credit risk (Group 1, 2, 3) from the Methodology of recording and valuation of the accounting items and for preparation of the financial statements and the risk categories from the Decision on Methodology for credit risk management, and has reported as follows:

- within the Group 1, the exposures to credit risk classified in the category of risk "A".
- within the Group 2, the exposures to credit risk classified in the risk categories „B“ and „C“, that do not have the status of non-performing credit exposure;
- within the Group 3, exposures to credit risk that have the status of non-performing credit exposure.

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2. Risk management disclosures (continues)

2.1 Credit risk (continues)

2.1.5 Fair value of the assets taken for credit risk protection

The fair value of the collateral that is shown in note 2.1 B is established by the authorized valuers and it represents a value that is real for the legal owners of the assets.

2.1.6 Debt instruments, treasury bills and other bills

The analysis of the debt instruments, government bills and bonds issued by the states according to the type of investment are shown in the Notes 18 and 23. The issuers of the securities are the Republic of North Macedonia, NBRNM, Kingdom of Belgium, Republik of Austria, Kingdom of the Netherlands, USA and Federal Republic of Germany. According to the Standard & Poor's Ratings Services, Republic of North Macedonia is ranked with BB- for long-term and B for short-term rating with stable appearance. According to Fitch Rating Agency it is ranked with BB+ for long-term rating for domestic and foreign currency with a stable outlook and B for short term rating for domestic and foreign currency with a stable outlook.

2.2 Liquidity risk

The liquidity risk is the risk of loss due to Bank's inability to provide enough funds for settlement of its liabilities at their maturity or it can provide the necessary funds at very higher costs. The consequence of this can be the non-performance of the obligation to pay off the depositors as well as to fulfil the obligations on borrowings.

2.2.1 Maturity of financial assets and liabilities

Note 2.2 represents the flows of monetary inflows and outflows of the financial assets and financial liabilities of the Bank according to the remaining agreed maturity on the Balance sheet date. The amounts shown in the note are the contractual undiscounted cash flows.

The assets with which all the obligations may be fulfilled are cash, assets in NBRNM, securities, assets received from collection of loans and advances to banks and loans and advances to other customers.

During 2021, the Decision on the methodology for liquidity risk management (Official Gazette No. 146/20) entered into force, applicable from 01.01.2021. This decision prescribes the methodology for liquidity risk management, which determines the scope and elements of liquidity risk management.

According to the legislation and internal regulations, the Bank prepares the following liquidity risk management reports on a monthly basis:

- Report on the maturity structure of assets and liabilities at an aggregate level and by each significant currency;
- Report on monitoring the concentration of the sources of assets by major depositors;
- Report on monitoring the concentration of sources of assets by instruments, i.e., products;
- Report on the price of sources of assets and their maturity;
- Report on the possibility of renewal of the sources of assets;
- Report on determining the available unencumbered assets;
- Report on the liquidity coverage rate at aggregate level and by significant currency and
- Report on the internal liquidity indicators.

The above stated reports are submitted to the NBRNM within 15 days after the end of the reporting month, for the reporting month.

Also, the Bank is obliged to inform NBRNM at least once a year about:

- the amount and basis of the additional cash outflow for all contracts entered into the contractual conditions of which lead, within 30 calendar days and following a material deterioration of the credit quality of the bank;

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2. Risk management disclosures (continues)

2.2 Liquidity risk (continues)

2.2.1 Maturity of financial assets and liabilities (continues)

- any deterioration of the credit quality of the Bank that is significant from the aspect of each contracts entered into where contractual conditions lead to additional funds of collateral or additional cash outflows within 30 calendar days;
- the products and services for which the likelihood and potential volume of the liquidity outflows during 30 calendar days referred to in the methodology for liquidity risk management number 146/20 item 49 paragraph 3 are material for the Bank's operations.

During 2024, the Bank regularly determined the Liquidity Coverage Ratio (LCR), which is within the legally established limit, i.e. above it.

On a monthly basis, the Bank applies conservative stress test of liquidity risk on more levels of scenarios and intensities, with basic estimation for outflow on a higher percent of the client deposits, borrowings and payments based on off-balance instruments and limits. The results from the applied stress test scenarios indicate high liquidity position of the Bank and ability for regulation of the matured obligation at any moment.

Conclusive with 31.12.2024, the Bank realizes liquidity surplus in a combined stress scenario, for a period longer than 3 months.‰

‰

Additionally, the Bank has a high level of stability of demand deposits of customers (in Report 2.2 shown in the maturity block up to 1 month).

The Bank, also, can manage the unexpected net outflows of cash, by selling of securities and finding an additional financial sources.

2.3 Market risk

The market risk represents a risk of change of the market price, such as change in interest rates, price of capital, change in exchange rates and credit margin (with exception of the changes in the relation between the debtor and the creditor) that will influence the Bank's income or the value of the financial instruments. The purpose of the managing of the market risk is to control the credit exposure in acceptable frames due to optimization of the risk return.

Macedonian economy, as small and open, is extremely dependent on events in the European economy as our most important trading partner. The military conflict between Russia and Ukraine, Israel and Gaza, developments, sanctions and the continued duration of the crisis have reduced the economic growth in the EU, as well as increased the uncertainty in the domestic economy. Although our economy has no direct exposure to the Russian and Ukrainian economies, geopolitical tensions have been acting towards significantly higher inflation, with price pressures already present as a result of disturbed energy and basic products markets. All this negatively affected the financial condition of companies, the performance of their operations, and the available household income. However, so far, the Bank has no significant direct exposure to related parties or key clients from the countries involved in the conflict.

2.3.1 Sensitivity analysis for the changes of the assets and liabilities' market risk

In the ongoing operations, Bank's assets and liabilities are exposed to change in value as a result of the market movements of the following risk factors: exchange rate, interest rate, prices of securities, deterioration of the credit portfolio of the Bank. According to the historical and the experience data, the Bank prepares extreme stress-test scenarios which point to the effects of change on the capital adequacy, own assets, the assets and liabilities and the Bank's profit and loss. The presumptions and the results from the ongoing effects from the stress-scenarios are shown in Note 2.3.1 A.

According to the Decision on the methodology for determining the capital adequacy, the Bank fulfills the legally prescribed limit of the trading portfolio, thereby there is no obligation for allocation of capital for managing the market risk and consequently it does not fulfill the Note 2.3.1 B.

2. Risk management disclosures (continues)**2.3 Market risk (continues)****2.3.2 Interest risk**

The Bank is exposed to a risk of the change of the interest rates because interest-bearing assets (including investments) and interest-bearing liabilities mature, or their interest rates fluctuate within a different period or within different amounts. In case of assets and liabilities with floating interest rates, the Bank is also exposed to basis risk, which is a difference in the characteristics of re-determining the interest rate on different floating rate indices, such as interest rate on treasury bills from the National Bank, National reference interest rate (NRIR), EURIBOR and different types of interests.

Risk management activities are aimed at optimizing net interest income, taking into account market interest rates that are consistent with the Bank's business strategies.

Asset and liability risk management activities are carried out in the context of the Bank's interest rate sensitivity. Generally, the Bank is sensitive to assets due to the larger amount of interest-sensitive assets than to interest-sensitive liabilities. The interest rate risk exposure mainly arises from the positions in the bank's book; especially in conditions of increase in interest rates during the first half of 2024, where the Bank registered an increased volume of loans with variable interest rate (while reducing the loans with adjustable interest rates, due to the implementation of the NBRNM recommendation to exclude adjustable interest rates in new loan and deposits agreements) on the assets side, while on the liabilities side, the largest share represent the sight deposits. In the second half of 2024, there is mild decrease in variable interest rates, in EURIBOR, while domestic reference rates like NRIR noted growth. In these condition during 2024, the Bank started to offer consumer loans with fix interest rates. Also, the investments in short-term and mid-term securities on foreign markets continued, which record higher interest income than long-term ones, according to existing economic conditions. On the liabilities side, in the second half of the year, there was an increase in term deposits as a result of promotional offers with higher interest rates. The stability of the economy, the environment and rising inflation especially affect the activities to manage the risk of interest rate changes.

Notes 2.3.2 A and 2.3.2 B show the Bank's exposure to risks of interest rates categorized according to the remaining period of the next interest rate change.

2.3.3 Currency risk

The Bank is exposed to a currency risk through the transactions in foreign currency. The Bank's net exposure is maintained to a satisfactory level through buying and selling of currencies on account for the recovery of the short-term exemptions. The Bank's exposure to currency risk is presented in Note 2.3.3. On annual basis, the Bank is conducting stress tests of the exposure to currency risk with the application of the presumption for the effect of depreciation and appreciation of the exchange rate for 20% and combined scenarios. The results of the stress test on annual basis are shown in Note 2.3.1 A and they indicate that even with the application of the given presumptions the capital adequacy rate is at the expected level.

2.3.4 Operational risk

The operational risk is a risk from loss because of inadequate or weak internal processes, inadequate persons and inadequate or weak Bank's systems, external events, and legal risk.

The Bank has established a Policy for operational risk management that is adopted by the Bank's Supervisory Board. It is regularly revised by the Supervisory board, and according to the Decision for risk management prescribed by NBRNM. The Policy is assessed at least once a year for its adequacy by the Supervisory board.

Within the Policy, the Bank defines the operational risks as risks that appear because of lack of or mistakes in the internal processes, systems, and people or because of external events. The designation includes the legal risk as well, and it does not include the strategic risk and the risk from losing the good name (the reputational risk). However, because of the importance of the reputational risk, it is taken into consideration in the operational risks management.

2. Risk management disclosures (continues)**2.3 Market risk (continues)****2.3.4 Operational risk (continues)**

The goal of the operational risk management is to limit the scope of the potential losses and the probability of their realization to a level that is acceptable for the Bank observed from a financial aspect, as well as the Bank's reputation. The Bank accepts those operational risks that when realized will not have a significant effect on the financial result, and respectively will not jeopardize the Bank's further working. For achieving that goal, the policy and the acts that arise from it are establishing a consistent access to the operational risk management.

The Bank calculates a capital requirement for covering the operational risks using the standardized approach according to the local regulation.

2.4 ESG

Environmental, social, and governance (ESG) risks do not represent a new risk category, but rather an aggravating factor for the types of risks, not just for credit and operational risk. The group integrates and manages them within the established risk management framework. The management of ESG risks follows ECB and EBA guidelines with the tendency to comprehensively integrate them into all relevant processes. The availability of ESG data in the region where NLB Group operates is still lacking. Nevertheless, the Group strives to obtain relevant clients' data as prerequisite for adequate decision-making and the corresponding proactive management of ESG risks. The Bank is engaged in contributing to sustainable finance by incorporating environmental, social, and governance (ESG) risks into its business strategies, risk management framework, and internal governance arrangements. With the adoption of the NLB Group Sustainability programme, the Bank implemented sustainability elements into its business model. Thus, sustainable finance integrates ESG criteria into the Bank's business and investment decisions for the lasting benefit of the Bank's clients and society. The Commission oversees the integration of the ESG factors to the Bank business model. The management of ESG risks addresses the Bank's overall credit approval process and related credit portfolio management. It follows ECB and EBA guidelines and NBRNM with a tendency of their comprehensive integration into all relevant processes. The availability of ESG data in the region where the Bank operates is still lacking, nevertheless, the Bank strives to obtain relevant clients' data as prerequisite for adequate decision making. In addition, the Bank carefully considers potential reputation and liability risks which could arise from sustainable financing of its clients.

The management of ESG risks addresses the NLB Banka AD Skopje overall credit approval process and related credit portfolio management. Sustainable financing is implemented through amended documentary framework:

- Lending Policy for Non-Financial Companies in NLB Banka AD Skopje where in special Chapter Environmental and Social Framework three categories are defined (prohibited, restricted, normal activities);
- Policy Environmental and Social Transaction Framework in NLB Banka AD Skopje applies to certain transactions with greatest potential for significant E&S impact (exclusion list, regulatory compliance check, projects on category A list);
- Methodology Environmental and Social Transaction Categorisation Methodology Framework in NLB Banka AD Skopje that provides a guide to the typical level of inherent environmental and social risk according to the National Classification of economic activities (NKD) codes.

In addition to addressing ESG Risks in all relevant stages of the loan approval process, relevant ESG criteria are also taken into account in the collateral evaluation process. At the portfolio level, The Group does not face any major concentration towards specific industrial sectors exposed to climate risk according to the Nomenclature of Economic Activities (NKD), whereby the role of transitions risk is predominant.

In Liquidity Risk Management Policy, the Bank determines Key risk drivers that affect liquidity and financing risk in the Bank. Key risk drivers for liquidity position are factors that are expected to cause a significant deterioration in the liquidity position in the Bank. Risk drivers comprise external

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2. Risk management disclosures (continues)

2.4 ESG (continues)

events (floods, droughts, hail, storms, environmental taxation and subsidies, behavioural changes of consumers, suppliers, employees, and investors ...) that could trigger higher outflows of deposits which impacts liability-side of the balance sheet.

On monthly level the Bank monitors deposit base of individuals and legal entities by region. For each region are defined physical risks and their risk level. With corporate industry segmentation the Bank follow the industries and how risky is a certain business activity now from the environmental perspective and from that it can be assumed which activities/industry could be exposed to a higher transition risk.

3 Capital adequacy

The goals of the Bank when it manages the capital which is a wider concept from the shown „Shareholder’s capital” within the Balance sheet are:

- to uphold the capital requirements set by the regulator;
- to protect the Bank’s ability for maintaining the continuity of work in order to continue the return to the shareholders and the interested parties and
- to maintain a strong capital basis to support the development of the business.

The capital adequacy and own funds are monitored on monthly basis by the Bank’s management, applying techniques based on the directions provided by NBRNM for the aims of supervision. The reports for capital adequacy are delivered to NBRNM on a quarterly basis or more often on a request from NBRNM. NBRNM requires every bank or bank group to: (a) hold a minimum level of required capital from 310,000,000 Denars, (b) to fulfil the required capital buffers and c) the indicator for total required capital concerning the risk weighted asset to be on or above the level of the adjusted minimum of 8%.

According to the legal regulative, the Bank respects the following rates:

- the Common Equity Tier I capital must not be lower than 4.5% of the risks weighted assets;
- the Tier I capital must not be lower than 6% of the risks weighted assets;
- the capital adequacy ratio must not be lower than 8% of risks weighted assets and
- the capital buffers such as: capital conservation buffer (2.5%), countercyclical capital buffer (2.5%), capital buffer for systemically important banks (from 1% - 3.5%) and systemic risk capital buffer (from 1% - 3%).

Based on a supervisory assessment of the Bank's risk profile, the NBRSM has set a capital surcharge of 3.25 percentage points (previously 3.25 percentage points) above the minimum legally established level of capital adequacy, so that in 2024 the Bank is obliged to maintain the capital adequacy ratio at a level higher than 11.25%, excluding capital buffers.

In addition, the Bank has been obliged to maintain the capital buffers such as:

- capital conservation buffer determined at the level of 2.5% of the risk weighted assets;
- capital buffer for systemically important bank, with the rate of 2.0% (previously: 2.0%) from the risks weighted assets;
- systemic risk capital buffer is not currently applicable to the Bank and
- countercyclical capital buffer from 0.75% from January 2024 till June 2024; 1.00% from July 2024; 1.25% from November 2024; 1.50% from January 2025 and 1.75% from August 2025 till December 2025.

The Bank should achieve and maintain capital adequacy rate of 17.00% for YE 2024. From January 2025, the ratio increases to 17.25% and from August 2025 to 17.50%.

3. Capital adequacy (continues)

The Bank's own assets consist of:

- Tier I capital that consists of Common Equity Tier I capital (capital instruments, premium on capital instruments sold, mandatory general reserve retained undistributed profit unencumbered by any future obligations, current profit or yearend profit and accumulated other comprehensive income according to the directions given by NBRNM) and the Additional Tier I capital (capital instruments and premium from the sale of the capital instruments, corrected for the regulatory adjustments according to the directions from NBRNM) and
- Tier II capital is comprised from the capital instruments and the subordinated loans and premium from sale of the capital instruments, corrected for the regulatory adjustments according to the directions from NBRNM.

The credit risk weighted assets represents a sum of the weighted value of all the balance and off-balance receivables. The balance and off-balance receivables are allocated to adequate categories of exposures and they are given an adequate risk weight depending on the degree of the debtor's credit quality or the receivables, taking in consideration the influence of the instruments for credit protection.

The currency risk weighted assets represents a sum of the absolute amount of the net position in gold and the Bank's aggregate foreign position. The Bank's aggregate foreign position includes the foreign asset and liability positions. The net spot positions and net forward positions, classified in the risk categories „C“, „D“ и „E“ are shown on a net basis, i.e. are decreased for the adequate amount of the impairment/provisions.

For determining capital requirement for operational risk, the Bank uses the standardized approach that implies allocation of the results from the realized financial activities according to established principles in eight business lines.

For the two-year period under review, the Bank fulfilled all the prescribed capital requirements, the capital allowance and the prescribed capital buffers by the Bank's CET I capital for 2024: 17.44% (2023: 18.89%).

		2024	2023
Pillar 1	CET 1	4.50%	4.50%
	Tier 1	6.00%	6.00%
	Total capital	8.00%	8.00%
Pillar 2	Total capital	3.25%	3.25%
Total SREP Capital requirement (TSCR)	CET 1	7.75%	7.75%
	Tier 1	9.25%	9.25%
	Total capital	11.25%	11.25%
Combined Buffer requirement (CBR)			
Conservation buffer	CET 1	2.50%	2.50%
SII buffer	CET 1	2.00%	2.00%
Countercyclical buffer	CET 1	1.25%	0.50%
Systemic risk buffer	CET 1	0.00%	0.00%
Overall capital requirement*	CET 1	13.50%	12.75%
	Tier 1	15.00%	14.25%
	Total capital	17.00%	16.25%
	Total capital + management buffer	17.50%	16.75%

*Overall capital requirement is according to the risk appetite of the bank

4. Segment reporting

For reporting purposes, the Bank discloses the data according to the operating segments equal to the business lines prescribed by the “Decision on the methodology for determining capital adequacy” and the application of the standardized approach.

4.1 Operating segments

The Bank discloses information separately for each significant operating segment. A segment is considered significant if any of the quantitative thresholds are met:

- the income of the segment participates with 10% or more in the total income of the Bank;
- the absolute amount of profit or loss of the segment represents 10% or more of the higher absolute amount between the total profit of all operating segments which showed a profit or the total loss of all operating segments that showed a loss and
- the assets of the segment participate with 10% or more in the total assets of the Bank.

The Bank reports the following operating segments:

- retail banking (households and small companies);
- commercial banking (middle and large retailers according to the Trade Companies Law);
- payment operations and settlement;
- all other insignificant segments (services related with financing merchants which according to the Trade Companies Law are considered as middle and large retailers) trading and sale, services as an agent, assets management, brokerage services (households and small companies);
- unallocated financial activities.

For the purposes of the reporting by segments, the Bank:

- divides the items of Income statement by separate operating segments and it identifies the incomes/expenses by separate operating segments;
- identifies the assets and liabilities by separate operating segment.

The quantitative information for reporting by operating segments is shown in the Note 4A.

4.2 Concentration of total incomes and expenses by significant clients

The Bank shows the significant clients and their related parties according to the segments, regarding the total amount of income and expenses for the period on any basis. A significant client is a natural person or enterprise, as well as persons related to it, if the Bank realizes 10% or more of its total business income or business expenses.

On the 31.12.2024 and 31.12.2023 there are not any significant clients.

4.3 Geographical areas by which the Bank reports are:

- Republic of North Macedonia;
- member countries of the European Union;
- other European countries, outside the European Union;
- countries outside of Europe, members of the Organization of economic collaboration and development (OECD);
- other countries that the Bank identifies as individually significant geographical segments;
- all other insignificant geographical segments;
- unallocated.

5 The fair value of the financial assets and liabilities

5.1 The fair value of the financial assets and liabilities not measured at fair value

5.1.1 Cash and cash equivalents

The carrying value of cash and cash equivalents is equal to their fair value taking in consideration that they include cash and nostro accounts which represent non-restrictive claims, as well as receivables for deposits in NBRNM which have short-term maturity.

5.1.2 Placements and loans to other banks and investments in securities

Placements and loans to other banks include the placements between banks.

The fair value of placements and loans to other banks is based on the discounted cash flow, using the interest rates that prevail in the money market. The objective value of overnight deposits is the same as their carrying value because of the short-term maturity. The estimated fair value of the investments in securities with fixed interest rate is based on the discounted cash flow, using the prevalent interest rate on the money market for debts with similar credit risk and remained maturity.

5.1.3 Loans and advances to other customers

Loans and advances to other customers are shown at amortized cost less allowance for impairment. The estimated fair value of the loans and advances represents a discounted amount of the future cash flows expected to be received. In order to determine the fair value, the expected inflows are discounted using the interest rates that prevails on the market on the date of the Balance sheet.

5.1.4 Other assets

Based on the short-term maturity, the carrying value of the other assets is equal to their fair value.

5.1.5 Deposits to other banks and costumers, other deposits, borrowings, and subordinated liabilities

The estimated fair value of the deposits on demand, including the non-interest-bearing deposits represents the amount that should be paid on demand.

The estimated fair value of the deposits having a fixed interest rate and borrowings and subordinated liabilities that are not listed on the active market are determined according to discounted cash flows, using market interest rates for the new debts with similar residual maturity.

5.1.6 Other liabilities

Based on the short-term maturity, the carrying value of other liabilities is equal to their fair value.

Note 5.A shows the summary of the carrying value and fair value of the financial assets and liabilities of the Balance sheet.

5.2 Levels of fair value of the financial assets and liabilities, measured at fair value

The Bank classifies the financial assets and liabilities according to the hierarchy of the evaluation techniques and information regarding whether the necessary evaluation inputs are publicly available or not. On that basis there are three levels of hierarchy of the fair value as follows:

- Level 1 – the fair value is determined with a direct application/referring to the listed market price of the financial instruments on the active market. Level 1 comprises the euro bonds issued by the Republic of North Macedonia – Ministry of Finance;
- Level 2 – the fair value is determined with the application of techniques for evaluation that contain input information from the active markets (the input information can be directly or indirectly confirmed and followed on the active markets, such as: listed prices on the active market for similar financial instruments or all the significant input information in the model for the estimation of the fair value that can be confirmed and followed on the active market). Level 2 comprises derivative assets and liabilities for risk management (Fx forward and Fx swap), equity

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5 The fair value of the financial assets and liabilities (continues)

5.2 Levels of fair value of the financial assets and liabilities, measured at fair value (continues)

instruments issued by VISA Inc. USA, ~~3~~ Macedonian stock exchange AD Skopje, Central securities depository AD Skopje and financial liabilities – cash-settled share-based transactions;

- Level 3 – the fair value is determined by an application of techniques for evaluation that contain input information which cannot be directly or indirectly confirmed or followed on the active markets, respectively by the techniques for evaluation in which information for risks of financial instruments has the largest participation. Level 3 comprises equity instruments issued by SWIFT SCRL Belgium and Clearing Interbank Systems (KIBS).

In Note 5.B.1 the quantitative information for classification of financial assets and liabilities are shown according to the levels of their fair value.

h) Events after the date of the Balance sheet

After 31.12.2024 – the reporting date, until the date of the approval of these financial statements, there are not events that would cause correction of the financial statements, nor additional events other than those disclosed above that are materially significant to be disclosed in these financial statements.

At the meeting of the Supervisory Board held on 02.09.2024, a decision was adopted to appoint Mrs Katerina Jankovikj as a member of the Board of Directors of NLB Banka AD Skopje.

With the adopted decision, the composition of the Management Board will be increased from three to four members.

The procedure for the appointment of Mrs. Katerina Jankovikj as a member of the management Board of NLB Banka AD Skopje was conducted during 2024, while the decision on her appointment entered into force on 29.01.2025, after the approval of the National Bank of the Republic of North Macedonia for the appointment of Ms. Katerina Janković as a member of the Management Board.

On March 17th, 2025 the National Bank of the Republic of North Macedonia has issued a Decision granting prior consent for Mrs. Hedvika Userik to be appointed as member of the Supervisory Board of NLB Banka AD Skopje, with a term until 30.08.2025.

With the issuance of the Decision from NBRNM, the mandate of Mr. Blaz Brodnjak, the current President of the Supervisory Board of NLB Banka AD Skopje, is terminated.

In the Official Gazette No. 275/2024 dated 26.12.2024, effective from 1.1.2025, NBRNM published amendments to the following decisions:

- Decision on the Methodology for Recording and Valuing Accounting Items and Preparing Financial Statements
- Decision on the Chart of Accounts for banks
- Decision on the Types and Content of Financial Statements of banks and the Notes to Those Statements.

The amendments cover IFRS 16 – that is, it addresses lease contracts, providing insights on leases from the perspectives of both the lessor and the lessee.

With the application of IFRS 16 – Leases from January 1, 2025, the Bank as a lessee will recognize a right-of-use asset on the balance sheet, in the category 'Real Estate and Equipment,' and a lease obligation on the balance sheet, within the category 'Other.'

Effective January 1, 2025, the Bank will show an effect in the Balance Sheet, specifically in Leased Assets and Leased Liabilities amounting to 260 million denars.

In the Income Statement, the Bank will not have a significant effect except in the presentation of expenses, and from January 1, 2025, lease expenses will be presented as financial expenses - interest expenses on lease liabilities and depreciation expenses on the right-of-use asset.

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail

i) Notes to the financial statements

Additional disclosures related to the notes of the financial statements

Note 12. Impairment of financial assets and provisins for off-balance sheet exposures, on a net basis

The impairment of financial assets and provisions for off-balance sheet exposure, on a net basis, recorded an increase of 329,536 thousand denars in 2024 compared to 2023, as an additional impairment resulting from the application of the new decision on credit risk, which came into force on 01.01.2024, as well as from increased credit exposure.

Note 12 presents the impairment of financial assets and the provisions for off-balance sheet exposures on a net basis at the account level, while notes 18, 22, 25 and 38 present the impairment of financial assets and the provisions for off-balance sheet exposures at the party level corresponding to the affiliation in the notes.

Note 17. Income tax

According to the tax regulation, the taxes and the tax liabilities become obsolete after the expiration of period of 5 years, except for the tax fraud whose deadline is 10 years. As a result, the Bank's tax liabilities for the period from 2020 to 2024 cannot be considered as final. Any other additional taxes and penalties, if they exist, that can arise in the case of tax control, cannot be determined with reasonable accuracy at this stage.

The income tax rate in 2024 and 2023 is 10%.

On January 3, 2025, the low minimum global corporate income tax was published, with application for the fiscal year beginning January 1, 2024.

The law aligns with Council Directive (EU) 2022/2523 of 14 December 2022 and implements the OECD model rules against base erosion, i.e. providing a global minimum level of taxation for groups of multinational companies (MNCs) and large domestic groups of the Union.

The minimum effective taxation of MNC profits is provided by applying the following rules for payment of additional tax:

1. Rule for determining the Qualified Domestic Top-up Tax (QDMTT);
2. Income Inclusion Rule (IIR);
3. Undertaxed Payment Rule (UTPR).

The application of the rules determines the amount of the minimum global tax, thus ensuring that the effective taxation of profits is at least 15%.

The Bank has calculated the minimum global tax for fiscal year 2024 amounting to 134,554 thousand mkd. The Bank is obliged to submit a Domestic Additional Tax Return to the Public Revenue Office no later than 18 months after the end of the financial year to which it relates, i.e. by 30 June 2026.

The deadline for payment of the global tax is 30 days after the deadline for submission of the return, i.e. 30.07.2026.

Note 18. Cash and cash equivalents

The treasury bills are securities that according to the Methodology of recording and valuation of the accounting items and for preparation of the financial statements are included in Note Cash and cash equivalents. The treasury bills owned by the Bank at the 31.12.2024 are debt securities issued by NBRNM with a maturity of 49 days and have a fixed interest rate, and are nominated in Denars.

The primary market for the treasury bills is the auctions of the treasury bills organized by NBRNM. On the secondary market, they can be traded at the over-the-counter market. Only banks and saving houses can participate on the treasury bills auctions.

The effective interest rate of these securities is within range of 5.55 % to 6.30 % (2023: 4.75% to 6.30%) on annual basis.

The total interest expenses of the Bank for negative interest rate for current accounts, time deposits up to 3 months and mandatory reserve is 58 thousand denars (2023: 1,585 thousand denars).

With the latest amendments to the NBRSM Decision regarding the calculation method for the mandatory reserve (ZR), the funds from the Reserve Guarantee Fund (RGF) that the Bank keeps in a separate account at KIBS, as of July 23, 2024, are no longer included in the calculation of the average daily balance of the account of NLB Bank AD Skopje at the NBRSM. Based on the amendments to the Rules of Operation of the KIBS Payment System, and regarding the section on allocation and maintenance of funds in the RGF, the Bank, as a participant in the KIBS payment system, has the opportunity to refund the funds from the RGF to the Bank's account at the NBRSM and to deposit the necessary amount to the RGF account in KIBS at the beginning of the next business day.

Based on these changes, the amount of the Restricted Deposits position has been reduced as a result of RGF funds.

Note 23. Investments securities

The note Investments securities consist of investments in financial assets classified at amortized cost and financial assets measured at fair value through other comprehensive income

Bonds

The continuous government bonds are classified at amortized cost in amount of 11,310,705 thousand denars (2023: 8,083,433 thousand denars). The continuous government bonds owned by the Bank at 31.12.2024 are with maturity of 2, 3, 5, 7, 10 and 15 years and are denominated in Denars and Denars with foreign currency clause in Euros. The total amount of the continuous government bonds includes interest of 279,069 thousand Denars (2023: 113,036 thousand Denars).

The effective interest rate is within range of 0.80% to 5.25% on an annual basis. During 2025 continuous government bonds in a nominal amount of 2,564,843 thousand Denars will mature.

Eurobonds classified at amortized cost are in the amount of 645,022 thousand Denars (2023: 657,240 thousand Denars). The Eurobonds owned by the Bank on 31.12.2024 are with maturity of 6 years and are denominated in Euros. The total amount of Eurobonds includes interest of 13,126 thousand Denars (2023: 13,090 thousand Denars). The effective interest rate is within range of 2.03% to 2.05% on an annual basis.

Slovenian Eurobond is classified at amortized cost in the amount of 0 thousand Denars (2023: 413.367) and is denominated in USD. The total amount of Eurobond includes interest of 0 thousand Denars (2023: 7.947). The effective interest rate is 5.25 % on an annual basis. Slovenian Eurobond matures in February 2024.

Translation from the original Macedonian version, in case of divergence the Macedonian original shall prevail

i) Notes to the financial statements (continues)

Note 23. Investments securities (continues)

Eurobonds classified at fair value through other comprehensive income are in the amount of 2,694,804 thousand Denars (2023: 2,647,677 thousand Denars). Eurobonds owned by the Bank at 31.12.2024 are with maturity of 6 and 7 years and are denominated in Euros.

The total amount of Eurobonds includes interest of 62,325 thousand Denars (2023: 62,231 thousand Denars). The effective interest rate is within range of 1.18% to 3.13% on an annual basis.

Government bills

The government bills are classified at amortized cost and are included in Note 23 – Investment securities.

The government bills issued by USA, Kingdom of Belgium, Kingdom of the Netherlands, Republic of Austria and Federal Republic of Germany are in amount of 5,831,847 thousand Denars (2023: 3,904,521 thousand Denars). The entire amount will mature in 2025. The effective interest rate is within range of 2.4% to 5.39% on an annual basis.

Equity instruments

The equity instruments are issued from financial companies in amount of 169,438 thousand Denars (2023: 142,982 thousand Denars). The Bank measures the equity instruments at fair value. The total recorded increase in fair value is in the amount of 26,456 thousand Denars (2023: 16,650 thousand Denars).

Securities are valued by the last bid price on every trading day on the Macedonian stock exchange for domestic securities, and for foreign securities the prices are provided by Bloomberg.

Note 24. Investments in associates

NLB Lease & GO DOO Skopje is a company founded by NLB Banka Skopje, which owns 49% of the total founding capital of the company, and NLB Lease&Go, leasing d.o.o. Ljubljana which owns 51%. The business activity of these company includes a wide range of leasing solutions, including insurance and other related services for the use of vehicles and equipment that will be leased.

The offer of NLB Lease&Go Skopje is intended for individuals and legal entities and includes the lease of new and used cars, trucks, buses, vessels, agricultural and construction machinery, as well as other types of equipment and machines.

In 2024, the Bank increased the capital investment in the lease company by 20,600 thousand Denars and the total investment of the Bank amounts to 86,103 thousand Denars.

Note 25. Other assets

On 31.12.2023, the Bank presented a receivable based on securities settlement in the amount of 1,114,300 thousand Denars for a continuous government bond with a maturity date of 31.12.2023. The receivable has been repaid on 02.01.2024.

Note 27. Foreclosed assets

The Bank is managing, the foreclosed assets according to the NBRNM regulation, thus at foreclosure, the assets are recognized at initial carrying value, which is the lower amount from the estimated value effective on the date of the foreclosure and cost value of the foreclosed assets.

The carrying value of the foreclosed assets at 31.12.2024 is 25,866 thousand Denars (2023: 31,655 thousand Denars), and the fair value at 31.12.2024 is 79,485 thousand Denars (2023: 76,562 thousand Denars).

For the assets foreclosed after 11.04.2013, on the date of the foreclosure of the assets, the Bank shows impairment over 20% from the initial carrying value in the Balance sheet. If the amount of the closed impairment/provisions is larger than the impairment of 20% from the initial carrying value, the Bank recognizes this difference as a revaluation reserve on the date of the foreclosure of asset. In the current year 2024, the Bank recorded a revaluation reserve of 541 thousand denars (2023: 0), while a revaluation reserve from the sale of borrowed assets in the amount of 27 thousand denars (2023: 165,843 thousand denars) was recorded.

The Bank does not have any limitations on sale of the foreclosed assets.

Note 36. Borrowings

Domestic sources of assets

In 2024, the Bank withdrew funds from DBNM - one tranche of the EIB 7 credit line for green loans in the total amount of 515 thousand Euros.

The EIB credit lines and the credit line MSP PIA TOS by DBNM are secured with bills of exchange in a form of notary act and with an obligation of establishing a pledge of receivables.

The Bank has established a pledge in form of notary act in favour of DBNM of the claims by the agreements for sub-credit concluded with the end users approved by the credit lines of EIB administered by DBNM and the credit line MSP PIA TOS. At 31.12.2024, the amount of borrowings for which the Bank has obligation to establish a pledge of receivables in favour of DBNM based on the credit lines amounts to 28,643 thousand Euros.

In 2024, the Bank withdrew two tranches of the IFAD 2 credit line in the total amount of 20 thousand Euros. The loans granted by the Ministry of Finance are secured by bills of exchange from the Bank.

In November 2024, the Bank concluded Framework Agreement for participation in the credit line for support of green and socially responsible investments with funds provided by the French Development Agency, with the Development Bank of North Macedonia. No funds have been disbursed from this credit line until 31.12.2024.

Note 36. Borrowings (continues)

Foreign sources of funds

In November 2024, the Bank concluded Agreement for a long-term loan in the amount of up to €4,000 thousand with the European Bank for Reconstruction and Development (EBRD) from the credit line Green Economy Financing Facility III - REpower Residential. The funds are intended for Green investments in the residential sector i.e. for Private individuals and groups of individuals, Housing associations, Service providers (including Housing Management Companies and ESCO), Vendors, Producers, Construction companies and Public Sub-borrowers.

In 2024, funds were withdrawn from EBRD in the total amount of 1,315 thousand EUR – 915 thousand Euros from the credit line of the European Bank for Reconstruction and Development (EBRD) SME Competitiveness Support Program, intended for further financing of investments of legal entities in industrial facilities, equipment, software, improvement of the management systems of the enterprise or a general upgrade that is created to advance one or more EU directives in the field of environmental protection, employee safety and product quality and safety, as well as investments in high-performance technologies; and additional 400 thousand Euros from the new credit line Green Economy Financing Facility III - REpower Residential intended for green investments in the residential sector. The Bank has not provided any collateral for the EBRD credit lines.

As of 31.12.2024, the Bank is aligned with the financial covenants stated in the Agreements.

Note 37. Subordinated liabilities

On 20.12.2018, the Bank entered into agreement for a subordinated loan with NLB d.d. Ljubljana with an amount of 9,000 thousand Euros, with an interest rate of 6-month EURIBOR + 5.25% annually with zero floor clause and maturity of 10 years (to 2028). On 21.06.2024, the Bank made an early repayment of the subordinated loan.

On 13.06.2019 the Bank concluded a Subordinated Loan Agreement with NLB d.d. Ljubljana in the amount of 10,000 thousand Euros in exchange for subordinated loan by the International Finance Corporation (IFC) with an interest rate of 6-month EURIBOR + 4.10% annually with zero floor clause and maturity of 10 years (to 2029).

On 30.12.2024, the Bank made an early repayment of the subordinated loan.

On 22.12.2021 the Bank concluded a Subordinated Loan Agreement with NLB d.d. Ljubljana in the amount of 15,000 thousand Euros, with an interest rate of 6 months EURIBOR + 4.49% annually with zero floor clause and maturity of 10 years (to 2031).

On 10.06.2024, the Bank concluded a Subordinated Loan Agreement with NLB d.d. Ljubljana in the amount of 10,000 thousand Euros which is considered to be Tier II capital according to the Decision on the Methodology for Determining Capital Adequacy, with an interest rate of 6m EURIBOR + 4.8% per annum with a Zero Floor clause and a repayment period of 10 years. (until 2034).

Note 38. Provisions

Litigations and Provisions for contingent liabilities based on litigation

Litigation is common in the banking sector, due to the nature of the business. The Bank is sued in several lawsuits from its regular operations with the value of the proceedings in the amount of 607,526 thousand Denars (2023: 499,403 thousand Denars).

Note 38. Provisions (continues)

The value of the lawsuits in 2024 includes one new court proceeding in the value of 104,550 thousand denars in which the bank is not a defendant but appears as an intervenor on the defendant's side. The management of the Bank, the legal department of the Bank and the external lawyer of the Bank, expects positive outcome of lawsuits and the final outcome will not materially affect the results of the Bank.

In 2024, the amount of provisions for contingent liabilities based on litigation has decreased compared to 2023 by 20,100 thousand Denars, which provisions have been used for one court case.

As of 31 December 2024, the balance of provisions for litigations of the Bank, for a total of two court cases is in the amount of 9,542 thousand Denars (2023: 29,642 thousand Denars).

Note 40. Share capital and other equity instruments

Holders of ordinary shares are entitled to a dividend when it is declared and have the right to vote at the Bank's General Meeting of Shareholders for the equivalent of 1 ordinary share. All shares are entitled to a pro rata share in the distribution of the remainder of the bankruptcy estate, i.e. liquidation estate. As of 31.12.2024 and 31.12.2023, the Bank does not own any own shares.

In accordance with the Bank's share book, as of 31.12.2024, 796 ordinary shares or 0.0932 % of the total share capital of the Bank (2023: 796 ordinary shares or 0.0932 %) have restricted voting rights based on law and/or decision of a competent authority.

On 06.08.2024, the Bank entered into a New Subordinated Loan Agreement in the amount of EUR 10,000 thousand with NLB d.d. Ljubljana, which is considered as an Additional equity capital Tier I capital.

The main conditions of Tier I Capital are as follows:

- interest rate of 12-month EURIBOR + 7.06% per annum, with a Zero Floor clause;
- interest is payable upon prior decision of the Bank's Supervisory Board. The Bank shall have full discretion, at any time, to cancel, in whole or in part, any payment of interest on an indefinite period and on a non-cumulative basis;
- the loan has no maturity date;
- in the event of bankruptcy or liquidation of the Bank, payable on instruments that are part of the Bank's additional capital;
- the exercise of the repaid option is the discretion of the Bank only;
- in the event of a critical event, the principal value of this instrument is written off or reduced on a permanent or temporary basis or the instrument is converted into an instrument of common equity capital;
- the instrument may be repaid only in the event of bankruptcy and liquidation of the Bank or upon obtaining the consent of the Supervisory Board.

Note 42.1 Potential liabilities

Potential liabilities of the Bank consist of potential liabilities for loans and unused credit limits, potential liabilities for guarantees and potential liabilities for letters of credits, unused limits of credit cards and unused overdraft on current accounts.

Note 42.1 Potential liabilities (continues)

Potential liabilities for loans

<i>Potential liabilities for loans</i>	<i>Legal entities</i>		<i>Saving houses and other financial companies</i>		<i>Citizens</i>	
	2024	2023	2024	2023	2024	2023
short-term	2,935,883	4,807,057	6,091	67,171	1,525	1,802
long-term	2,719,805	962,315	155,300	700	600,662	542,205
<i>Total potential liabilities for loans</i>	5,655,688	5,769,372	161,391	67,871	602,187	544,007

The breakdown of potential liabilities for loans to legal entities according to revocability is:

- revocable 4,978,733 thousand Denars (2023: 5,108,160 thousand Denars)
- irrevocable 676,955 thousand Denars (2023: 661,212 thousand Denars)

The interest rates for the potential liabilities for loans to legal entities are from 1% to 9.9% (2023: 0.8% to 9.9%). These loans are secured by deposit of 3,815 thousand Denars (2023: 7,642 thousand Denars), and the rest 5,651,872 thousand Denars (2023: 5,761,730 thousand Denars) are secured with a mortgage, pledge, bill of exchange, guarantee, etc.

Total potential liabilities for loans to saving banks and other financial companies are revocable in the amount of 161 million Denars and irrevocable in the amount of 87 thousand Denars (2023: revocable 67,395 thousand Denars and irrevocable 476 thousand Denars).

The interest rates of the potential liabilities for loans to saving houses and other financial companies are within the range of 3.93% to 7.9% (2023: 4.5% to 7.9%).

The loans are secured with property, bills of exchange and bills of exchange as a notary act.

Total potential liabilities for loans to citizens are revocable. The interest rates for the potential liabilities for loans to citizens are within range of 0% to 10.10% (2023: 0% to 14%).

From the total potential liabilities for loans to citizens with the securing framework and mortgage or a pledge are 525,429 thousand Denars (2023: 501.821 thousand Denars), whereas the rest are secured by bills of exchange, administrative ban, deposit and pledge.

Note 42.1 Potential liabilities (continues)

Potential liabilities for issued guarantees

<i>Potential liabilities for issued guarantees</i>	2024	2023
short-term	975,568	821,691
long-term	6,812,311	7,003,019
<i>Total potential liabilities for issued guarantees</i>	7,787,879	7,824,710

Total potential liabilities for guarantees are irrevocable. Out of them, 173,405 thousand Denars (2023: 226,685 thousand Denars) are secured by deposit.

Potential liabilities for letters of credit

<i>Potential liabilities for letters of credit</i>	2024	2023
short-term	1,110,168	1,091,826
long-term	529,521	398,537
<i>Total potential liabilities for letters of credit</i>	1,639,689	1,490,363

Total potential liabilities for letters of credit are irrevocable. Potential liabilities for letters of credit which are secured by a deposit amount to 1,642 thousand Denars (2023: 31,276 thousand Denars).

Potential liabilities for limits on current accounts are irrevocable, in the amount of 1,588,881 thousand Denars (2023: 1,461,159 thousand Denars) and have an interest rate of 14.3% (2023: 14%). From the total potential liabilities for limits on current accounts secured by framework and mortgage amount 21 thousand Denars (2023: 71 thousand Denars), whereas the rest potential liabilities are secured by bills of exchange, administrative ban and deposit.

Potential liabilities for limits on credit cards (for legal entities and citizens) amount to 1,744,799 thousand Denars (2023: 1,807,575 thousand Denars) and are revocable. The interest rates of the potential liabilities for limits on credit cards move from 5% to 16.3% (2023: 5% to 16%). Potential liabilities for limits on credit cards (for legal entities and citizens) that are secured by an administrative ban and/or bill of exchange amount 864,752 thousand Denars (2023: 1,178,114 thousand Denars), whereas the rest are secured by a mortgage, deposit, or frame.

Note 44. Related party transactions

Related parties include NLB d.d Ljubljana as a "Parent entity", NLB Lease&Go DOO Skopje as "Associate", Supervisory Board and persons with special rights and responsibilities in the Bank as "Management personnel of the Bank" and their related entities and family members; and members of the NLB Group members as "Other related parties". All banking transactions with related parties are concluded in the normal course of business and are based on market conditions. These include loans, deposits, and other transactions.

The income and expenses of the Parent bank mainly consist of interest expenses for subordinated loan, fee income and expenses for payment transactions, foreign exchange gains and losses, expenses for IT services, expenses for communication and consulting services, net income from derivatives held for trading etc.

Income and expenses for management personnel mainly consist of interest income on loans, interest expenses on deposits, fee income from payment transactions, business travel expenses, foreign exchange gains and losses and other. Income and expenses for Other related parties mainly consist of interest income on loans, interest on deposit, fee income and expenses for payment transactions, foreign exchange gains and losses and expenses of consulting services.

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
1 Classification of financial assets and financial liabilities
A Classification of financial assets and financial liabilities

	at fair value through profit and loss		at fair value through other comprehensive income		at amortised cost	Total
	for trading	at fair value at initial recognition	debt instruments	equity instruments		
2024 (current year)						
<i>in MKD thousands</i>						
Financial assets						
Cash and cash equivalents	0	0	1,591,200	0	21,834,285	23,425,485
Trading assets	0	0	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0
Derivative assets held for risk management	0	6,078	0	0	0	6,078
Loans and advances to banks	0	0	0	0	264	264
Loans and advances to other customers	0	0	0	0	84,148,602	84,148,602
Investments in securities	0	0	2,694,804	169,438	17,787,574	20,651,816
Other assets	0	0	0	0	883,880	883,880
Total financial assets	0	6,078	4,286,004	169,438	124,654,605	129,116,125
Financial liabilities						
Trading liabilities	0	0			0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	51,420			0	51,420
Derivative liabilities held for risk management	0	0			0	0
Deposits from banks	0	0			370,975	370,975
Deposits from other customers	0	0			106,913,172	106,913,172
Issued debt securities	0	0			0	0
Borrowings	0	0			2,268,266	2,268,266
Subordinated liabilities and hybrid instruments	0	0			1,534,426	1,534,426
Other liabilities	0	0			1,171,430	1,171,430
Total financial liabilities	0	51,420			112,258,269	112,309,689

	at fair value through profit and loss		at fair value through other comprehensive income		at amortised cost	Total
	for trading	at fair value at initial recognition	debt instruments	equity instruments		
2023 (previous year)						
<i>in MKD thousands</i>						
Financial assets						
Cash and cash equivalents	0	0	1,603,267	0	20,839,655	20,857,276
Trading assets	0	0	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0
Derivative assets held for risk management	0	1,931	0	0	0	283
Loans and advances to banks	0	0	0	0	753	866
Loans and advances to other customers	0	0	0	0	74,073,417	71,047,337
Investments in securities	0	0	2,647,677	142,982	13,058,560	16,397,576
Other assets	0	0	0	0	1,846,395	2,006,293
Total financial assets	0	283	4,250,944	142,982	109,818,780	110,309,631
Financial liabilities						
Trading liabilities	0	0			0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	28,977			0	28,977
Derivative liabilities held for risk management	0	2,875			0	2,875
Deposits from banks	0	0			361,945	361,945
Deposits from other customers	0	0			92,521,157	92,521,157
Issued debt securities	0	0			0	0
Borrowings	0	0			2,757,407	2,757,407
Subordinated liabilities and hybrid instruments	0	0			2,088,605	2,088,605
Other liabilities	0	0			1,553,072	1,553,072
Total financial liabilities	0	31,852			99,282,166	99,314,038

NLB BANKA AD SKOPJE

Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

2.1 Credit risk

A Analysis of the total credit risk exposure

	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		Claims for fees and commissions		Other assets		Off-balance		Total	
	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<i>in MKD thousands</i>																		
Credit risk exposure classified in Stage 1																		
Carrying amount before impairment / provisions	44	548	67,155,251	59,941,321	2,694,804	2,647,677	17,787,574	13,058,560	14,614,065	16,630,907	49,271	54,503	626,164	1,589,795	12,754,356	11,891,677	115,681,529	105,814,988
(Allowance for impairment and provisions)	0	(16)	(1,039,491)	(923,599)	0	0	0	0	(6,998)	(9,503)	(952)	(1,101)	(17,646)	(13,897)	(83,810)	(66,903)	(1,148,897)	(1,015,019)
Carrying amount less impairment and provisions	44	532	66,115,760	59,017,722	2,694,804	2,647,677	17,787,574	13,058,560	14,607,067	16,621,404	48,319	53,402	608,518	1,575,898	12,670,546	11,824,774	114,532,632	104,799,969
Credit risk exposure classified in Stage 2																		
Carrying amount before impairment / provisions	0	0	18,746,045	15,860,811	0	0	0	0	270	270	15,203	20,843	4,126	2,550	492,331	1,067,027	19,257,975	16,951,501
(Allowance for impairment and provisions)	0	0	(1,933,896)	(1,881,517)	0	0	0	0	(14)	(14)	(1,723)	(3,812)	(513)	(256)	(31,026)	(60,614)	(1,967,172)	(1,946,213)
Carrying amount less impairment and provisions	0	0	16,812,149	13,979,294	0	0	0	0	256	256	13,480	17,031	3,613	2,294	461,305	1,006,413	17,290,803	15,005,288
Credit risk exposure classified in Stage 3																		
Carrying amount before impairment / provisions	314	314	2,576,206	2,845,171	0	0	0	0	0	0	28,254	24,216	12,676	18,994	16,557	28,829	2,634,007	2,917,524
(Allowance for impairment and provisions)	(94)	(94)	(1,492,603)	(1,864,753)	0	0	0	0	0	0	(24,739)	(21,999)	(8,380)	(9,661)	(4,967)	(8,829)	(1,530,783)	(1,905,336)
Carrying amount less impairment and provisions	220	220	1,083,603	980,418	0	0	0	0	0	0	3,515	2,217	4,296	9,333	11,590	20,000	1,103,224	1,012,188
Total carrying amount of credit risk assets before impairment and provisions	358	862	88,477,502	78,647,303	2,694,804	2,647,677	17,787,574	13,058,560	14,614,335	16,631,177	92,728	99,562	642,966	1,611,339	13,263,244	12,987,533	137,573,511	125,684,013
(Total impairment and provisions)	(94)	(110)	(4,465,990)	(4,669,869)	0	0	0	0	(7,012)	(9,517)	(27,414)	(26,912)	(26,539)	(23,814)	(119,803)	(136,346)	(4,646,852)	(4,866,568)
Total carrying amount of credit risk assets less impairment and provisions	265	752	84,011,512	73,977,434	2,694,804	2,647,677	17,787,574	13,058,560	14,607,324	16,621,661	65,314	72,649	616,427	1,587,524	13,143,441	12,851,186	132,926,660	120,817,446

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2.1 Credit risk
B Value of collateral (fair value) taken for credit risk protection

	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		Other assets		Off-balance		Total	
	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<i>in MKD thousands</i>																
Value of collateral for credit exposure																
First-class collateral instruments																
cash deposits (in a depot and/or restricted on accounts in the bank)	0	0	1,252,348	1,611,157	0	0	0	0	0	0	5,944	31,016	18,479	26,415	1,276,771	1,668,588
government securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
government unconditional guarantees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
bank guarantees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Guarantees by insurance companies and insurance policies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporate guarantees (except banking and insurance companies)	0	0	0	0	0	0	0	0	0	0	0	5	15,374	15,369	15,374	15,374
Guarantees from citizens	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pledged real estate																
property for personal use (apartments, houses)	0	0	47,752,248	38,955,295	0	0	0	0	0	0	28,398	53,981	435,539	406,125	48,216,185	39,415,401
property for business	0	0	24,280,319	24,897,836	0	0	0	0	0	0	68,633	133,627	3,776,052	3,307,915	28,125,004	28,339,378
Pledged movable property	0	0	5,252,356	5,141,923	0	0	0	0	0	0	12,300	22,173	698,744	666,967	5,963,400	5,831,063
Other types of collateral	0	0	13,835,048	12,384,933	0	0	0	0	0	0	180	41,130	1,108,997	940,573	14,944,225	13,366,636
Total value of collateral for credit exposure	0	0	92,372,319	82,991,144	0	0	0	0	0	0	115,455	281,932	6,053,185	5,363,364	98,540,959	88,636,440

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2.1 Credit risk

C Concentration of credit risk by sectors and activities

in MKD thousands	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		Claims for fees and commissions		Other assets		Off-balance		Total	
	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Non-residents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agriculture, forestry and fisheries	0	0	737,329	567,458	0	0	0	0	0	0	332	349	23	1	7,898	7,245	745,562	575,053
Mining and quarrying	0	0	62,540	59,095	0	0	0	0	0	0	31	40	0	0	3,244	28,792	65,815	87,927
Food industry	0	0	1,959,518	2,145,348	0	0	0	0	0	0	472	464	8	14	595,211	643,336	2,555,209	2,789,162
Textile industry and production of clothing and footwear	0	0	141,705	99,092	0	0	0	0	0	0	190	195	5	5	24,386	34,325	166,286	133,617
Chemical industry, production of building materials, production and processing of fuels, pharmaceutical industry	0	0	1,794,322	1,902,612	0	0	0	0	0	0	169	182	1	0	7,039	56,344	1,801,531	1,959,138
Manufacture of metals, machinery, tools and equipment	0	0	2,929,773	2,548,914	0	0	0	0	0	0	494	552	514	20	403,329	503,291	3,334,110	3,052,777
The rest of the processing industry	0	0	1,482,693	487,528	0	0	0	0	0	0	491	461	0	5	48,985	43,944	1,532,169	531,938
Electricity, gas, steam and air conditioning supply	0	0	1,781,308	1,177,186	0	0	0	0	0	0	103	198	169	164	191,356	115,819	1,972,936	1,293,367
Water supply, waste water disposal, waste management and environmental remediation activities	0	0	84,457	106,337	0	0	0	0	0	0	100	293	67	42	882	795	85,506	107,467
Construction	0	0	3,491,874	2,734,689	0	0	0	0	0	0	1,268	1,238	39	166	1,325,128	1,277,248	4,818,309	4,013,341
Wholesale and retail trade, repair of motor vehicles and motorcycles	0	0	8,863,641	6,321,595	0	0	0	0	0	0	4,454	4,973	2,774	1,561	4,717,222	4,558,586	13,588,091	10,886,715
Transport and storage	0	0	1,639,751	1,306,878	0	0	0	0	0	0	1,258	1,262	(158)	15	1,648,972	1,618,837	3,289,823	2,926,992
Facilities for accommodation and food service activities	0	0	577,917	281,057	0	0	0	0	0	0	1,024	1,109	566	144	17,475	18,096	596,982	300,406
Information and communication	0	0	683,050	690,907	0	0	0	0	0	0	924	911	382	285	52,652	33,505	737,008	725,608
Financial and insurance activities	264	753	338,557	389,939	0	0	0	0	14,607,324	16,621,661	15,079	18,990	599,413	459,757	379,270	188,428	15,939,907	17,679,528
Real estate activities	0	0	1,053,976	1,490,176	0	0	0	0	0	0	426	460	844	866	24,502	5,906	1,079,748	1,497,408
Professional, scientific and technical activities	0	0	357,075	400,101	0	0	0	0	0	0	1,759	1,767	255	1,081	234,173	216,384	593,262	619,333
Administrative and support service activities	0	0	349,114	312,566	0	0	0	0	0	0	565	632	(31)	534	102,993	78,639	452,641	392,371
Public administration and defense, compulsory social security	0	0	672	1,033	2,694,804	2,647,677	17,787,574	13,058,560	0	0	21	24	1,531	1,114,603	5,700	6,843	20,490,302	16,828,740
Education	0	0	9,578	32,800	0	0	0	0	0	0	154	165	274	517	648	591	10,654	34,073
Activities of health and social care	0	0	126,408	151,161	0	0	0	0	0	0	515	484	37	33	3,627	4,145	130,587	155,823
Art, entertainment and recreation	0	0	61,505	77,736	0	0	0	0	0	0	362	364	0	18	167,728	297,492	229,595	375,610
Other service activities	0	0	14,424	10,933	0	0	0	0	0	0	1,084	1,100	84	17	2,726	3,305	18,318	15,355
Activities of households as employers, activities of households that produce diverse goods and perform various services for their own needs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Activities of extraterritorial organizations and bodies	0	0	0	0	0	0	0	0	0	0	5	4	0	0	0	0	5	4
Citizens	0	0	55,468,731	50,679,256	0	0	0	0	0	0	34,034	36,433	9,631	7,675	3,178,294	3,109,290	58,690,690	
Sole proprietor and individuals who are not considered traders	0	0	1,593	3,036	0	0	0	0	0	0	0	0	0	0	0	0	1,593	3,036
Total	264	753	84,011,511	73,977,433	2,694,804	2,647,677	17,787,574	13,058,560	14,607,324	16,621,661	65,314	72,650	616,428	1,587,523	13,143,440	12,851,186	132,926,659	120,817,444

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(all amounts in MKD thousands unless otherwise stated)

2.1 Credit risk

D Concentration of credit risk by geographical location

in MKD thousands	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		Claims for fees and commissions		Other assets		Off-balance		Total	
	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Geographical location																		
Republic of Macedonia	264	753	84,002,796	73,965,196	2,694,804	2,647,677	11,955,727	8,740,672	11,217,754	11,322,736	65,163	72,482	573,961	1,577,171	12,056,548	11,937,118	122,567,017	110,263,805
Member States of the European Union	0	0	8,718	12,238	0	0	3,773,261	2,986,833	2,661,724	3,716,808	141	151	12,016	6,671	466,854	185,660	6,922,714	6,908,361
Europe (other)	0	0	0	1	0	0	0	0	499,341	1,325,921	6	14	7,899	3,658	620,039	728,408	1,127,285	2,058,002
OECD member States (excluding European OECD Member States)	0	0	0	0	0	0	2,058,586	1,331,055	228,504	256,196	2	1	22,551	15	0	0	2,309,643	1,587,267
The rest	0	0	0	0	0	0	0	0	0	0	2	3	0	9	0	0	2	12
Other (specify the individual exposure that represents more than 10% of the total credit exposure)																		
Total	264	753	84,011,514	73,977,435	2,694,804	2,647,677	17,787,574	13,058,560	14,607,323	16,621,661	65,314	72,651	616,427	1,587,524	13,143,441	12,851,186	132,926,661	120,817,447

E Credit risk analysis of assets measured at fair value through profit and loss

in MKD thousands	Trading assets				Financial assets at fair value through profit and loss, designated at initial recognition											
	Debt securities held for trading		Equity securities held for trading		Debt securities		Equity securities		Loans and advances to banks		Loans and advances to other customers		Total			
	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
The carrying amount of financial assets measured at fair value																
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
risk category	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total carrying amount	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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2.2 Liquidity risk

Analysis by maturity of financial assets and liabilities (residual maturity)

<i>in MKD thousands</i>	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
2024 (current year)							
Financial assets							
Cash and cash equivalents	14,915,513	1,591,200	0	6,925,784	0	0	23,432,497
Trading assets	0	0	0	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0	0
Derivative assets held for risk management	5,696	74	309	0	0	0	6,079
Loans and advances to banks	0	0	314	0	44	0	358
Loans and advances to other customers	1,890,973	3,178,271	23,252,284	11,144,185	21,282,219	27,523,753	88,271,685
Investment securities	5,895,613	3,497,440	480,474	3,644,980	6,310,000	823,308	20,651,815
Investments in associates	45,168	0	0	0	0	0	45,168
Current income tax assets	0	0	0	0	0	0	0
Other receivables	750,606	82,947	75,457	1,352	27,371	100	937,833
Pledged assets	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0
Total financial assets	23,503,569	8,349,932	23,808,838	21,716,301	27,619,634	28,347,161	133,345,435
Financial liabilities							
Trading liabilities	0	0	0	0	0	0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	0	13,030	11,285	18,627	8,478	51,420
Derivative liabilities held for risk management	0	0	0	0	0	0	0
Deposits from banks	370,975	0	0	0	0	0	370,975
Deposits from other customers	84,999,559	1,048,305	7,941,298	9,934,920	2,989,091	0	106,913,173
Issued debt securities	0	0	0	0	0	0	0
Borrowings	105,366	61,876	419,032	542,724	634,715	507,981	2,271,694
Subordinated liabilities	0	0	1,198	0	0	2,150,173	2,151,371
Current income tax liabilities	0	68,655	0	134,544	0	0	203,199
Deferred tax liabilities	0	0	0	0	0	0	0
Other liabilities	895,815	56,570	150,060	3,381	13,173	52,429	1,171,428
Total financial liabilities	86,371,715	1,235,406	8,524,618	10,626,854	3,655,606	2,719,061	113,133,260
Off-balance							
Off-balance asset	2,077,595	5,778	23,822	0	0	0	2,107,195
Off-balance liabilities	2,075,415	5,730	29,060	621	1,715	12,298	2,124,849
Maturity incompatibility	(62,865,966)	7,114,574	15,278,982	11,088,826	23,962,313	25,615,801	20,194,530

<i>in MKD thousands</i>	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
2023 (previous year)							
Financial assets							
Cash and cash equivalents	14,860,035	678,919	0	6,913,485	0	0	22,452,439
Trading assets	0	0	0	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0	0
Derivative assets held for risk management	1,808	123	0	0	0	0	1,931
Loans and advances to banks	23	39	416	46	338	0	862
Loans and advances to other customers	1,745,544	3,668,961	18,812,580	10,092,941	19,117,111	25,031,424	78,468,561
Investment securities	2,526,792	3,790,817	1,430,314	3,671,962	3,632,482	796,852	15,849,219
Investments in associates	45,621	0	0	0	0	0	45,621
Current income tax assets	0	0	0	0	0	0	0
Other assets	1,726,232	67,987	80,171	2,639	19,916	175	1,897,120
Pledged assets	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0
Total financial assets	20,906,055	8,206,846	20,323,481	20,681,073	22,769,847	25,828,451	118,715,753
Financial liabilities							
Trading liabilities	0	0	0	0	0	0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	28,977	0	0	0	0	0	28,977
Derivative liabilities held for risk management	2,371	504	0	0	0	0	2,875
Deposits from banks	361,945	0	0	0	0	0	361,945
Deposits from other customers	75,594,385	1,315,767	6,138,340	3,854,777	5,617,891	0	92,521,160
Issued debt securities	0	0	0	0	0	0	0
Borrowings	76,699	64,514	459,255	559,706	949,457	651,914	2,761,545
Subordinated liabilities	0	0	2,249	0	553,455	1,537,375	2,093,079
Current income tax liabilities	0	99,670	0	0	0	0	99,670
Deferred tax liabilities	0	0	0	0	0	0	0
Other liabilities	1,256,135	60,386	183,314	2,500	9,950	40,787	1,553,072
Total financial liabilities	77,320,512	1,540,841	6,783,158	4,416,983	7,130,753	2,230,076	99,422,323
Off-balance							
Off-balance asset	2,914,187	18,606	0	0	0	0	2,932,793
Off-balance liabilities	2,929,262	27,550	11,822	2,880	1,073	0	2,972,588
Maturity incompatibility	(56,429,532)	6,657,061	13,528,501	16,261,210	15,638,021	23,598,375	19,253,635

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2.3 Market risk
2.3.1. Analysis of the sensitivity of assets and liabilities on changes in market risk
A. Analysis of the sensitivity of changes in the market risk of assets and liabilities

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in MKD thousands	in MKD thousands	in MKD thousands	in %
2024 (current year)				
Amount prior to sensitivity analysis/stress tests (balance as at 31.12.2024)	3,294,933	17,797,113	95,977,262	18.54%
Effects of applying scenarios:				
Risk of exchange rate fluctuation				
- Denar depreciates by 20% against all other currencies	3,412,598	17,607,303	100,952,497	17.44%
- Denar appreciates by 20% against all other currencies	3,177,268	17,986,923	91,002,028	19.77%
Risk of interest rate change *				
- Effect of parallel shock up (parallel increase of interest rates by 200 bp / 400 bp for MKD currency)	3,021,404	17,523,584	95,977,262	18.26%
Risk of a change in the market price of equity securities				
- Reduction of 50% of the market price of equity securities	3,187,630	17,689,810	95,869,959	18.45%
Combined scenarios:				
- Effect of applying the depreciation of the Denar by 20% on the amount of credits in C, D and E	3,412,451	17,607,303	96,212,299	18.30%
- Increase in the amount of loans in C, D and E for 10%	3,077,953	17,580,133	100,976,838	17.41%
- Increase in the amount of loans in C, D and E for 30%	3,023,612	17,525,792	101,025,520	17.35%
- Increase in the amount of loans in C, D and E for 50%	2,969,270	17,471,450	101,074,202	17.29%
- Combined by:				
- Effect of applying the depreciation of the Denar by 20% of the loan portfolio				
- Increase in the amount of loans in C, D and E for 30%	2,750,083	17,252,263	101,025,520	17.08%
- Effect of interest curve flattener				
2023 (previous year)				
Amount prior to sensitivity analysis / stress tests (balance as at 31.12.2023)	3,216,860	16,553,816	87,630,398	18.89%
Effects of applying scenarios:				
Risk of exchange rate fluctuation				
- Denar depreciates by 20% against all other currencies	3,344,325	16,263,781	92,640,026	17.56%
- Denar appreciates by 20% against all other currencies	3,089,395	16,843,851	82,620,418	
Risk of interest rate change **				
- Parallel shift of market interest rates by 200 basis points	0	0	0	0.00%
- Parallel shift of market interest rates by 400 basis points	2,478,842	15,815,798	87,630,398	18.05%
Risk of a change in the market price of equity securities				
- Reduction of 50% of the market price of equity securities	3,122,559	16,459,515	87,536,097	18.80%
Combined scenarios:				
- Effect of applying the depreciation of the Denar by 20% on the amount of credits in C, D and E	3,315,419	16,263,781	87,827,516	18.52%
- Increase in the amount of loans in C, D and E for 10%	2,902,498	16,239,454	92,657,708	17.53%
- Increase in the amount of loans in C, D and E for 30%	2,853,844	16,190,800	92,693,071	17.47%
- Increase in the amount of loans in C, D and E for 50%	2,805,190	16,142,146	92,728,434	17.41%
- Combined by:				
- Effect of applying the depreciation of the Denar by 20% of the loan portfolio				
- Increase in the amount of loans in C, D and E for 30%	2,115,825	15,452,781	92,693,071	16.67%
- Parallel shift of market interest rates by 400 basis points				

* According to the changes in the interest rate risk management, when carrying out stress testing for 2019 the Flattener shock scenario is taken as the scenario with the greatest negative impact on the Bank's exposure to the interest rate risk of the six prescribed scenarios in accordance with new Methodology for interest rate risk.

** According to the changes in the interest rate risk management, when carrying out stress testing, the parallel shift of the market interest rates by 200 ie 400 basis points was taken into account, applying the Methodology for proportional distribution of the core avista deposits.

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2.3 Market risk

2.3.1 Analysis of the sensitivity of assets and liabilities to changes in market risk

B. Analysis of the amount exposed to market risk for the trading portfolio

	current year 2024				previous year 2023			
	balance as at December 31	average amount	highest amount (maximum)	lowest amount (minimum)	balance as at December 31	average amount	highest amount (maximum)	lowest amount (minimum)
Amount exposed to risk for interest-bearing instruments	0	0	0	0	0	0	0	0
Amount exposed to risk in instruments in foreign currency	0	0	0	0	0	0	0	0
Amount exposed to risk of equity instruments	0	0	0	0	0	0	0	0
Variance (netting effect)	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0

in MKD thousands

NLB BANKA AD SKOPJE

Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

2.3 Market risk

2.3.2 Analysis of the interest rate risk of financial assets and liabilities (excluding trading assets)

A. Analysis of the sensitivity of interest rate changes

	Position	Currency	in MKD thousands	
			current year 2024	previous year 2023
			Amount	Amount
1.1	NET WEIGHTED POSITION FOR CURRENCY CHF (FIR + VIR + AIR)	CHF	237	1,185
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR + VIR + AIR)	EUR	(91,017)	1,146
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR + VIR + AIR)	MKD	1,236,318	601,621
1.4	NET-WEAPONED POSITION FOR CURRENCY MKDclCHF (FIR + VIR + AIR)	MKDclCHF	127	9
1.5	NET-WEAPONED POSITION FOR CURRENCY MKDclEUR (FIR + VIR + AIR)	MKDclEUR	1,754,148	1,509,688
1.6	NET WEIGHTED POSITION FOR CURRENCY MKDclUSD (FIR + VIR + AIR)	MKDclUSD	2,135	2,337
1.7	NET-WEAPONED POSITION FOR CURRENCY other (FIR + VIR + AIR)	other	(1,024)	(637)
1.8	NET WEIGHTED POSITION FOR CURRENCY USD (FIR + VIR + AIR)	USD	(1,697)	572
2	TOTAL WEIGHTED AMOUNT - CHANGING THE ECONOMIC VALUE OF THE PORTFOLIO OF BANKING ACTIVITIES (1.1 + 1.2 + ...)		2,899,227	2,115,921
3	OWN FUNDS		16,742,132	16,553,816
4	TOTAL WEIGHTED AMOUNT / OWN FUNDS (2/3 * 100)		17.32%	12.78%

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
2.3 Market risk
2.3.2 Analysis of the interest rate risk of financial assets and liabilities (excluding trading assets)
B. Analysis of the compliance of the interest rates

<i>in MKD thousands</i>	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
2024 (current year)							
Financial assets							
Cash and cash equivalents	5,344,262	1,591,200	0	0	0	0	6,935,462
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0	0
Loans and advances to banks	0	0	0	0	0	0	0
Loans and advances to other customers	31,626,660	2,671,077	15,320,093	7,940,984	10,570,401	14,273,198	82,402,413
Investment securities	5,799,721	3,360,915	372,333	3,652,325	6,310,000	653,870	20,149,164
Other interest sensitive assets	0	0	0	0	0	0	0
Total interest sensitive financial assets	42,770,643	7,623,192	15,692,426	11,593,309	16,880,401	14,927,068	109,487,039
Financial liabilities							
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0	0
Deposits from banks	0	0	0	0	0	0	0
Deposits from other customers	3,835,114	931,107	7,673,492	9,329,237	1,737,176	0	23,506,127
Issued debt securities	0	0	0	0	0	0	0
Borrowings	57,876	283,002	386,988	269,497	151,801	252,456	1,401,621
Subordinated liabilities and hybrid instruments	0	0	2,148,178	0	0	0	2,148,178
Other not mentioned interest sensitive liabilities	0	0	0	0	0	0	0
Total interest sensitive financial liabilities	3,892,990	1,214,109	10,208,658	9,598,734	1,888,977	252,456	27,055,926
Net balance position	38,877,653	6,409,083	5,483,768	1,994,575	14,991,424	14,674,612	82,431,113
Off-balance interest sensitive asset positions	0	0	0	0	0	0	0
Off-balance interest sensitive liability positions	0	0	0	0	0	0	0
Net off-balance position	0	0	0	0	0	0	0
Total net position	38,877,653	6,409,083	5,483,768	1,994,575	14,991,424	14,674,612	82,431,113

<i>in MKD thousands</i>	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
2023 (previous year)							
Financial assets							
Cash and cash equivalents	8,070,975	676,436	0	0	0	0	8,747,411
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0	0
Loans and advances to banks	221	0	0	0	0	0	221
Loans and advances to other customers	31,853,927	3,283,569	10,307,564	8,288,877	8,985,699	9,631,746	72,351,382
Investment securities	2,502,513	3,700,307	1,357,970	3,652,325	653,870	0	15,557,187
Other not mentioned interest sensitive assets	0	0	0	0	0	0	0
Total interest sensitive financial assets	42,427,636	7,660,312	11,665,534	8,288,877	12,638,024	10,285,616	96,656,201
Financial liabilities							
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	0	0
Deposits from banks	0	0	0	0	0	0	0
Deposits from other customers	4,736,178	896,336	6,048,578	3,488,072	3,644,020	0	18,813,184
Issued debt securities	0	0	0	0	0	0	0
Borrowings	5,606	396,903	319,323	230,868	371,730	269,592	1,594,022
Subordinated liabilities and hybrid instruments	0	0	2,086,356	0	0	0	2,086,356
Other not mentioned interest sensitive liabilities	0	0	0	0	0	0	0
Total interest sensitive financial liabilities	4,741,784	1,293,239	8,454,257	3,718,940	4,015,750	269,592	22,493,562
Net balance position	37,685,852	6,367,073	3,211,277	4,569,937	8,622,274	10,016,024	74,162,639
Off-balance interest sensitive asset positions	0	0	0	0	0	0	0
Off-balance interest sensitive liability positions	0	0	0	0	0	0	0
Net off-balance position	0	0	0	0	0	0	0
Total net position	37,685,852	6,367,073	3,211,277	4,569,937	8,622,274	10,016,024	74,162,639

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
2.3 Market risk
2.3.3 Currency risk

in MKD thousands		MKD	EUR	USD	Other currencies	Total
2024 (current year)						
Monetary assets						
Cash and cash equivalents	11,381,969	7,810,703	1,942,074	2,290,739	23,425,485	
Trading assets	0	0	0	0	0	
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0	0	
Derivative assets held for risk management	0	6,078	0	0	6,078	
Loans and advances to banks	44	220	0	0	264	
Loans and advances to other customers	55,439,006	28,655,578	40,258	13,760	84,148,602	
Investment securities	11,044,948	7,429,606	2,177,262	0	20,651,816	
Investments in associates	45,168	0	0	0	45,168	
Current income tax assets	0	0	0	0	0	
Other assets	565,503	317,430	826	121	883,880	
Pledged assets	0	0	0	0	0	
Deferred tax assets	0	0	0	0	0	
Total monetary assets	78,476,638	44,219,615	4,160,420	2,304,620	129,161,293	
Monetary liabilities						
Trading liabilities	0	0	0	0	0	
Financial liabilities at fair value through profit and loss, designated at initial recognition	51,420	0	0	0	51,420	
Derivative liabilities held for risk management	0	0	0	0	0	
Deposits from banks	44,296	225,764	27,532	73,383	370,975	
Deposits from other customers	61,976,640	38,608,830	4,277,879	2,049,823	106,913,172	
Issued debt securities	0	0	0	0	0	
Borrowings	0	2,268,266	0	0	2,268,266	
Subordinated liabilities	0	2,147,224	0	0	2,147,224	
Current income tax liabilities	203,199	0	0	0	203,199	
Deferred tax liabilities	0	0	0	0	0	
Other liabilities	575,727	366,316	85,249	144,138	1,171,430	
Total monetary liabilities	62,851,282	43,616,400	4,390,660	2,267,344	113,125,686	
Net position	15,625,356	603,215	(230,240)	37,276	16,035,607	

in MKD thousands		MKD	EUR	USD		Total
2023 (previous year)						
Monetary assets						
Cash and cash equivalents	8,660,765	8,595,476	2,315,173	2,871,508		22,442,922
Trading assets	0	0	0	0		0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0		0
Derivative assets held for risk management	0	1,931	0	0		1,931
Loans and advances to banks	533	220	0	0		753
Loans and advances to other customers	47,521,359	26,487,591	58,589	5,878		74,073,417
Investment securities	7,810,608	6,201,866	1,836,745	0		15,849,219
Investments in associates	45,621	0	0	0		45,621
Current income tax assets	0	0	0	0		0
Other assets	1,665,706	179,333	1,226	130		1,846,395
Pledged assets	0	0	0	0		0
Deferred tax assets	0	0	0	0		0
Total monetary assets	65,704,592	41,466,417	4,211,733	2,877,516		114,260,258
Monetary liabilities						
Trading liabilities	0	0	0	0		0
Financial liabilities at fair value through profit and loss, designated at initial recognition	28,977	0	0	0		28,977
Derivative liabilities held for risk management	0	2,875	0	0		2,875
Deposits from banks	47,758	177,327	64,191	72,669		361,945
Deposits from other customers	50,926,077	35,263,473	4,099,553	2,232,054		92,521,157
Issued debt securities	0	0	0	0		0
Borrowings	0	2,757,407	0	0		2,757,407
Subordinated liabilities	0	2,088,605	0	0		2,088,605
Current income tax liabilities	99,670	0	0	0		99,670
Deferred tax liabilities	0	0	0	0		0
Other liabilities	998,943	444,769	68,983	40,377		1,553,072
Total monetary liabilities	52,101,425	40,734,456	4,232,727	2,345,100		99,413,708
Net position	13,603,167	731,961	(20,994)	532,416		14,846,550

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
3 Capital Adequacy

REPORT
for the capital adequacy ratio
as at 31.12.2024

in 000 denars

Number	DESCRIPTION	Amount
1	2	3
I	Credit risk weighted assets	
1	Credit risk weighted assets by applying a standardized approach	85,662,739
2	Capital needed to cover the credit risk	6,853,019
II	CURRENCY RISK-WEIGHTED ASSETS	
3	Aggregate foreign exchange position	619,792
4	Net position in gold	0
5	Capital needed to cover the currency risk	49,583
6	Currency risk weighted assets	619,792
III	OPERATIONAL RISKS-WEIGHTED ASSETS	
7	Capital needed to cover operational risk by applying a basic indicator approach	0
8	Capital needed to cover operational risk by applying a standardized approach	773,859
9	Operating risk weighted assets	9,673,238
IV	OTHER RISKS-WEIGHTED ASSETS	
10	Capital needed to cover the risk of a change in commodity prices	0
11	Capital needed to cover market risks (11.1 + 11.2 + 11.3)	0
11.1	Capital needed to cover the position risk (11.1.1 + 11.1.2 + 11.1.3 + 11.1.4)	0
11.1.1	Capital needed to cover the specific risk of investments in debt instruments	0
11.1.2	Capital needed to cover the general risk of investments in debt instruments	0
11.1.3	Capital needed to cover the specific risk of investments in equity instruments	0
11.1.4	Capital needed to cover the general risk of equity investments	0
11.2	Capital needed to cover the exposure limits	0
11.3	Capital needed to cover the exceeding of exposure limits	0
12	Capital needed to cover the settlement / delivery risk	0
13	Capital needed to cover market risks from other counterparties	1,719
14	Capital needed to cover other risks (10 + 11 + 12 + 13)	1,719
15	Assets weighted by other risks	21,493
V	RISK-WEIGHTED ASSETS	95,977,262
14	Capital needed to cover the risks	7,678,181
VI	OWN FUNDS	17,797,113
VII	CAPITAL ADEQUACY (VI / V)	18.54%

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
3 Capital Adequacy

REPORT
for the capital adequacy ratio
as at 31.12.2023

in 000 denars

Number	DESCRIPTION	Amount
1	2	3
I	Credit risk weighted assets	
1	Credit risk weighted assets by applying a standardized approach	78,319,776
2	Capital needed to cover the credit risk	6,265,582
II	CURRENCY RISK-WEIGHTED ASSETS	0
3	Aggregate foreign exchange position	719,840
4	Net position in gold	0
5	Capital needed to cover the currency risk	57,587
6	Currency risk weighted assets	719,840
III	OPERATIONAL RISKS-WEIGHTED ASSETS	0
7	Capital needed to cover operational risk by applying a basic indicator approach	0
8	Capital needed to cover operational risk by applying a standardized approach	683,931
9	Operating risk weighted assets	8,549,137
IV	OTHER RISKS-WEIGHTED ASSETS	0
10	Capital needed to cover the risk of a change in commodity prices	0
11	Capital needed to cover market risks (11.1 + 11.2 + 11.3 + 11.4 + 11.5)	0
11.1	Capital needed to cover the position risk (11.1.1 + 11.1.2 + 11.1.3 + 11.1.4)	0
11.1.1	Capital needed to cover the specific risk of investments in debt instruments	0
11.1.2	Capital needed to cover the general risk of investments in debt instruments	0
11.1.3	Capital needed to cover the specific risk of investments in equity instruments	0
11.1.4	Capital needed to cover the general risk of equity investments	0
11.2	Capital needed to cover the settlement / delivery risk	0
11.3	Capital required to cover the risk of the counterparty	0
12	Capital needed to cover the settlement / delivery risk	0
13	Capital needed to cover the risk of the other contracting party	3,332
14	Capital needed to cover other risks (10 + 11 + 12 + 13)	3,332
15	Assets weighted by other risks	41,646
V	RISK-WEIGHTED ASSETS	87,630,398
14	Capital needed to cover the risks	7,010,432
VI	OWN FUNDS	16,553,816
VII	CAPITAL ADEQUACY (VI / V)	18.89%

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
3 Capital Adequacy
**REPORT
for own assets
as at 31.12.2024**

		in 000 denars
Number	DESCRIPTION	Amount
1	2	3
1.	Own assets	17,797,113
2.	Core capital	16,259,738
3.	Regular Core Capital (ROC)	15,646,940
3.1.	Positions in the ROK	15,656,266
3.1.1.	ROK Capital Instruments	854,136
3.1.2.	Premium from capital instruments from the ROK	2,274,484
3.1.3.	Mandatory general reserve (general reserve fund)	9,440,511
3.1.4.	Retained undistributed profit	2,970,734
3.1.5.	(-) Accumulated loss from previous years	0
3.1.6.	Current profit or profit at the end of the year	0
3.1.7.	Cumulative comprehensive profit or loss	116,401
3.2.	(-) Deduction items from the ROK	-9,326
3.2.1.	(-) Loss at the end of the year or current loss	0
3.2.2.	(-) Intangible assets	-9,326
3.2.3.	(-) Deferred tax assets that are dependent on the future profitability of the bank	0
3.2.4.	(-) Investments in own capital instruments from ROK	0
3.2.4.1.	(-) Direct investments in own capital instruments from ROK	0
3.2.4.2.	(-) Indirect investments in own capital instruments from the ROK	0
3.2.4.3.	(-) Synthetic investments in own capital instruments from the ROK	0
3.2.4.4.	(-) Investments in own capital instruments from the ROK for which the bank has a contractual obligation to buy	0
3.2.5.	(-) Direct, indirect and synthetic investments in capital instruments from the ROK of persons in the financial sector, whereby those entities have investments in the bank	0
3.2.6.	(-) Direct, indirect and synthetic investments in capital instruments from the ROK of financial sector entities in which the bank does not have a significant investment	0
3.2.7.	(-) Direct, indirect and synthetic investments in capital instruments from the ROK of financial sector entities in which the bank has a significant investment	0
3.2.8.	(-) Amount of deductions from DOCs that exceeds the total amount of DOS	0
3.2.9.	(-) Amount of exceeding the limits for investments in non-financial institutions	0
3.2.10.	(-) Expenses for tax	0
3.2.11.	(-) Difference between the amount of the required and the impairment / special reserve	0
3.3.	Regulatory adjustments to ROC	0
3.3.1.	(-) Increase in the ROE that arises from securitization positions	0
3.3.2.	(-) Profits or (+) losses from cash flow hedge	0
3.3.3.	(-) Gains or (+) losses from bank's liabilities that are measured at fair value	0
3.3.4.	(-) Gains or (+) losses associated with liabilities based on derivatives that are measured at fair value	0
3.4.	Positions as a result of consolidation	0
3.4.1.	Non-controlling (minority) share that is recognized in the ROC on a consolidated basis	0
3.4.2.	The rest	0
3.5.	Other positions from ROK	0
4.	Fixed Equity Capital (FEC)	612,798
4.1.	Positions in FEC	612,798
4.1.1.	Capital instruments from FEC	612,798
4.1.2.	Premium from capital instruments from FEC	0
4.2.	(-) Deducted items from FEC	0
4.2.1.	(-) Investments in equity instruments of FEC	0
4.2.1.1.	(-) Direct investments in equity instruments of FEI	0
4.2.1.2.	(-) Indirect investments in equity instruments of FEI	0
4.2.1.3.	(-) Synthetic investments in own equity instruments of FEI	0
4.2.1.4.	(-) Investments in own equity instruments of FEC for which the bank has a contractual obligation to b	0
4.2.2.	(-) Direct, indirect and synthetic investments in equity instruments of the DPL of persons in the financial sector, whereby those entities have investments in the bank	0
4.2.3.	(-) Direct, indirect and synthetic investments in equity instruments of DFCs of persons in the financial sector in which the bank does not have a significant investment	0
4.2.4.	(-) Direct, indirect and synthetic investments in equity instruments of DFCs of persons in the financial sector in which the bank has a significant investment	0
4.2.5.	(-) Amount of deductions from the DC that exceeds the total amount of the DC	0
4.2.6.	(-) Expenses for tax	0
4.3.	Regulatory adjustments to FEC	0
4.3.1.	(-) Increase of DOC arising from securitization positions	0
4.3.2.	(-) Profits or (+) losses from cash flow hedge	0
4.3.3.	(-) Gains or (+) losses from bank's liabilities that are measured at fair value	0
4.3.4.	(-) Gains or (+) losses associated with liabilities based on derivatives that are measured at fair value	0
4.4.	Positions as a result of consolidation	0
4.4.1.	(+/-) Acceptable additional Tier 1 capital that is recognized in the DAC on a consolidated bas	0
4.4.2.	The rest	0
4.5.	Other positions from the FEC	0
5.	Additional capital (AC)	1,537,375
5.1.	Positions in AC	1,537,375
5.1.1.	Capital instruments from AC	0
5.1.2.	Subordinated loans	1,537,375
5.1.3.	Premium from capital instruments from the AC	0
5.2.	(-) Deductions from the AC	0
5.2.1.	(-) Investments in equity instruments of the AC	0
5.2.1.1.	(-) Direct investments in equity instruments of the AC	0
5.2.1.2.	(-) Indirect investments in equity instruments of the AC	0
5.2.1.3.	(-) Synthetic investments in equity instruments of the AC	0
5.2.1.4.	(-) Investments in equity instruments of the AC for which the bank has a contractual obligation to b	0
5.2.2.	(-) direct, indirect and synthetic investments in AC positions of persons in the financial sector, whereby those entities have investments in the bank	0
5.2.3.	(-) direct, indirect and synthetic investments in DC positions of persons in the financial sector in which the bank does not have a significant investment	0
5.2.4.	(-) direct, indirect and synthetic investments in AC positions of persons in the financial sector in which the bank has a significant investr	0
5.3.	Regulatory compliance of AC	0
5.3.1.	(-) Increase of AC arising from securitization positions	0
5.3.2.	(-) Profits or (+) losses from cash flow hedge	0
5.3.3.	(-) Gains or (+) losses from bank's liabilities that are measured at fair value	0
5.3.4.	(-) Gains or (+) losses associated with liabilities based on derivatives that are measured at fair value	0
5.4.	Positions as a result of consolidation	0
5.4.1.	Acceptable additional capital that is recognized in the AC on a consolidated basis	0
5.4.2.	The rest	0
5.5.	Other positions of the AC	0

NLB BANKA AD SKOPJE
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(all amounts in MKD thousands unless otherwise stated)
3 Capital Adequacy
**REPORT
for own assets
as at 31.12.2023**

		in 000 denars
Number	DESCRIPTION	Amount
1	2	3
1.	Own assets	16,553,816
2.	Core capital	14,466,318
3.	Regular Core Capital (ROC)	14,466,318
3.1.	Positions in the ROK	14,493,278
3.1.1.	ROK Capital Instruments	854,136
3.1.2.	Premium from capital instruments from the ROK	2,274,484
3.1.3.	Mandatory general reserve (general reserve fund)	8,705,956
3.1.4.	Retained undistributed profit	2,650,308
3.1.5.	(-) Accumulated loss from previous years	0
3.1.6.	Current profit or profit at the end of the year	0
3.1.7.	Cumulative comprehensive profit or loss	8,394
3.2.	(-) Deduction items from the ROK	-26,960
3.2.1.	(-) Loss at the end of the year or current loss	0
3.2.2.	(-) Intangible assets	-26,960
3.2.3.	(-) Deferred tax assets that are dependent on the future profitability of the bank	0
3.2.4.	(-) Investments in own capital instruments from ROK	0
3.2.4.1.	(-) Direct investments in own capital instruments from ROK	0
3.2.4.2.	(-) Indirect investments in own capital instruments from the ROK	0
3.2.4.3.	(-) Synthetic investments in own capital instruments from the ROK	0
3.2.4.4.	(-) Investments in own capital instruments from the ROK for which the bank has a contractual obligation to buy	0
3.2.5.	(-) Direct, indirect and synthetic investments in capital instruments from the ROK of persons in the financial sector, whereby those entities have investments in the bank	0
3.2.6.	(-) Direct, indirect and synthetic investments in capital instruments from the ROK of financial sector entities in which the bank does not have a significant investment	0
3.2.7.	(-) Direct, indirect and synthetic investments in capital instruments from the ROK of financial sector entities in which the bank has a significant investment	0
3.2.8.	(-) Amount of deductions from DOCs that exceeds the total amount of DOS	0
3.2.9.	(-) Amount of exceeding the limits for investments in non-financial institutions	0
3.2.10.	(-) Expenses for tax	0
3.2.11.	(-) Difference between the amount of the required and the impairment / special reserve	0
3.3.	Regulatory adjustments to ROC	0
3.3.1.	(-) Increase in the ROE that arises from securitization positions	0
3.3.2.	(-) Profits or (+) losses from cash flow hedge	0
3.3.3.	(-) Gains or (+) losses from bank's liabilities that are measured at fair value	0
3.3.4.	(-) Gains or (+) losses associated with liabilities based on derivatives that are measured at fair value	0
3.4.	Positions as a result of consolidation	0
3.4.1.	Non-controlling (minority) share that is recognized in the ROC on a consolidated basis	0
3.4.2.	The rest	0
3.5.	Other positions from ROK	0
4.	Fixed Equity Capital (FEC)	0
4.1.	Positions in FEC	0
4.1.1.	Capital instruments from FEC	0
4.1.2.	Premium from capital instruments from FEC	0
4.2.	(-) Deducted items from FEC	0
4.2.1.	(-) Investments in equity instruments of FEC	0
4.2.1.1.	(-) Direct investments in equity instruments of FEI	0
4.2.1.2.	(-) Indirect investments in equity instruments of FEI	0
4.2.1.3.	(-) Synthetic investments in own equity instruments of FEI	0
4.2.1.4.	(-) Investments in own equity instruments of FEC for which the bank has a contractual obligation to b	0
4.2.2.	(-) Direct, indirect and synthetic investments in equity instruments of the DPL of persons in the financial sector, whereby those entities have investments in the bank	0
4.2.3.	(-) Direct, indirect and synthetic investments in equity instruments of DFCs of persons in the financial sector in which the bank does not have a significant investment	0
4.2.4.	(-) Direct, indirect and synthetic investments in equity instruments of DFCs of persons in the financial sector in which the bank has a significant investment	0
4.2.5.	(-) Amount of deductions from the DC that exceeds the total amount of the DC	0
4.2.6.	(-) Expenses for tax	0
4.3.	Regulatory adjustments to FEC	0
4.3.1.	(-) Increase of DOC arising from securitization positions	0
4.3.2.	(-) Profits or (+) losses from cash flow hedge	0
4.3.3.	(-) Gains or (+) losses from bank's liabilities that are measured at fair value	0
4.3.4.	(-) Gains or (+) losses associated with liabilities based on derivatives that are measured at fair value	0
4.4.	Positions as a result of consolidation	0
4.4.1.	(+/-) Acceptable additional Tier 1 capital that is recognized in the DAC on a consolidated bas	0
4.4.2.	The rest	0
4.5.	Other positions from the FEC	0
5.	Additional capital (AC)	2,087,498
5.1.	Positions in AC	2,087,498
5.1.1.	Capital instruments from AC	0
5.1.2.	Subordinated loans	2,087,498
5.1.3.	Premium from capital instruments from the AC	0
5.2.	(-) Deductions from the AC	0
5.2.1.	(-) Investments in equity instruments of the AC	0
5.2.1.1.	(-) Direct investments in equity instruments of the AC	0
5.2.1.2.	(-) Indirect investments in equity instruments of the AC	0
5.2.1.3.	(-) Synthetic investments in equity instruments of the AC	0
5.2.1.4.	(-) Investments in equity instruments of the AC for which the bank has a contractual obligation to b	0
5.2.2.	(-) direct, indirect and synthetic investments in AC positions of persons in the financial sector, whereby those entities have investments in the b	0
5.2.3.	(-) direct, indirect and synthetic investments in DC positions of persons in the financial sector in which the bank does not have a significant investm	0
5.2.4.	(-) direct, indirect and synthetic investments in AC positions of persons in the financial sector in which the bank has a significant investm	0
5.3.	Regulatory compliance of AC	0
5.3.1.	(-) Increase of AC arising from securitization positions	0
5.3.2.	(-) Profits or (+) losses from cash flow hedge	0
5.3.3.	(-) Gains or (+) losses from bank's liabilities that are measured at fair value	0
5.3.4.	(-) Gains or (+) losses associated with liabilities based on derivatives that are measured at fair value	0
5.4.	Positions as a result of consolidation	0
5.4.1.	Acceptable additional capital that is recognized in the AC on a consolidated bas	0
5.4.2.	The rest	0
5.5.	Other positions of the AC	0

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(all amounts in MKD thousands unless otherwise stated)
4 Reporting by segments
A Operating segments

	Retail banking	Commercial banking	Payment operations and settlement	All other insignificant operating segments	Unallocated	Total
<i>in MKD thousands</i>						
2024 (current year)						
Net interest income / (expense)	3,191,861	1,450,502	0	0	(2,149)	4,640,214
Net fee and commission income / (expense)	258,219	329,022	923,180	37,258	8	1,547,687
Net trading income	0	0	0	11,318	0	11,318
Net income from other financial instruments recorded at fair value	553	5,524	0	0	(15,635)	(9,558)
Other operating income	195,421	286,249	1,954	203,248	69,821	756,693
Income realized between segments	0	0	0	0	0	0
Total income by segment	3,646,054	2,071,297	925,134	251,824	52,045	6,946,354
Impairment on financial assets, net	(350,214)	(1,638)	(4,018)	(179)	23,622	(332,427)
Loss allowance of non-financial assets, net	0	0	0	0	(6,304)	(6,304)
Depreciation	0	0	0	0	(258,581)	(258,581)
Costs for restructuring	0	0	0	0	0	0
Expenses for investment in real estate and equipment	0	0	0	0	0	0
Other expenses	(179,181)	37,358	0	(503)	(2,397,792)	(2,540,118)
Total expenses by segment	(529,395)	35,720	(4,018)	(682)	(2,639,055)	(3,137,430)
Financial result by segment	3,116,659	2,107,017	921,116	251,142	(2,587,010)	3,808,924
Income tax expense						0
Profit / (loss) for the financial year						3,808,924
Total assets by segment	63,359,452	61,564,770	1,643,652	60,920		
Unallocated assets by segment					4,610,876	
Total assets						131,239,670
Total liabilities by segment	91,093,293	20,818,501	967	(731,846)		
Unallocated liabilities by segment					1,531,838	
Total liabilities						112,712,753

	Retail banking	Commercial banking	Payment operations and settlement	All other insignificant operating segments	Unallocated	Total
<i>in MKD thousands</i>						
2023 (previous year)						
Net interest income / (expense)	2,898,922	1,073,505	0		(2,072)	3,970,355
Net fee and commission income / (expense)	288,523	294,797	713,821	28,030	0	1,325,171
Net trading income	0	0	0	(14,586)	0	(14,586)
Net income from other financial instruments recorded at fair value	1,281	(2,225)	0	0	(6,622)	(7,566)
Other operating income	356,549	26,830	1,690	234,703	122,123	741,895
Income realized between segments	0	0	0	0	0	0
Total income by segment	3,545,275	1,392,907	715,511	248,147	113,429	6,015,269
Impairment on financial assets, net	(244,912)	313,773	(6,775)	(62)	(59,133)	2,891
Loss allowance of non-financial assets, net	0	0	0	0	152,051	152,051
Depreciation	0	0	0	0	(258,473)	(258,473)
Costs for restructuring	0	0	0	0	0	0
Expenses for investment in real estate and equipment	0	0	0	0	0	0
Other expenses	(160,735)	42,965	(2)	(70)	(2,238,744)	(2,356,586)
Total expenses by segment	(405,647)	356,738	(6,777)	(132)	(2,404,299)	(2,460,117)
Financial result by segment	3,139,628	1,749,645	708,734	248,015	(2,290,870)	3,555,152
Income tax expense						0
Profit / (loss) for the financial year						3,555,152
Total assets by segment	57,772,582	53,418,312	1,145,401	143,681		
Unallocated assets by segment					3,926,685	
Total assets						116,406,661
Total liabilities by segment	79,270,240	19,225,803	52,671	(730,286)		
Unallocated liabilities by segment					1,825,809	
Total liabilities						99,644,237

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(all amounts in MKD thousands unless otherwise stated)
4 Reporting by segments
B Concentration of total income and expenses by significant clients

	Operating segments (specify separately significant operating segments)								All other insignificant operating segments	Unallocated	Total by significant client
<i>in MKD thousands</i>											
2024 (current year) (the bank should separately report total income and total expense realized from significant client)											
Client 1											
income	0	0	0	0	0	0	0	0	0	0	0
(expense)	0	0	0	0	0	0	0	0	0	0	0
Client 2											
income	0	0	0	0	0	0	0	0	0	0	0
(expense)											
Client 3											
income	0	0	0	0	0	0	0	0	0	0	0
(expense)	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
Total by segment	0	0	0	0	0	0	0	0	0	0	0
2023 (previous year) (the bank should separately report total income and total expense realized from significant client)											
Client 1											
income	0	0	0	0	0	0	0	0	0	0	0
(expense)	0	0	0	0	0	0	0	0	0	0	0
Client 2											
income	0	0	0	0	0	0	0	0	0	0	0
(expense)											
Client 3											
income	0	0	0	0	0	0	0	0	0	0	0
(expense)	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
Total by segment	0	0	0	0	0	0	0	0	0	0	0

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(all amounts in MKD thousands unless otherwise stated)
4 Reporting by segments
C Geographic areas

	Republic of Macedonia	Member States of the European Union	Europe (other)	OECD member States (excluding European OECD Member States)	Other (specify separately significant geographical segments)		All other insignificant geographical segments	Unallocated	Total
<i>in MKD thousands</i>									
2024 (current year)									
Total income	6,680,228	55,357	12,035	198,833	0	0	(99)	0	6,946,354
Total assets	121,814,743	6,484,634	509,916	2,430,351	0	0	26	0	131,239,670
2023 (previous year)									
Total income	6,117,361	(209,860)	69,742	13,911	0	0	24,115	0	6,015,269
Total assets	106,637,970	6,753,229	1,334,283	1,681,157	0	0	22	0	116,406,661

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(all amounts in MKD thousands unless otherwise stated)
5 Fair value of financial assets and financial liabilities
A. Fair value of financial assets and liabilities

	current year 2024		previous year 2023	
	carrying value	fair value	carrying value	fair value
<i>in MKD thousands</i>				
Financial assets	129,161,293	126,782,733	114,260,258	111,775,157
Cash and cash equivalents	23,425,485	23,424,804	22,442,922	22,444,286
Trading assets	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0
Derivative assets held for risk management	6,078	6,078	1,931	1,931
Loans and advances to banks	264	264	753	772
Loans and advances to other customers	84,148,602	82,349,557	74,073,417	72,070,853
Investment securities	20,651,816	20,072,982	15,849,219	15,365,299
Investments in associates	45,168	45,168	45,621	45,621
Current income tax assets	0	0	0	0
Other assets	883,880	883,880	1,846,395	1,846,395
Pledged assets	0	0	0	0
Deferred tax assets	0	0	0	0
Financial liabilities	113,125,686	113,048,324	99,413,708	98,848,203
Trading liabilities	0	0	0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	51,420	51,420	28,977	28,977
Derivative liabilities held for risk management	0	0	2,875	2,875
Deposits from banks	370,975	370,975	361,945	361,945
Deposits from other customers	106,913,172	107,014,409	92,521,157	92,367,459
Issued debt securities	0	0	0	0
Borrowings	2,268,266	2,268,083	2,757,407	2,734,210
Subordinated liabilities	2,147,224	1,968,808	2,088,605	1,699,995
Current income tax liabilities	203,199	203,199	99,670	99,670
Deferred tax liabilities	0	0	0	0
Other liabilities	1,171,430	1,171,430	1,553,072	1,553,072

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Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
5 Fair value of financial assets and financial liabilities
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 MKD thousands			
	Note	Level 1	Level 2	Level 3	Total
31 December 2024 (current year)					
Financial assets measured at fair value					
Trading assets	19	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	20	0	0	0	0
Derivative assets held for risk management	21	0	6,078	0	6,078
Investment securities, available for sale	23.1	2,694,804	134,327	35,111	2,864,242
Total		2,694,804	140,405	35,111	2,870,320
Financial liabilities measured at fair value					
Trading liabilities	32	0	0	0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	33	0	51,420	0	51,420
Derivative liabilities held for risk management	21	0	0	0	0
Total		0	51,420	0	51,420
31 December 2023 (previous year)					
Financial assets measured at fair value					
Trading assets	19	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	20	0	0	0	0
Derivative assets held for risk management	21	0	1,931	0	1,931
Investment securities, available for sale	23.1	2,647,677	107,974	35,008	2,790,659
Total		2,647,677	109,905	35,008	2,792,590
Financial liabilities measured at fair value					
Trading liabilities	32	0	0	0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	33	0	28,977	0	28,977
Derivative liabilities held for risk management	21	0	2,875	0	2,875
Total		0	31,852	0	31,852

NLB BANKA AD SKOPJE

Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

5 Fair value of financial assets and financial liabilities

B.2. Transfers between level 1 and 2 at fair value

	current year 2024		previous year 2023	
	transfers from level 1 to level 2	transfers from level 2 to level 1	transfers from level 1 to level 2	transfers from level 2 to level 1
<i>in MKD thousands</i>				
Financial assets measured at fair value				
Trading assets	0	0	0	0
Financial assets at fair value through profit and loss, designated at initial recognition	0	0	0	0
Derivative assets held for risk management	0	0	0	0
Investment securities, available for sale	0	0	0	0
Total	0	0	0	0
Financial liabilities measured at fair value				
Trading liabilities	0	0	0	0
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	0	0	0
Derivative liabilities held for risk management	0	0	0	0
Total	0	0	0	0

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Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
5 Fair value of financial assets and financial liabilities
B.3. Reconciliation of movements throughout the year of fair values measured at level 3

		Financial assets at fair value through profit and loss, designated at initial recognition	Investments securities, available for sale			Financial liabilities at fair value through profit and loss, designated at initial recognition	
<i>in MKD thousands</i>	Trading assets			Total assets	Trading liabilities		Total liabilities
Balance as at 1 January 2023 (previous year)	0	0	34,327	34,327	0	0	0
Gains/(losses) recognized in:	0	0	0		0	0	
- Income statement	0	0	0	0	0	0	0
	0	0	0		0	0	
- Other gains/(losses) in the period not recognized in the Income statement	0	0	681	681	0	0	0
Purchases of financial instruments in the period	0	0	0	0	0	0	0
	0	0	0		0	0	
Disposal of sold financial instruments in the period	0	0	0	0	0	0	0
	0	0	0		0	0	
Issued financial instruments in the period	0	0	0	0	0	0	0
Paid financial instruments in the period	0	0	0	0	0	0	0
Reclassified financial instruments into/(from) level 3	0	0	0	0	0	0	0
Reclassified in loans and receivables	0	0	0	0	0	0	0
Balance as at 31 December 2023 (previous year)	0	0	35,008	35,008	0	0	0
Total gains/(losses) recognized in the Income statement for financial assets and liabilities held as at 31 December 2023 (previous year)	0	0	0	0	0	0	0
Balance as at 1 January 2024 (current year)	0	0	35,008	35,008	0	0	0
Gains/(losses) recognized in:	0	0	0		0	0	
- Income statement	0	0	0	0	0	0	0
	0	0	0		0	0	
- Other gains/(losses) in the period not recognized in the Income statement	0	0	103	103	0	0	0
Purchases of financial instruments in the period	0	0	0	0	0	0	0
	0	0	0		0	0	
Sold financial instruments in the period	0	0	0	0	0	0	0
	0	0	0		0	0	
Issued financial instruments in the period	0	0	0	0	0	0	0
Paid financial instruments in the period	0	0	0	0	0	0	0
Reclassified financial instruments into/(from) level 3	0	0	0	0	0	0	0
Reclassified in loans and receivables	0	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	0	0	35,111	35,111	0	0	0
Total gains/(losses) recognized in the Income statement for financial assets and liabilities held as at 31 December 2024 (current year)	0	0	0	0	0	0	0

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Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
6 Net interest income/(expenses)
A Structure of interest income and expense by type of financial instruments

	in MKD thousands	
	current year 2024	previous year 2023
Interest income		
Cash and cash equivalents	378,277	319,770
Financial assets at fair value through profit and loss, designated at initial recognition	0	0
Derivative assets held for risk management	0	0
Loans and advances to banks	0	0
Loans and advances to other customers	4,177,309	3,679,782
Investment securities	522,167	314,240
Other assets	0	0
(Allowance for impairment of interest income, net)	(27,405)	(19,943)
Collected written-off interest	194,243	156,159
Total interest income	5,244,591	4,450,008
Interest expenses		
Financial liabilities at fair value through profit and loss, designated at initial recognition	0	0
Derivative liabilities held for risk management	0	0
Deposites from banks	581	1,843
Deposites from other customers	374,079	213,483
Issued debt securities	0	0
Borrowings	46,078	29,966
Subordinated debt	181,489	232,289
Other liabilities	2,150	2,072
Total interest expenses	604,377	479,653
Net interest income/(expenses)	4,640,214	3,970,355

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***6 Net interest income/(expenses)****B Sector analysis of interest income and expenses**

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Interest income		
Enterprises	1,046,654	977,545
State	522,281	314,353
Non-profit institutions	213	206
Banks	370,547	312,546
Other financial organisations (non-banking)	20,606	15,390
Households	3,109,573	2,686,501
Non-residents	7,879	7,251
(Allowance for impairment of interest income, net)	(27,405)	(19,943)
Collected written-off interest	194,243	156,159
Total interest income	5,244,591	4,450,008
Interest expenses		
Enterprises	34,888	24,554
State	23	48
Non-profit institutions	0	367
Banks	228,125	264,058
Other financial organisations (non-banking)	8,487	2,458
Households	332,502	187,783
Non-residents	352	385
Total interest expenses	604,377	479,653
Net interest income/(expenses)	4,640,214	3,970,355

7 Net fee and commission income/(expenses)
A Structure of fee and commission income and expense by type of financial activities

<i>in MKD thousands</i>		
	current year 2024	previous year 2023
Fee and commission income		
Loans	264,793	283,886
Payment operations	0	0
domestic	789,276	770,351
foreign	241,806	237,877
Letters of credit and guarantees	80,052	84,423
Brokerage services	10,987	6,293
Asset management	0	0
Fiduciary activities	33,813	30,030
Issuing securities	0	0
Other	0	0
transactions with traders	431,993	413,031
card settlement	330,600	324,352
card operations	149,394	150,797
transport of cash	47,584	44,231
insurance mediation	0	63,692
other	103,246	18,112
Total fee and commission income	2,483,544	2,427,075
Fee and commission expenses		
Loans	246	7,991
Payment transactions	0	0
domestic	163,760	128,411
foreign	89,801	85,670
Letters of credit and guarantees	0	0
Brokerage services	237	220
Asset management	0	0
Fiduciary activities	7,306	8,073
Issuing securities	0	0
Other		
card settlement	674,507	871,539
other	0	0
Total fee and commission expenses	935,857	1,101,904
Net fee and commission income/(expenses)	1,547,687	1,325,171

7 Net fee and commission income/(expenses)
B Sector analysis of fee and commission income and expenses

	in MKD thousands	
	current year 2024	previous year 2023
Fee and commission income		
Enterprises	1,194,550	1,180,378
State	10,559	8,860
Non-profit institutions	21,516	21,480
Banks	399,883	387,767
Other financial organisations (non-banking)	150,070	121,206
Households	631,898	631,791
Non-residents	75,068	75,593
Total fee and commission income	2,483,544	2,427,075
Fee and commission expenses		
Enterprises	0	0
State	0	0
Non-profit institutions	0	0
Banks	497,857	492,635
Other financial organisations (non-banking)	39,000	37,097
Non-residents	399,000	572,172
Total fee and commission expenses	935,857	1,101,904
Net fee and commission income/(expenses)	1,547,687	1,325,171

8 Net trading income

in MKD thousands		
	current year 2024	previous year 2023
<i>Trading assets</i>		
Profit/(loss) from changes in fair value of debt securities, net		
realized	0	0
unrealized	0	0
Profit/(loss) from changes in fair value of equity instruments, net		
realized	0	0
unrealized	0	0
Dividend income from trading assets	0	0
Interest income from trading assets	0	0
<i>Trading liabilities</i>		
Profit/(loss) from changes in fair value of debt securities, net		
realized	0	0
unrealized	0	0
Profit/(loss) from changes in fair value of trading deposits,net		
realized	0	0
unrealized	0	0
Profit/(loss) from changes in fair value of other financial trading liabilities, net		
realized	0	0
unrealized	0	0
Interest expenses for financial liabilities held for trading	0	0
<i>Profit/(loss) from changes in fair value of derivatives held for trading, net</i>		
realized	11,318	(14,586)
unrealized	0	0
Net trading income	11,318	(14,586)

9 Net income from other financial instruments at fair value

<i>in MKD thousands</i>	
	current year 2024
	previous year 2023
<i>Financial assets at fair value through profit and loss, designated at initial recognition</i>	
Profit/(loss) from changes in fair value of debt securities, net	
realized	0
unrealized	0
Profit/(loss) from changes in fair value of equity instruments, net	
realized	0
unrealized	0
Dividend income from financial assets at fair value through profit and loss	0
Profit/(loss) from changes in fair value of loans and receivables at fair value through profit and loss, net	
realized	0
unrealized	0
<i>Financial liabilities at fair value through profit and loss, designated at initial recognition</i>	
Profit/(loss) from changes in fair value of debt securities, net	
realized	0
unrealized	0
Profit/(loss) from changes in fair value of deposits at fair value through profit and loss, net	
realized	0
unrealized	0
Profit/(loss) from changes in fair value of borrowings at fair value through profit and loss, net	
realized	0
unrealized	0
Profit/(loss) from changes in fair value of other financial liabilities at fair value through profit and loss, net	
realized	0
unrealized	(15,636)
<i>Profit/(loss) from changes in fair value of derivatives held for risk management at fair value through profit and loss, net</i>	
realized	0
unrealized	6,078
Net income from other financial instruments at fair value	(9,558)

10 Net income/(expenses) from exchange differences

	in MKD thousands	
	current year 2024	previous year 2023
Realized income/(expenses) from exchange differences, net	336,960	347,087
Unrealized income/(expenses) from exchange differences, net		
exchange differences on the impairment of financial assets, net	(194)	70
exchange differences on provisions for off-balance, net	(976)	(774)
other exchange differences, net	(9,666)	20,388
Net income/(expenses) from exchange differences	326,124	366,771

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***11 Other operating income**

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Gain on sale of available-for-sale assets	0
Dividends from equity instruments available for sale	393
Net income from investments in subsidiaries and associates	0
Capital gain from sales of:	
property and equipment	5,099
intangible assets	0
foreclosed assets	10
non-current assets held for sale	0
Rental income	21,488
Income from litigations	55
Collected written-off claims	351,072
Reversal provision for:	
contingent liabilities for litigations	0
pensions and other employee benefits	0
restructuring	0
unfavorable contracts	0
other provisions	0
Other	
income from previous years	9,551
other	42,901
Total other operating income	430,569
	375,124

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
12 Impairment on financial assets and provisions for off-balance, net

	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	Claims for fees and commissions	Other assets	Total impairment of financial assets	Provisions for off- balance	Total
<i>in MKD thousands</i>										
2024 (current year)										
Impairment and provisions										
Additional impairment and provisions	74	984,610	0	0	12,806	15,857	31,111	1,044,459	104,405	1,148,864
(Reversal impairment and provisions)	(90)	(655,087)	0	0	(15,446)	(2,849)	(21,039)	(694,511)	(121,926)	(816,437)
Total impairment of financial assets and provisions for off-balance, net	(16)	329,523	0	0	(2,640)	13,008	10,072	349,948	(17,521)	332,427
2023 (previous year)										
Impairment and provisions										
Additional impairment and provisions	146	533,596	0	0	16,077	23,167	48,363	621,350	54,021	675,371
(Reversal impairment and provisions)	(151)	(541,464)	0	(177)	(21,043)	(9,062)	(37,092)	(608,989)	(69,273)	(678,262)
Total impairment of financial assets and provisions for off-balance, net	(5)	(7,868)	0	(177)	(4,966)	14,105	11,271	12,361	(15,252)	(2,891)

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
13 Impairment of non-financial assets, net

	<i>in MKD thousands</i>					
	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and disposal group	Other non-financial assets	Non-controlling interest*
2024 (current year)						
Additional impairment loss	0	0	6,331	0	0	0
(Reversal impairment) loss	0	0		0	(27)	0
Total impairment of non-financial assets, net	0	0	6,331	0	(27)	0
2023 (previous year)						
Additional impairment loss	0	0	13,792	0	0	0
(Reversal impairment) loss	0	0		0	(165,843)	0
Total impairment of non-financial assets, net	0	0	13,792	0	(165,843)	0

* only for consolidated financial statements

14 Personnel expenses
Short-term employee benefits

Salaries	681,317	645,559
Compulsory social and health insurance contributions	287,328	266,861
Paid short-term leave	116,946	108,001
Temporary employment costs	0	0
Share of profits and rewards	34,023	41,954
Non-monetary benefits	0	0

in MKD thousands

 current year
2024

 previous year
2023

681,317

645,559

287,328

266,861

116,946

108,001

0

0

34,023

41,954

0

0

1,119,614

1,062,375

Benefits after termination of employment

Defined pension plans	33,065	32,496
Retirement benefits	0	0
Increase of the liabilities for defined-benefit pension plans	0	0
Increase of the liabilities for other long-term benefits	1,806	5,337
Other benefits on termination of employment	0	0

33,065

32,496

0

0

0

0

1,806

5,337

0

0

34,871

37,833

Benefits for termination of employment

Equity settled share-based payments	0	0
Cash settled share-based payments	0	0
Other	112,342	85,329

0

0

0

0

112,342

85,329

Total personnel expenses

1,266,827

1,185,537

15 Depreciation

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Depreciation of intangible assets	
Internally developed software	0
Software acquired from external suppliers	71,709
Other internally developed intangible assets	0
Other intangible assets	28,164
Investments in leased intangible assets	7,444
	107,317
Depreciation of property and equipment	
Buildings	50,388
Vehicles	7,904
Furniture and office equipment	32,138
Other equipment	46,027
Other items of property and equipment	1,196
Investments in property and equipment under lease	13,503
	151,156
Total depreciation	258,473

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***16 Other operating expenses**

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Loss from sale of assets available for sale	0	0
Software licensing costs	0	0
Deposit insurance premiums	174,812	164,454
Premiums for insurance of property and employees	31,604	28,330
Materials and services	749,543	658,260
Administrative and marketing costs	140,921	171,121
Other taxes and contributions	2,005	2,647
Rental Expense	120,256	109,135
Court litigation expense	3,220	2,469
Provisions for pension and other benefits for employees, net	0	0
Provisions for contingent liabilities for litigations, net	0	0
Other provisions, net		
	0	0
	0	0
	0	0
Loss from sales of:		
property and equipment	0	0
intangible assets	0	0
foreclosed assets	0	266
non-current assets held for sale	0	0
Other		
other	29,877	16,624
Total other operating expenses	1,252,238	1,153,306

17 Income tax expenses
A Expenses/income for current and deferred tax
Current income tax

Expenses/(income) for current income tax for the year
 ADJ for PY
 Benefits from previously unrecognized tax losses, tax credits or temporary differences from previous years
 Changes in accounting policies and errors
 Other - Global Tax

Deferred income tax

Deferred income tax arising from temporary differences for the year
 Recognition of previously unrecognized tax losses
 Changes in the tax rate
 Introducing new taxes
 Benefits from previously unrecognized tax losses, tax credits or temporary differences from previous years
 Other

Total expenses/(return) of income tax

<i>in MKD thousands</i>	
current year 2024	previous year 2023
379,387	338,292
0	0
0	0
0	0
134,544	0
513,931	338,292
0	0
0	0
0	0
0	0
0	0
0	0
0	0
513,931	338,292

Current income tax

Recognized in Income statement
 Recognized in Equity and reserves

Deferred income tax

Recognized in Income statement
 Recognized in Equity and reserves

Total expenses/(return) of income tax

<i>in MKD thousands</i>	
current year 2024	previous year 2023
513,931	338,292
0	0
513,931	338,292
0	0
0	0
0	0
513,931	338,292

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

17 Income tax expenses
B Adjustment of the average effective tax rate and the applicable tax rate

	in %	in MKD thousands	in %	in MKD thousands
	current year 2024		previous year 2023	
Profit/(loss) before tax	100.00%	3,808,924	100.00%	3,555,152
Income tax according to the applicable tax rate	10.00%	380,892	10.00%	355,515
Effect of different tax rates in other countries	0.00%	0	0.00%	0
Corrections for previous years and changes in the tax rate	0.00%	0	0.00%	0
Taxable income abroad	0.00%	0	0.00%	0
Expenses not recognized for tax purposes	0.42%	15,777	0.47%	16,432
Tax-free income	-0.45%	(17,186)	-0.12%	(4,255)
Tax release not recognized in the Income statement	0.00%	0	0.00%	0
Recognition of previously unrecognized tax losses	0.00%	0	0.00%	0
Benefits from previously unrecognized tax losses, tax credits or temporary differences from previous years	0.00%	0	0.00%	0
Changes in deferred tax	0.00%	0	0.00%	0
Other	0.00%	0	0.00%	0
minimum global income tax	3.53%	134,544	0.00%	0
other	0.00%	(96)	-0.83%	(29,400)
Total expenses/(return) of income tax	0	513,931	0	338,292
Average effective tax rate	13.50%		9.52%	

C Income tax on other gains/(losses) in the period not recognized in the Income statement

	current year 2024			previous year 2023		
in MKD thousands	before tax	(expense) / return of income tax	after income tax	before tax	(expense) / return of income tax	after income tax
Revaluation reserve for assets available for sale	0	0	0	0	0	0
Reserve for instruments for protection against the risk of cash flows	0	0	0	0	0	0
Reserve for instruments for protection against the risk of net-investment in foreign operations	0	0	0	0	0	0
Foreign exchange reserves from foreign investments	0	0	0	0	0	0
Share in other gains/(losses) of associates not reported in the Income statement	0	0	0	0	0	0
Other gains/(losses) not reported in the Income statement	0	0	0	0	0	0
Total other gains/(losses) in the period not reported in the Income statement	0	0	0	0	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
18 Cash and cash equivalents

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Cash on hand	3,876,220	3,330,542
Account and deposits in NBRM, except mandatory deposits in foreign currency	8,680,108	5,939,441
Current accounts and transactional deposits in foreign banks	979,711	1,200,318
Current accounts and transactional deposits in domestic banks	6	4,581
Treasury bills tradable on the secondary market	1,591,200	1,603,267
Government bills tradable on the secondary market	0	0
Time deposits with maturity up to three months	2,257,532	3,959,947
Other short-term highly liquid assets	700	662
Interest receivables	2,355	8,007
(Allowance for impairment)	(5,419)	(8,086)
Included in cash and cash equivalents for the purposes of the Statement of cash flow	17,382,413	16,038,679
Obligatory foreign currency deposits	5,886,916	5,844,453
Restricted deposits	157,749	561,220
(Allowance for impairment)	(1,593)	(1,430)
Total	23,425,485	22,442,922

		current year 2024				previous year 2023			
	in MKD thousands	Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment	Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment
Movement of impairment									
Balance as at 1 January		9,502	13	1	9,516	14,610	14	1	14,625
Allowance for impairment for the year									
additional impairment		78,109	649	0	78,758	97,193	82	0	97,275
(release of impairment)		(80,751)	(646)	(1)	(81,398)	(102,227)	(14)	0	(102,241)
Transfer to:									
- impairment for Stage 1		(12)	12	0	0	(30)	30	0	0
- impairment for Stage 2		28	(28)	0	0	99	(99)	0	0
- impairment for Stage 3		0	0	0	0	0	0	0	0
(Foreclosed assets)		0	0	0	0	0	0	0	0
Effect of exchange differences		121	14	0	135	(143)	0	0	(143)
(Write-offs)		0	0	1	1	0	0	0	0
Balance as at 31 December		6,997	14	1	7,012	9,502	13	1	9,516

19 Trading assets
Structure of trading assets by the type of financial instrument

<i>in MKD thousands</i>		
	current year 2024	previous year 2023
Trading securities		
<i>Debt securities for trading</i>		
Treasury bills for trading	0	0
Government bills for trading	0	0
Other instruments on money market	0	0
Bonds issued by the state	0	0
Corporate bonds	0	0
Other debt instruments	0	0
	0	0
Quoted	0	0
Unquoted	0	0
<i>Equity securities for trading</i>		
Equity instruments issued by banks	0	0
Other equity instruments	0	0
	0	0
Listed	0	0
Unlisted	0	0
Derivatives for trading		
Agreement dependent on the change of the interest rate	0	0
Agreement dependent on the change of the exchange rate	0	0
Agreement dependent on the change of the price of securities	0	0
Other contracts meeting the criteria of IFRS 9	0	0
Loans and advances		
Loans and advances to banks	0	0
Loans and advances to other customers	0	0
	0	0
Total trading assets	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
**20 Financial assets at fair value through profit and loss,
designated at initial recognition**

<i>in MKD thousands</i>	
	current year 2024
	previous year 2023
<i>Debt securities</i>	
Treasury bills	0
Government bills	0
Other instruments on money market	0
Bonds issued by the state	0
Corporate bonds	0
Other debt instruments	0
	0
	0
Quoted	0
Unquoted	0
<i>Equity securities</i>	
Equity instruments issued by banks	0
Other equity instruments	0
	0
	0
Listed	0
Unlisted	0
	0
Loans and advances to banks	0
Loans and advances to other customers	0
	0
Total financial assets at fair value through profit and loss, designated at initial recognition	0

21 Derivative assets and liabilities held for risk management

A.1 *By the type of variable*

Derivatives held for risk management

Agreements dependent on the change of the exchange rate

Other contracts meeting the criteria of IFRS 9

Total derivatives held for risk management

A.2 By the type of risk protection

Protection from cash flow risk

Protection from risk of net-invoicing

Total derivatives held for risk management

B Embedded derivatives

Agreements dependent on the change of the exchange rate

Other agreements meeting the criteria of IFRS 9

Total embedded derivatives**Total derivatives held for risk management**

<i>in MKD thousands</i>			
current year 2024		previous year 2023	
derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
0	0	0	0
6,078	0	1,931	(2,875)
0	0	0	0
0	0	0	0
6,078	0	1,931	(2,875)
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
6,078	0	1,931	(2,875)

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
22 Loans and advances
22.1 Loans and advances to banks

<i>in MKD thousands</i>				
current year 2024		previous year 2023		
short term	long term	short term	long term	
Loans to banks				
domestic banks	44	0	320	229
foreign banks	0	0	0	0
Time deposits, with maturity over three months				
domestic banks	0	0	0	0
foreign banks	0	0	0	0
Repo				
domestic banks	0	0	0	0
foreign banks	0	0	0	0
Other receivables				
domestic banks	0	0	0	0
foreign banks	314	0	314	0
Interest receivables	0	0	0	0
Current maturity	(44)	44	(156)	156
Total loans and advances to banks before impairment	314	44	478	385
(Allowance for impairment)	(94)	0	(99)	(11)
Total loans and advances to banks less impairment	220	44	379	374

current year 2024					previous year 2023			
Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment		Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment
<i>in MKD thousands</i>								
Movement of impairment								
Balance as at 1 January	14	2	94	110	19	6	90	115
Allowance for impairment for the year								
additional impairment	15	65	0	80	5	145	4	154
(reversal impairment)	(86)	(10)	0	(96)	(125)	(34)	0	(159)
Transfer to:								
- impairment for Stage 1	(25)	25	0	0	(36)	36	0	0
- impairment for Stage 2	80	(80)	0	0	151	(151)	0	0
- impairment for Stage 3	0	0	0	0	0	0	0	0
(Foreclosed assets)	0	0	0	0	0	0	0	0
Effect of exchange differences	0	0	0	0	0	0	0	0
(Write-offs)	0	0	0	0	0	0	0	0
Balance as at 31 December	(2)	2	94	94	14	2	94	110

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
22 Loans and advances
22.2 Loans and advances to other customers
A Structure of loans and advances to other customers by the type of debtor

in MKD thousands				
current year 2024		previous year 2023		
short term	long term	short term	long term	
Non-financial companies				
Receivables upon principal	13,294,975	17,732,609	8,687,320	17,421,007
Interest receivables	67,524	0	65,285	0
State				
Receivables upon principal	66	597	120	903
Interest receivables	9	0	9	0
Non-profit institutions				
Receivables upon principal	3,919	1,704	4,939	1,400
Interest receivables	9	0	8	0
Financial organisations, except banks				
Receivables upon principal	30,580	315,722	6,579	414,443
Interest receivables	6,241	0	8,369	0
Households				
Receivables upon principal				
loans for houses	120,025	22,623,288	23,021	19,971,668
consumer loans	1,000,605	29,528,329	587,613	27,320,413
vehicle loans	2,579	119,124	(23)	94,427
mortgage loans	0	0	0	0
credit cards	711,007	1,390,497	739,403	1,538,789
other loans	1,236,720	128,119	1,357,689	158,637
Interest receivables	291,530	0	328,903	0
Non-residents, except banks				
Receivables upon principal	1	8,779	1	12,314
Interest receivables	32	0	49	0
Current maturity	11,369,251	(11,369,251)	12,222,583	(12,222,583)
Total loans and advances to other customers before impairment	28,135,073	60,479,517	24,031,868	54,711,418
(Allowance for impairment)	(2,863,155)	(1,602,833)	(2,989,608)	(1,680,261)
Total loans and advances to other customers less impairment	25,271,918	58,876,684	21,042,260	53,031,157

current year 2024					previous year 2023			
Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment		Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment
in MKD thousands								
Movement of impairment								
Balance as at 1 January	923,596	1,881,511	1,864,762	4,669,869	858,205	2,230,938	2,099,420	5,188,563
Allowance for impairment for the year								
additional impairment	944,659	2,004,616	754,662	3,703,937	836,687	1,784,439	657,922	3,279,048
(reversal impairment)	(1,199,930)	(1,364,960)	(809,524)	(3,374,414)	(1,198,331)	(1,533,713)	(554,872)	(3,286,916)
Transfer to:								
- impairment for Stage 1	(241,589)	231,443	10,145	0	(226,964)	226,657	307	0
- impairment for Stage 2	550,350	(839,953)	289,603	0	567,462	(904,187)	336,725	0
- impairment for Stage 3	62,409	21,027	(83,436)	0	86,537	77,337	(163,874)	0
(Foreclosed assets)	0	0	0	0	0	0	0	0
Effect of exchange differences	(45)	195	(77)	73	0	40	32	72
(Write-offs)	0	0	(533,477)	(533,477)	0	0	(510,898)	(510,898)
Balance as at 31 December	1,039,450	1,933,879	1,492,658	4,465,988	923,596	1,881,511	1,864,762	4,669,869

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
22 Loans and advances
22.2 Loans and advances to other customers
B Structure of loans and advances to other customers by the type of collateral

	in MKD thousands	
	current year 2024	previous year 2023
(carrying amount of loans and advances)		
First-class collateral instruments		
cash deposits (in a depot and/or restricted on accounts in the bank)	939,919	1,292,212
government securities	0	0
government unconditional guarantees	0	0
bank guarantees	0	0
Guarantees by insurance companies and insurance policies	0	0
Corporate guarantees (except banking and insurance companies)	0	0
Guarantees from citizens	0	0
Pledged real estate		
property for personal use (apartments, houses)	17,831,691	15,068,803
property for business	10,514,445	9,859,139
Pledged movable property	2,552,616	2,419,713
Other types of collateral	6,913,430	4,297,237
Unsecured	45,396,501	41,136,313
Total loans and advances to other customers less impairment	84,148,602	74,073,417

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

23 Investments securities
23.1 Investments in financial assets available for sale

Structure of investments in financial assets available for sale by type of financial instrument

in MKD thousands	
	current year 2024
	previous year 2023
Debt securities	
Treasury bills	0
Government bills	0
Other instruments on money market	0
Government Bonds	2,694,804
Corporate bonds	0
Other debt instruments	0
	2,694,804
	2,647,677
Quoted	2,694,804
Unquoted	0
Equity securities	
Equity instruments issued by banks	0
Other equity instruments	169,438
	169,438
	142,982
Quoted	0
Unquoted	169,438
Total investments in financial instruments available for sale	2,864,242
	2,790,659

The Bank assesses and measures the expected credit losses for investments in debt securities in this category. The impairment loss for this category is shown in "Revaluation reserve for available-for-sale".

		current year 2024				previous year 2023			
		Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment	Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment
in MKD thousands									
Movement of impairment									
Balance as at 1 January	0	0	0	0	0	0	0	0	0
Allowance for impairment for the year	0	0	0	0	0	0	0	0	0
additional impairment	0	0	0	0	0	0	0	0	0
(reversal impairment)	0	0	0	0	0	0	0	0	0
Transfer to:	0	0	0	0	0	0	0	0	0
- impairment for Stage 1	0	0	0	0	0	0	0	0	0
- impairment for Stage 2	0	0	0	0	0	0	0	0	0
- impairment for Stage 3	0	0	0	0	0	0	0	0	0
(Foreclosed assets)	0	0	0	0	0	0	0	0	0
Effect of exchange differences	0	0	0	0	0	0	0	0	0
(Write-offs)	0	0	0	0	0	0	0	0	0
Balance as at 31 December	0	0	0	0	0	0	0	0	0

(all amounts in MKD thousands unless otherwise stated)

23.2 Investments in financial assets held to maturity

	in MKD thousands	
	current year 2024	previous year 2023
<i>Debt securities</i>		
Treasury bills	0	0
Government Bonds	5,831,847	3,904,521
Other instruments on money market	0	0
Bonds issued by the state	11,955,727	8,740,673
Corporate bonds	0	0
Other debt instruments	0	413,367
	17,787,574	13,058,561
Listed	6,706,467	4,975,127
Unlisted	11,081,107	8,083,433
Total investments in financial instruments held to maturity before impairment	17,787,574	13,058,560
(Allowance for impairment)	0	0
Total investments in financial instruments held to maturity less impairment	17,787,574	13,058,560

[illegible]

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
24 Investments in subsidiaries and associates
A Percentage of the bank's participation in subsidiaries and associates

Name of subsidiaries and associates	Country	in %			
		Percentage of participation in equity		Percentage of voting right	
		current year 2024	previous year 2023	current year 2024	previous year 2023
NLB Lease&Go DOO Skopje	Republic of North Macedonia	49.00%	49.00%	49.00%	49.00%

B Financial information of associates - 100 percent

Name of associates	in MKD thousands				
	Total assets	Total liabilities	Total capital and reserves	Income	Profit/(loss) for the financial year
current year 2024					
	1,438,235	1,345,612	92,623	1,019,691	(41,484)
	1,438,235	1,345,612	92,623	1,019,691	(41,484)
previous year 2023					
	609,525	517,472	92,053	669,517	(36,210)
	609,525	517,472	92,053	669,517	(36,210)

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
25 Other assets

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Trade Receivables	58,557
Prepaid expense	38,726
Deferred income	0
Fees and commission receivables	92,728
Receivables from employees	4,392
Advances for intangible assets	4,066
Advances for property and equipment	5,985
Other	
account for short-term settlement of credit card operations	552,134
pre-paid pensions	0
claims from card operations with no limit	112,339
inventory of material	27,646
Receivable Receivables from securities settlements	0
Receivable accrual	477
Other remaining claims	40,783
Total other assets before impairment	937,833
(Allowance for impairment)	(53,953)
Total other receivable less impairment	883,880

	current year 2024				previous year 2023			
	Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment	Impairment for Stage 1	Impairment for Stage 2	Impairment for Stage 3	Total impairment
Movement of impairment								
Balance as at 1 January	14,987	4,080	31,660	50,727	12,420	5,087	29,913	47,420
Allowance for impairment for the year								
additional impairment	28,877	15,691	42,000	86,568	11,035	58,670	39,813	109,518
(reversal impairment)	(32,403)	(11,502)	(19,583)	(63,488)	(54,073)	(15,037)	(15,032)	(84,142)
Transfer to:								
- impairment for Stage 1	(14,499)	14,488	11	0	(21,253)	21,252	1	0
- impairment for Stage 2	17,450	(21,670)	4,219	(1)	63,052	(67,416)	4,364	0
- impairment for Stage 3	4,166	1,376	(5,541)	1	3,831	1,688	(5,519)	0
(Foreclosed assets)	0	0	0	0	0	0	0	0
Effect of exchange differences	(16)	16	(14)	(14)	(10)	12	(1)	1
(Write-offs)	(5)	(203)	(19,631)	(19,839)	(15)	(176)	(21,879)	(22,070)
Balance as at 31 December	18,557	2,276	33,121	53,955	14,987	4,080	31,660	50,727

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***26 Pledged assets**

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Debt securities	0
Equity securities	0
Loans and advances to banks	0
Loans and advances to other customers	0
Other assets	0
Total pledged assets	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
27 Foreclosed assets

	Land	Buildings	Equipment	Residential buildings and apartments	Other	Total
<i>in MKD thousands</i>						
Opening carrying amount						
Balance as at 1 January 2023 (previous year)	4,256	244,567	38,635	(1)	1,020	288,477
foreclosed during the year	0	9,288	0	1	0	9,289
(disposals during the year)	0	(178,921)	(37,671)	0	(159)	(216,751)
(transfer in property)	0	0	0	0	0	0
Balance as at 31 December 2023 (previous year)	4,256	74,934	964	0	861	81,015
Balance as at 1 January 2024 (current year)	4,256	74,934	964	0	861	81,015
foreclosed during the year	0	678	0	0	0	678
(disposals during the year)	0	0	(28)	0	(8)	(36)
(transfer in property)	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	4,256	75,612	936	0	853	81,657
Depreciation						
Balance as at 1 January 2023 (previous year)	866	133,090	23,085	0	1,020	158,061
impairment loss during the year	678	13,070	44	0	0	13,792
(disposals during the year)	0	(100,151)	(22,183)	0	(159)	(122,493)
(transfer in property)	0	0	0	0	0	0
Balance as at 31 December 2023 (previous year)	1,544	46,009	946	0	861	49,360
Balance as at 1 January 2024 (current year)	1,544	46,009	946	0	861	49,360
impairment loss during the year	542	5,921	4	0	0	6,467
(disposals during the year)	0	0	(28)	0	(8)	(36)
(transfer in property)	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	2,086	51,930	922	0	853	55,791
Current carrying amount						
as at 1 January 2023 (previous year)	3,390	111,477	15,550	(1)	0	130,416
as at 31 December 2023 (previous year)	2,712	28,925	18	0	0	31,655
as at 31 December 2024 (current year)	2,170	23,682	14	0	0	25,866

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
28 Intangible assets
A Reconciliation of current carrying amount

<i>in MKD thousands</i>	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in course of construction	Investments in leased intangible assets	Non-controlling interest*	Total
At cost								
Balance as at 1 January 2023 (previous year)	0	658,209	0	308,958	35,064	30,758	0	1,032,989
increase by new purchases	0	8,156	0	4,309	22,330	4,604	0	39,399
increase by internal development	0	0	0	0	0	0	0	0
increase by business combinations	0	0	0	0	0	0	0	0
(disposals)	0	(25,970)	0	(21,041)	0	0	0	(47,011)
(disposals by business combinations)	0	0	0	0	0	0	0	0
(transfer to non-current assets held for sale)	0	0	0	0	0	0	0	0
transfer from non-current assets held for sale	0	0	0	0	0	0	0	0
other transfers	0	17,998	0	0	(39,979)	21,981	0	0
Balance as at 31 December 2023 (previous year)	0	658,393	0	292,226	17,415	57,343	0	1,025,377
Balance as at 1 January 2024 (current year)	0	658,393	0	292,226	17,415	57,343	0	1,025,377
increase by new purchases	0	8,512	0	2,490	27,701	9,273	0	47,976
increase by internal development	0	0	0	0	0	0	0	0
increase by business combinations	0	0	0	0	0	0	0	0
(disposals)	0	0	0	0	0	0	0	0
(disposals by business combinations)	0	0	0	0	0	0	0	0
(transfer to non-current assets held for sale)	0	0	0	0	0	0	0	0
transfer from non-current assets held for sale	0	0	0	0	0	0	0	0
other transfers	0	23,063	0	0	(24,975)	1,912	0	0
Balance as at 31 December 2024 (current year)	0	689,968	0	294,716	20,141	68,528	0	1,073,353
Amortisation and depreciation								
Balance as at 1 January 2023 (previous year)	0	463,668	0	258,144	0	16,757	0	738,569
amortisation for the year	0	71,709	0	28,164	0	7,444	0	107,317
impairment loss during the year	0	0	0	0	0	0	0	0
(reversal impairment during the year)	0	0	0	0	0	0	0	0
(disposals)	0	(25,967)	0	(21,041)	0	0	0	(47,008)
Balance as at 31 December 2023 (previous year)	0	509,410	0	265,267	0	24,201	0	798,878
Balance as at 1 January 2024 (current year)	0	509,410	0	265,267	0	24,201	0	799
amortisation for the year	0	70,369	0	20,125	0	12,630	0	103
impairment loss during the year	0	0	0	0	0	0	0	0
(reversal impairment during the year)	0	0	0	0	0	0	0	0
(disposals)	0	0	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	0	579,779	0	285,392	0	36,831	0	902,002
Current carrying amount								
as at 1 January 2023 (previous year)	0	194,541	0	50,814	35,064	14,001	0	294,420
as at 31 December 2023 (previous year)	0	148,983	0	26,959	17,415	33,142	0	226,499
as at 31 December 2024 (current year)	0	110,189	0	9,324	20,141	31,697	0	171,351

* only for consolidated financial statements

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
28 Intangible assets
B Carrying amount of intangible assets where there is a restriction of ownership and/or are pledged as collateral for the obligations of the bank

	<i>in MKD thousand</i>						
	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in course of construction	Investments in leased intangible assets	Total
Current carrying amount:							
as at 31 December 2023 (previous year)	0	0	0	0	0	0	0
as at 31 December 2024 (current year)	0	0	0	0	0	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
29 Property and equipment
A Adjustment of current carrying amount

<i>in MKD thousands</i>	Land	Buildings	Motor vehicles	Furniture and office equipment	Other equipment	Other items on property and equipment	Property and equipment in course of construction	Investments in leased property and equipment	Total
At cost									
Balance as at 1 January 2023 (previous year)	145,639	2,145,804	126,054	601,080	721,439	20,172	737	135,569	3,896,494
increases	0	1,695	16,991	19,200	53,084	654	700	587	92,911
increases by business combinations	0	0	0	0	0	0	0	0	0
(disposals)	0	0	0	(21,446)	(12,859)	(232)	0	(2,729)	(37,266)
(disposals by business combinations)	0	0	0	0	0	0	0	0	0
(transfer to non-current assets held for sale)	0	0	0	0	0	0	0	0	0
transfer from non-current assets held for sale	0	0	0	0	0	0	0	0	0
other transfers	0	0	0	0	1,437	0	(1,437)	0	0
Balance as at 31 December 2023 (previous year)	145,639	2,147,499	143,045	598,834	763,101	20,594	0	133,427	3,952,139
Balance as at 1 January 2024 (current year)	145,639	2,147,499	143,045	598,834	763,101	20,594	0	133,427	3,952,139
increases	0	15,104	19,931	47,577	65,977	219	0	18,063	166,871
increases by business combinations	0	0	0	0	0	0	0	0	0
(disposals)	0	(29,967)	(55,635)	(16,374)	(8,830)	(12)	0	(841)	(111,659)
(disposals by business combinations)	0	0	0	0	0	0	0	0	0
(transfer to non-current assets held for sale)	0	0	0	0	0	0	0	0	0
transfer from non-current assets held for sale	0	0	0	0	0	0	0	0	0
other transfers	0	0	0	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	145,639	2,132,636	107,341	630,037	820,248	20,801	0	150,649	4,007,351
Amortisation and depreciation									
Balance as at 1 January 2023 (previous year)	0	676,464	102,974	479,351	589,917	11,508	0	88,721	1,948,935
amortisation for the year	0	50,388	7,904	32,138	46,027	1,196	0	13,503	151,156
impairment loss during the year	0	0	0	0	0	0	0	0	0
(reversal impairment during the year)	0	0	0	0	0	0	0	0	0
(disposals)	0	0	0	(21,440)	(12,781)	(174)	0	(1,807)	(36,202)
(transfer to non-current assets held for sale)	0	0	0	0	0	0	0	0	0
transfer from non-current assets held for sale	0	0	0	0	0	0	0	0	0
other transfers	0	0	0	0	0	0	0	0	0
Balance as at 31 December 2023 (previous year)	0	726,852	110,878	490,049	623,163	12,530	0	100,417	2,063,889
Balance as at 1 January 2024 (current year)	0	726,852	110,878	490,049	623,163	12,530	0	100,417	2,063,889
amortisation for the year	0	50,260	8,192	31,219	51,209	1,205	0	13,372	155,457
impairment loss during the year	0	0	0	0	0	0	0	0	0
(reversal impairment during the year)	0	0	0	0	0	0	0	0	0
(disposals)	0	(13,736)	(53,581)	(16,343)	(8,641)	(13)	0	(841)	(93,155)
(transfer to non-current assets held for sale)	0	0	0	0	0	0	0	0	0
transfer from non-current assets held for sale	0	0	0	0	0	0	0	0	0
other transfers	0	0	0	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	0	763,376	65,489	504,925	665,731	13,722	0	112,948	2,126,191
Current carrying amount									
as at 1 January 2023 (previous year)	145,639	1,469,340	23,080	121,729	131,522	8,664	737	46,848	1,947,559
as at 31 December 2023 (previous year)	145,639	1,420,647	32,167	108,785	139,938	8,064	0	33,010	1,888,250
as at 31 December 2024 (current year)	145,639	1,369,260	41,852	125,112	154,517	7,079	0	37,701	1,881,160

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
29 Property and equipment
B Carrying amount of property and equipment where there is a restriction of ownership and/or are pledged as collateral for the obligations of the bank

	<i>in MKD thousands</i>	Land	Buildings	Motor vehicles	Furniture and office equipment	Other equipment	Other items on property and equipment	Property and equipment in course of construction	Investments in leased property and equipment	Total
Current carrying amount:										
as at 31 December 2023 (previous year)		0	0	0	0	0	0	0	0	0
as at 31 December 2024 (current year)		0	0	0	0	0	0	0	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

30 Current and deferred tax assets and liabilities
30.1 Current tax assets and current tax liabilities

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Income tax assets (current)	0	0
Income tax liabilities (current)	68,655	99,670
Income tax liabilities (non-current)	134,544	0

30.2 Deferred tax assets and deferred tax liabilities
A Recognized deferred tax assets and deferred tax liabilities

	current year 2024			previous year 2023		
	Deferred tax assets	(Deferred tax liabilities)	Net	Deferred tax assets	(Deferred tax liabilities)	Net
<i>in MKD thousands</i>						
Derivative assets held for risk management	0	0	0	0	0	0
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to other customers	0	0	0	0	0	0
Investments in securities	0	0	0	0	0	0
Intangible assets	0	0	0	0	0	0
Property and equipment	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0
Derivative liabilities held for risk management	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Unutilized tax losses and unutilized tax credits	0	0	0	0	0	0
Other	0	0	0	0	0	0
Deferred tax assets/liabilities recognized in the Income statement	0	0	0	0	0	0
Investments in financial assets available for sale	0	0	0	0	0	0
Protection from cash flow risk	0	0	0	0	0	0
Deferred tax assets/liabilities recognized in the Equity	0	0	0	0	0	0
Total recognized deferred tax assets / liabilities	0	0	0	0	0	0

B Unrecognized deferred tax assets

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Tax losses	0	0
Tax credits	0	0
Total unrecognized deferred tax assets	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
30 Current and deferred tax assets and deferred tax liabilities
C Adjustment of movements in deferred tax assets and deferred tax liabilities during the year

	Recognized during the year in:			
	Balance as at 1 January	Income statement	Equity	Balance as at 31 December
<i>previous year 2023</i>				
Derivative assets held for risk management	0	0	0	0
Loans and advances to banks	0	0	0	0
Loans and advances to other customers	0	0	0	0
Investments securities	0	0	0	0
Intangible assets	0	0	0	0
Property and equipment	0	0	0	0
Other assets	0	0	0	0
			0	
Derivative liabilities held for risk management	0	0	0	0
Other liabilities	0	0	0	0
Unutilized tax losses and unutilized tax credit	0	0	0	0
Other	0	0	0	0
Investments in financial assets available for sale	0	0	0	0
Protection from cash flow risk	0	0	0	0
Total recognized deferred tax assets / liabilities	0	0	0	0
<i>current year 2024</i>				
Derivative assets held for risk management	0	0	0	0
Placement with and loans to banks	0	0	0	0
Placements with and loans to other clients	0	0	0	0
Investments securities	0	0	0	0
Intangible assets	0	0	0	0
Property and equipment	0	0	0	0
Other recivebles	0	0	0	0
Derivative liabilities held for risk management	0	0	0	0
Other liabilities	0	0	0	0
Unutilized tax losses and unutilized tax losses	0	0		0
Other	0	0	0	0
Investments in financial assets available for sale	0	0	0	0
Protection from cash flow risk	0	0	0	0
Total recognized deferred tax assets / liabilities	0	0	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
31 Non-current assets held for sale and disposal group
A Non-current assets held for sale

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Intangible assets	0
Property and equipment	0
Total non-current assets held for sale	0

B Disposal group

<i>in MKD thousands</i>	
current year 2024	previous year 2023
<i>Group of assets for disposal</i>	
Financial assets	0
Intangible assets	0
Property and equipment	0
Investments in associates	0
Tax assets	0
Other assets	0
Total group of assets for disposal	0
<i>Liabilities directly related to the group of assets for disposal</i>	
Financial liabilities	0
Special reserve	0
Tax liabilities	0
Other liabilities	0
Total liabilities directly related to the group of assets for disposal	0

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

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Profit/(loss) recognized from sale of assets held for sale and disposal group	0

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***32 Trading liabilities**

<i>in MKD thousands</i>	
current year 2024	previous year 2023
<i>Deposits from banks</i>	
Current accounts, demand deposits and overnight deposits	0
Time deposits	0
Other deposits	0
0	0
<i>Deposits from other customers</i>	
Current accounts, demand deposits and overnight deposits	0
Time deposits	0
Other deposits	0
0	0
<i>Issued debt securities</i>	
Money market instruments	0
Deposit certificates	0
Issued bonds	0
Other	0
0	0
<i>Other financial liabilities</i>	0
<i>Derivatives for trading</i>	
Agreements dependent on the change of the interest rate	0
Agreements dependent on the change of the exchange rate	0
Agreements dependent on the change of the price of securities	0
Other agreements meeting the criteria of IFRS 9	0
0	0
Total trading liabilities	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
33 Financial liabilities at fair value through profit and loss, designated at initial recognition

<i>in MKD thousands</i>			
current year 2024		previous year 2023	
carrying amount	contractual value, payable on maturity	carrying amount	contractual value, payable on maturity
<i>Deposits from banks</i>			
Current accounts, demand deposits and overnight deposits	0	0	0
Time deposits	0	0	0
Other deposits	0	0	0
0	0	0	0
<i>Deposits from other customers</i>			
Current accounts, demand deposits and overnight deposits	0	0	0
Time deposits	0	0	0
Other deposits	0	0	0
0	0	0	0
<i>Issued securities</i>			
Money market instruments	0	0	0
Deposit certificates	0	0	0
Issued bonds	0	0	0
Other	0	0	0
0	0	0	0
<i>Subordinated liabilities</i>			
0	0	0	0
<i>Other financial liabilities</i>			
51,420	30,989	28,977	24,178
Total financial liabilities at fair value through profit and loss, designated at initial recognition			
51,420	30,989	28,977	24,178

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Movement of changes in the credit ability of the bank, for financial liabilities measured at fair value	
Balance as at 1 January	0
Recognized in Other comprehensive income for the year (Transfer to other reserve funds)	0
Balance as at 31 December	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
34 Deposits
34.1 Deposits from banks

<i>in MKD thousands</i>				
current year 2024		previous year 2023		
short term	long term	short term	long term	
Current accounts				
domestic banks	353,216	0	343,867	0
foreign banks	17,453	0	17,653	0
Demand deposits				
domestic banks	306	0	425	0
foreign banks	0	0	0	0
Time deposits				
domestic banks	0	0	0	0
foreign banks	0	0	0	0
Restricted deposits				
domestic banks	0	0	0	0
foreign banks	0	0	0	0
Other deposits				
domestic banks	0	0	0	0
foreign banks	0	0	0	0
Deposit interest liabilities				
domestic banks	0	0	0	0
foreign banks	0	0	0	0
Current maturity	0	0	0	0
Total deposits from banks	370,975	0	361,945	0

34 Deposits
34.2 Deposits from other customers

<i>in MKD thousands</i>				
current year 2024		previous year 2023		
short term	long term	short term	long term	
Enterprises				
Current accounts	24,981,853	0	21,204,995	0
Demand deposits	254,054	0	298,864	0
Time deposits	95,330	644,297	160,997	541,680
Restricted deposits	235,851	13,890	359,785	90,882
Other deposits	0	0	0	0
Interest payable on deposit	5,607	0	4,573	0
	25,572,695	658,187	22,029,214	632,562
State				
Current accounts	334,519	0	234,457	0
Demand deposits	0	0	0	0
Time deposits	254	0	254	0
Restricted deposits	0	0	0	0
Other deposits	0	0	0	0
Interest payable on deposit	270	0	270	0
	335,043	0	234,981	0
Non-profit institutions				
Current accounts	1,109,287	0	1,017,291	0
Demand deposits	305	0	640	0
Time deposits	51	541	51	541
Restricted deposits	15,716	0	2,659	0
Other deposits	0	0	0	0
Interest payable on deposit	0	0	0	0
	1,125,359	541	1,020,641	541
Financial organisations, except banks				
Current accounts	554,704	0	835,966	0
Demand deposits	0	0	0	0
Time deposits	91,800	237,415	32,138	102,429
Restricted deposits	13,876	487	47,851	801
Other deposits	0	0	0	0
Interest payable on deposit	2,546	0	1,758	0
	662,926	237,902	917,713	103,230
Households				
Current accounts	44,725,706	0	38,412,735	0
Demand deposits	10,726,835	0	10,905,459	0
Time deposits	2,743,351	17,934,972	3,915,770	11,804,658
Restricted deposits	80,846	1,156,010	91,219	1,555,461
Other deposits	0	0	0	0
Interest payable on deposit	233,569	0	107,929	0
	58,510,307	19,090,982	53,433,112	13,360,119
Non-residents, except banks				
Current accounts	667,199	0	705,356	0
Demand deposits	11,127	0	23,189	0
Time deposits	14,949	25,692	18,678	41,679
Restricted deposits	0	0	0	0
Other deposits	0	0	0	0
Interest payable on deposit	263	0	142	0
	693,538	25,692	747,365	41,679
Current maturity				
	7,089,293	(7,089,293)	4,665,464	(4,665,464)
Total deposits from other customers	93,989,161	12,924,011	83,048,490	9,472,667

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***35 Issued debt securities**

<i>in MKD thousands</i>	
current year 2024	previous year 2023
Money market instruments	0
Deposit certificates	0
Issued bonds	0
Other	0
Liabilities for interest on issued securities	0
Total issued debt securities	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
36 Borrowings
A Structure of borrowings by type of obligation and the sector of the lender

	in MKD thousands			
	current year 2024		previous year 2023	
	short term	long term	short term	long term
Banks				
residents				
Borrowings	0	1,761,398	0	2,144,035
Repo transactions	0	0	0	0
Interest payable	2,834	0	488	0
non-residents				
Borrowings	0	496,120	0	600,321
Repo transactions	0	0	0	0
Interest payable	4,159	0	6,653	0
Non financial companies				
Borrowings	0	0	0	0
Repo transactions	0	0	0	0
Interest payable	0	0	0	0
Government				
Borrowings	534	3,215	804	5,097
Repo transactions	0	0	0	0
Interest payable	6	0	9	0
Non-profit institutions				
Borrowings	0	0	0	0
Liabilities for interest	0	0	0	0
Financial organisations, except banks				
Borrowings	0	0	0	0
Repo transactions	0	0	0	0
Interest payable	0	0	0	0
Non-residents, except banks				
Non financial companies				
Borrowings	0	0	0	0
Repo transactions	0	0	0	0
Interest payable	0	0	0	0
State				
Borrowings	0	0	0	0
Repo transactions	0	0	0	0
Interest payable	0	0		0
Non-profit institutions				
Borrowings	0	0	0	0
Repo transactions	0	0	0	0
Interest payable	0	0	0	0
Financial organisations, except banks				
Borrowings	0	0	0	0
Repo transactions	0	0	0	0
Interest payable	0	0	0	0
Households				
Loans payable	0	0	0	0
Interest payable	0	0	0	0
Current maturity	577,099	(577,099)	590,699	(590,699)
Total borrowings	584,632	1,683,634	598,653	2,158,754

NLB BANKA AD SKOPJE

Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)

36 Borrowings
B Borrowing according to the creditor

<i>in MKD thousands</i>				
current year 2024		previous year 2023		
short term	long term	short term	long term	
<i>domestic sources:</i>				
Development Bank of North Macedonia	2,834	1,761,398	488	2,144,035
Ministry of Finance	540	3,215	813	5,097
	3,374	1,764,613	1,301	2,149,132
<i>foreign sources:</i>				
EBRD LONDON UK	4,159	496,120	6,653	600,321
	4,159	496,120	6,653	600,321
Current maturity	577,099	(577,099)	590,699	(590,699)
Total borrowings	584,632	1,683,634	598,653	2,158,754

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
37 Subordinated liabilities

<i>in MKD thousands</i>	
current year 2024	previous year 2023
<i>Subordinated deposit liabilities</i>	
	0
	0
	0
Liabilities for interest	0
	0
<i>Subordinated loan liabilities</i>	
NOVA LJUBLJANSKA BANKA D.D	1,533,228
Liabilities for interest	1,198
	2,086,356
	2,249
	2,088,605
<i>Subordinated debt security issued liabilities</i>	
	0
	0
	0
Liabilities for interest	0
	0
	0
Redeemable priority shares	0
	0
Total subordinated liabilities	1,534,426
	2,088,605

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
38 Provisions

<i>in MKD thousands</i>	Provisions for off- balance	Provisions for contingent liabilities based on litigation	Provisions for pension and other benefits for employees	Provisions for restructuring	Provisions for unfavorable contracts	Other provisions	Total
Balance as at 1 January 2023 (previous year)	150,826	55,740	51,717	0	0	0	258,283
additional provisions during the year	54,021	0	17,917	0	0	0	71,938
(used provisions during the year)	0	(2,391)	(3,757)	0	0	0	(6,148)
(released provisions during the year)	(69,273)	(23,707)	(1,338)	0	0	0	(94,318)
effect of exchange differences	774	0	0	0	0	0	774
Balance as at 31 December 2023 (previous year)	136,348	29,642	64,539	0	0	0	230,529
Balance as at 1 January 2024 (current year)	136,348	29,642	64,539	0	0	0	230,529
additional provisions during the year	104,405	0	11,007	0	0	0	115,412
(used provisions during the year)	0	(20,100)	(2,623)	0	0	0	(22,723)
(released provisions during the year)	(121,926)	0	(2,403)	0	0	0	(124,329)
effect of exchange differences	976	0	0	0	0	0	976
Balance as at 31 December 2024 (current year)	119,803	9,542	70,520	0	0	0	199,865

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***39 Other liabilities**

<i>in MKD thousands</i>		
	current year 2024	previous year 2023
Trade payable	42,792	43,798
Advances received	1,855	3,833
Fee and commission liabilities	25	25
Accrued expense	131,695	144,627
Deferred income from previous years	35,446	32,555
Short-term liabilities to employees	55,456	59,896
Short-term employee benefit liabilities	60,135	58,165
Other		
dividend liabilities	30,862	23,937
accounts for credit card operations	3,508	556,633
elayed payments liabilities	590,019	491,490
obligations linked sales policies	78,024	62,116
undistributed payments for deposits	56,497	0
other	85,116	75,997
Total other liabilities	1,171,430	1,553,072

NLB BANKA AD SKOPJE

Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024

(all amounts in MKD thousands unless otherwise stated)

40 Share capital

A Subscribed Capital

in MKD		number of issued shares				in MKD thousands	
Nominal value per share		ordinary shares		non-redeemable priority shares		Total share capital	
ordinary shares	non-redeemable priority shares	current year 2024	previous year 2023	current year 2024	previous year 2023	current year 2024	previous year 2023
Balance as at 1 January - fully paid	1,000	0	854,061	854,061	0	854,061	854,061
Subscribed shares during the year	0	0	0	0	0	0	0
Realization of share options	0	0	0	0	0	0	0
Division / consolidation of the nominal value of the share	0	0	0	0	0	0	0
Other changes during the year	0	0	0	0	0	0	0
Balance as at 31 December - fully paid	1,000	0	854,061	854,061	0	854,061	854,061

NLB BANKA AD SKOPJE

Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)

40 Share capital**B Dividends****B.1 Published dividends and paid dividends by the bank**

	<i>in MKD thousands</i>	
	current year	previous year
	2024	2023
Decelared dividends and paid dividends for the year	2,251,305	2,076,222

	<i>in MKD thousands</i>	
	current year	previous year
	2024	2023
Dividend per ordinary share	2,636	2,431
Dividend per priority share	0	0

B.2 Dividends published after the Balance sheet date (dividend liabilities are not presented in the Balance sheet)

	<i>in MKD thousands</i>	
	current year	previous year
	2024	2023
Announced dividend after 31 December	0	0

	<i>in MKD</i>	
	current year	previous year
	2024	2023
Dividend per ordinary share	0.00	0.00
Dividend per priority share	0.00	0.00

C Shareholders whose ownership exceeds 5% of shares with voting rights

	<i>in MKD thousands</i>		<i>in %</i>	
	current year	previous year	current year	previous year
	2024	2023	2024	2023
Name of the shareholder	Share capital (nominal value)	Share capital (nominal value)	voting right	voting right
NLB d.d. Ljubljana	742,804	742,804	86.97%	86.97%
Total	742,804	742,804	86.97%	86.97%

41 Earnings per share
A Basic earnings per share
Net profit attributable to holders of ordinary shares

Net profit for the year

Dividend for non-redeemable priority shares

Corrections of the net profit attributable to holders of ordinary shares

Net profit attributable to holders of ordinary shares

<i>in MKD thousands</i>	
current year 2024	previous year 2023
3,294,993	3,216,860
0	0
0	0
3,294,993	3,216,860

Weighted average number of ordinary shares

Ordinary shares issued as at 1 January

Effects of changes in the number of ordinary shares during the year

Weighted average number of ordinary shares as at 31 December
Basic earnings per share (in MKD)

<i>number of shares</i>	
current year 2024	previous year 2023
854,061	854,061
0	0
854,061	854,061
3,858	3,767

41 Earnings per share
B Diluted earnings per share

Net profit attributable to holders of ordinary shares (diluted)

Net profit for the year attributable to holders of ordinary shares

Correction of the net profit attributable to holders of ordinary shares for the effects of all issued potential ordinary shares (diluted)

Net profit attributable to holders of ordinary shares (diluted)

<i>in MKD thousands</i>	
current year 2024	previous year 2023
3,294,993	3,216,860
0	0
3,294,993	3,216,860

Weighted average number of ordinary shares (diluted)

Issued ordinary shares issued as at 1 January

Effects of issuing potential ordinary shares

Weighted average number of ordinary shares (diluted) as at 31 December

Diluted earnings per share (in MKD)

<i>number of shares</i>	
current year 2024	previous year 2023
854,061	854,061
0	0
854,061	854,061
3,858	3,767

42 Contingent liabilities and contingent assets
42.1 Contingent liabilities

<i>in MKD thousands</i>		
	current year 2024	previous year 2023
Unsecured payment guarantees		
in denars	3,780,404	3,828,070
in foreign currency	1,190,439	1,298,617
in denars with currency clause	178,994	212,334
Service uncovered guarantees		
in denars	2,083,927	2,019,180
in foreign currency	259,738	76,679
in denars with currency clause	120,972	163,145
Uncovered letters of credit		
in denars	0	0
in foreign currency	1,638,047	1,459,088
in denars with currency clause	0	0
Unused overdrafts on current accounts	1,588,881	1,461,159
Unused limits on credit cards	1,744,799	1,807,575
Oreclosed liabilities for crediting and unused credit limits	6,419,266	6,381,250
Issued secured guarantees	173,405	226,685
Covered letters of credit	1,642	31,276
Other contingent liabilities	0	0
Total contingent liabilities before provisions	19,180,514	18,965,058
(Provisions)	(119,803)	(136,348)
Total contingent liabilities less provisions	19,060,711	18,828,710

42.2 Contingent assets

<i>in MKD thousands</i>		
	current year 2024	previous year 2023
List the significant potential assets:		
_____	0	0
_____	0	0
_____	0	0
Total contingent assets	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
43 Activities managed on behalf of third parties

	in MKD thousands					
	current year 2024			previous year 2023		
	assets	liabilities	net	assets	liabilities	net
Administration of assets on behalf of third parties						
Deposits in denars	0	285,854	(285,854)	0	311,990	(311,990)
Deposits in foreign currency	0	0	0	0	0	0
Loans in denars	619,546	336,829	282,717	701,846	392,602	309,244
Loans in foreign currency	0	0	0	0	0	0
Other assets in denars	51,276,311	51,285,689	(9,378)	49,704,124	49,705,403	(1,279)
Other assets in foreign currency	0	0	0	0	0	0
Management of assets on behalf of third parties				0	0	
Deposits in denars	0	0	0	0	0	0
Deposits in foreign currency	0	0	0	0	0	0
Loans in denars	0	0	0	0	0	0
Loans in foreign currency	0	0	0	0	0	0
Other assets in denars	0	0	0	0	0	0
Other assets in foreign currency	0	0	0	0	0	0
Custody accounts	7,610	7,610	0	9,997	10,044	(47)
Other	0	0	0	0	0	0
Total	51,903,467	51,915,982	(12,515)	50,415,967	50,420,039	(4,072)

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
44 Related party transactions
A Balance sheet

<i>in MKD thousands</i>	Parent bank	Subsidiary	Associate	Management personnel of the Bank	Other related parties	Total
Balance as at 31 December 2024 (current year)						
Assets						
Current accounts	212,457	0	0	0	68,539	280,996
Trading assets	0	0	0	0	0	0
Loans and advances						
mortgage loans	0	0	0	0	0	0
consumer loans	0	0	0	11,823	8,952	20,775
financial lease claims	0	0	0	0	0	0
factoring and forfeiting claims	0	0	0	0	0	0
other loans and advances	0	0	316,006	43,275	8,532	367,813
Investment securities	0	0	0	0	0	0
(Allowance for impairment)	(2,125)	0	(14,080)	(462)	(878)	(17,545)
Other assets	11,447	0	4	816	7,959	20,226
Total	221,779	0	301,930	55,452	93,104	672,265
Liabilities						
Trading liabilities	0	0	0	0	0	0
Deposits	273	0	86,798	48,918	165,138	301,127
Issued securities	0	0	0	0	0	0
Borrowings	0	0	0	0	0	0
Subordinated liabilities	1,534,426	0	0	0	0	1,534,426
Other liabilities	8,775	0	152	7,665	16,968	33,560
Total	1,543,474	0	86,950	56,583	182,106	1,869,113
Contingent liabilities						
Issued guarantees	14,372	0	0	0	177	14,549
Issued letters of credit	0	0	0	0	0	0
Other contingent liabilities	0	0	181,053	11,255	80,904	273,212
(Provisions)	(144)	0	0	(72)	(37)	(253)
Total	14,228	0	181,053	11,183	81,044	287,508
Contingent assets						
Received guarantees	0	0	0	0	0	0
Other contingent assets	0	0	0	0	0	0
Total	0	0	0	0	0	0

<i>in MKD thousands</i>	Parent bank	Subsidiary	Associate	Management personnel of the Bank	Other related parties	Total
Balance as at 31 December 2023 (previous year)						
Assets						
Current accounts	227,121	0	0	0	59,937	287,058
Trading assets	0	0	0	0	0	0
Loans and advances						
mortgage loans	0	0	0	0	0	0
consumer loans	0	0	0	15,496	8,968	24,464
financial lease claims	0	0	0	0	0	0
factoring and forfeiting claims	0	0	0	0	0	0
other loans and advances	0	0	407,941	37,525	323,113	768,579
Investment securities	0	0	0	0	0	0
(Allowance for impairment)	(2,271)	0	(38,916)	(451)	(14,432)	(56,070)
Other assets	8,844	0	10	650	3,716	13,220
Total	233,694	0	369,035	53,220	381,302	1,037,251
Liabilities						
Trading liabilities	0	0	0	0	0	0
Deposits	217	0	14,742	52,243	342,242	409,444
Issued securities	0	0	0	0	0	0
Borrowings	0	0	0	0	0	0
Subordinated liabilities	2,088,605	0	0	0	0	2,088,605
Other liabilities	22,608	0	143	23,421	(7,651)	38,521
Total	2,111,430	0	14,885	75,664	334,591	2,536,570
Contingent liabilities						
Issued guarantees	8,988	0	0	0	195	9,183
Issued letters of credit	0	0	0	0	0	0
Other contingent liabilities	0	0	61,695	13,659	2,430	77,784
(Provisions)	(90)	0	0	(60)	(33)	(183)
Total	8,998	0	61,695	13,599	2,592	86,784
Contingent assets						
Received guarantees	0	0	0	0	0	0
Other contingent assets	0	0	0	0	0	0
Total	0	0	0	0	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
44 Related party transactions
B Income and expenses from transactions with related parties

<i>in MKD thousands</i>	Parent bank	Subsidiary	Associate	Management personnel of the Bank	Other related parties	Total
2024 (current year)						
Income						
Interest income	12,017	0	19,329	1,791	713	33,850
Fee and commission income	9,845	0	370	312	788	11,315
Net trading income	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Capital gain from sale of non-current assets	0	0	0	0	0	0
Other income	16,926	0	2,013	75	8,637	27,651
Transfers between entities	0	0	0	0	0	0
Total	38,788	0	21,712	2,178	10,138	72,816
Expenses						
Interest expenses	(181,493)	0	(197)	(386)	(2,347)	(184,423)
Fee and commission expenses	(52,406)	0	0	0	(188)	(52,594)
Net trading expenses	4,920	0	0	0	0	4,920
Expenses for purchase of non-current assets	0	0	0	0	0	0
Impairment on financial assets, net	(56)	0	24,862	(8)	32	24,830
Other expenses	(41,840)	0	(2,905)	(4,731)	(45,345)	(94,821)
Transfers between entities	0	0	0	0	0	0
Total	(270,875)	0	21,760	(5,125)	(47,848)	(302,088)

<i>in MKD thousands</i>	Parent bank	Subsidiary	Associate	Management personnel of the Bank	Other related parties	Total
2023 (previous year)						
Income						
Interest income	5,040	0	13,986	1,924	4,659	25,609
Fee and commission income	13,361	0	239	368	952	14,920
Net trading income	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Capital gain from sale of non-current assets	0	0	0	0	0	0
Other income	9,462	0	1,208	69	5,605	16,344
Transfers between entities	0	0	0	0	0	0
Total	27,863	0	15,433	2,361	11,216	56,873
Expenses						
Interest expenses	(232,468)	0	0	(175)	(1,204)	(233,847)
Fee and commission expenses	(57,610)	0	0	0	(550)	(58,160)
Net trading expenses	(2,109)	0	0	0	0	(2,109)
Expenses for purchase of non-current assets	0	0	0	0	0	0
Impairment on financial assets, net	2,452	0	(38,940)	149	(12,219)	(48,558)
Other expenses	(72,026)	0	0	(4,911)	(110,374)	(187,311)
Transfers between entities	0	0	0	0	0	0
Total	(361,761)	0	(38,940)	(4,937)	(124,347)	(529,985)

C Compensate of the Management personnel of the Bank

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Short-term employee benefits	217,386	182,323
Benefits after the termination of employment	5,627	6,847
Benefits due to employment termination	0	0
Share-based payments by equity holders, settled by equity instruments	0	0
Payments to employees based on shares, settled in cash	0	0
Other	18,634	4,420
Total	241,647	193,590

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
45 Leases
A Lessor
A.1 Receivables for financial leases

	Total claims for financial leases	Maturity period of claims for financial leases		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in MKD thousands</i>				
Balance as at 31 December 2024 (current year)				
Current value of minimum lease payments				
	0	0	0	0
Total	0	0	0	0
Balance as at 31 December 2023 (previous year)				
Current value of minimum lease payments				
	0	0	0	0
Total	0	0	0	0

A.2 Claims for irrevocable operating leases

	Total claims for irrevocable operating leases	Maturity period of claims for irrevocable operating leases		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in MKD thousands</i>				
Balance as at 31 December 2024 (current year)				
Current value of minimum lease payments				
	0	0	0	0
Total	0	0	0	0
Balance as at 31 December 2023 (previous year)				
Current value of minimum lease payments				
	0	0	0	0
Total	0	0	0	0

	Land	Buildings	Motor vehicles	Furniture and office equipment	Other equipment	Other items on property and equipment	Total
<i>in MKD thousands</i>							
Value of the property given under operating lease:							
balance as at 31 December 2024 (current year)	0	182,349	0	0	0	0	182,349
balance as at 31 December 2023 (previous year)	0	184,861	0	0	0	0	184,861
Total	0	182,349	0	0	0	0	182,349

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
45 Leases
B Lessee
B.1 Liabilities for financial leases

	Total liabilities for financial leases	Maturity period of financial lease receivable		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in MKD thousands</i>				
Balance as at 31 December 2024 (current year)	0	0	0	0
Total	0	0	0	0
Balance as at 31 December 2023 (previous year)	0	0	0	0
Total	0	0	0	0

	Land	Buildings	Motor vehicles	Furniture and office equipment	Other equipment	Other items on property and equipment	Total
<i>in MKD thousands</i>							
Value of property under financial lease:							
At cost							
Balance as at 1 January 2023 (previous year)	0	0	0	0	0	0	0
increases	0	0	0	0	0	0	0
(Disposal and write offs)	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0
Balance as at 31 December 2023 (previous year)	0	0	0	0	0	0	0
Balance as at 1 January 2024 (current year)	0	0	0	0	0	0	0
increases	0	0	0	0	0	0	0
(disposals)	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	0	0	0	0	0	0	0
Amortisation and depreciation							
Balance as at 1 January 2023 (previous year)	0	0	0	0	0	0	0
amortisation for the year	0	0	0	0	0	0	0
impairment loss during the year	0	0	0	0	0	0	0
(reversal impairment during the year)	0	0	0	0	0	0	0
(disposals)	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0
Balance as at 31 December 2023 (previous year)	0	0	0	0	0	0	0
Balance as at 1 January 2024 (current year)	0	0	0	0	0	0	0
amortisation for the year	0	0	0	0	0	0	0
impairment loss during the year	0	0	0	0	0	0	0
(reversal impairment during the year)	0	0	0	0	0	0	0
(disposals)	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0
Balance as at 31 December 2024 (current year)	0	0	0	0	0	0	0
Current carrying amount							
as at 1 January 2023 (previous year)	0	0	0	0	0	0	0
as at 31 December 2023 (previous year)	0	0	0	0	0	0	0
as at 31 December 2024 (current year)	0	0	0	0	0	0	0

NLB BANKA AD SKOPJE**Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024***(all amounts in MKD thousands unless otherwise stated)***45 Leases****B Lessee****B.2 Liabilities under financial lease**

	Total liabilities for irrevocable operating leases	Maturity period of liabilities for irrevocable operating leases		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in MKD thousands</i>				
Balance as at 31 December 2024 (current year)	21,537	21,537	0	0
Total	21,537	21,537	0	0
Balance as at 31 December 2023 (previous year)	21,205	21,205	0	0
Total	21,205	21,205	0	0

NLB BANKA AD SKOPJE
Unaudited financial statements in accordance with NBRNM regulation for the year ended 31 December 2024
(all amounts in MKD thousands unless otherwise stated)
46 Payment based on shares

	<i>in MKD thousands</i>	
	current year 2024	previous year 2023
Date of granting of option	0	0
Expiry date of the option	0	0
Price of option realization	0	0
Share price on the date the option is granted	0	0
Variance	0	0
Expected dividend yield	0	0
Interest rate	0	0
Fair value at the date of the option granted	0	0

	current year 2024		previous year 2023	
	number of stock options	weighted average price for stock options	number of stock options	weighted average price for stock options
Balance as at 1 January	0	0	0	0
Changes during the year:				
options given to the members of the Supervisory board	0	0	0	0
options given to the members of the Management board	0	0	0	0
other options given	0	0	0	0
forfeited options	0	0	0	0
realized options	0	0	0	0
expired options	0	0	0	0
Balance as at 31 December	0	0	0	0

Annual Shareholders Assembly of NLB Banka AD Skopje

Proposal-Decision to adopt the Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024 with the Opinion of the Supervisory Board regarding the Report

Pursuant to Article 39 paragraf 1 of the Statute of NLB Banka AD Skopje, the Assembly of NLB Banka AD Skopje adopted the following:

Decision to adopt the Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024 with the Opinion of the Supervisory Board regarding the Report

1. The Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024 with the Opinion of the Supervisory Board regarding the Report is adopted, annex to this decision;
2. The decision comes into force on the day of adoption.

In Skopje, 29.05.2025

The decision shall be submitted to:
Secretariat
Financial Accounting and
Reporting Department

Chairman
of the Annual Shareholders Assembly
of NLB Banka AD Skopje

Executive Summary

Pursuant to Article 39 paragraph 1 of the Statute of NLB Banka AD Skopje, the General Meeting of Shareholders reviews and adopts the Report of the Audit Company and the written opinion on it prepared by the Supervisory Board.

The Supervisory Board of NLB Banka AD Skopje has given a written opinion on the Report by the auditing company Audit Company KPMG Audit DOO Skopje on the conducted audit of the financial statements of NLB Banka AD Skopje, in accordance with the regulation of National Bank of the Republic of North Macedonia for 2024 and it is an integral part of the Report.