

ProCredit Bank

ANNUAL REPORT 2024

About ProCredit Bank

Mission statement

ProCredit is a German development-oriented bank for Eastern and Southeastern Europe dedicated to supporting micro, small, and medium-sized enterprises (MSMEs) and private individuals while fostering economic growth and sustainable development.

We are committed to delivering exceptional customer service that extends far beyond only offering financial products. Our goal is to build strong and lasting partnerships with our clients by providing personalised advice and consistent support at every stage of their financial journey.

Our core principles guide everything we do, as follows:

- We take the time to thoroughly understand our clients' unique circumstances while conducting sound financial analysis to promote their long-term financial stability.
- We prioritise transparency in all client interactions while ensuring clarity and trust regarding our financial services and products.
- We uphold responsible lending practices that promote financial inclusion while protecting clients from over-indebtedness.
- We focus on driving broad social, economic and environmental impact by engaging with our clients to promote sustainable practices and support their transition towards environmentally responsible operations.

We believe MSMEs are vital drivers of economic and social progress. By supporting them throughout their economic cycle, we aim to foster sustainable development and drive the green transformation in our countries of operation. By offering accessible deposit facilities, digital banking services, and a comprehensive range of financial products, we aim to cultivate a culture of saving and financial responsibility among all our clients, including private individuals.

Our shareholders seek sustainable, long-term returns, aligned with our unwavering commitment to ethical banking practices and positive social impact.

We invest extensively in the training and development of our staff to foster an open, professional, and efficient working environment. This enables us to deliver friendly, knowledgeable, and effective service



Business ethics

Part of the overall mission of the ProCredit Group is to set standards in the financial sectors where we operate. We want to make a difference not only in terms of the target groups we serve and the quality of financial services we provide, but also with regard to business ethics. Our strong corporate values play a key role in this respect. Six core principles guide the operations of ProCredit institutions, such as:

Transparency: We provide transparent information to our customers, the general public and our employees. For example, we ensure that customers fully understand the terms of the contracts they conclude with us, and we engage in financial education in order to raise public awareness of the dangers of non-transparent financial offers.

A culture of open communication: We are open, fair and constructive in our communication with each other, and deal with conflicts at work in a professional manner, while working together to find solutions.

Social responsibility and tolerance: We offer our clients sound and well-founded advice. Before offering any loans to our customers, we assess their economic and financial situation, their business potential and repayment capacity adequate to avoiding any over-indebtness, and provide appropriate financial services. In addition, we are committed to treating all customers and employees with fairness and respect, regardless of their origin, colour, language, gender or religious beliefs.

Service orientation: Every client is served in a friendly, competent and courteous manner. Our employees are committed to providing excellent service to all customers, regardless of their background or the size of their business.

High professional standards: Our employees take personal responsibility for the quality of their work and always strive to grow as professionals.

A high level of personal integrity and commitment: Complete honesty is required of all employees in the ProCredit Group at all times, and any breaches of this principle are dealt with swiftly and rigorously. These values are the backbone of our corporate culture and they are discussed and applied actively in our day-to-day operations. Moreover, they are reflected in the ProCredit Code of Conduct, which transforms the Group's ethical principles into practical guidelines for all staff.



Management Board

Stevche Kuzmanovski
Member of the Management Board

Maja Mihajlova
Member of the Management Board

Emilija Spirovska
Member of the Management Board

Milan Damchevski
Member of the Management Board

Letter from Management Board

Dear colleagues, clients, associates,

We are celebrating yet another successful year with excellent operational results. We are confirming our role of a strategic partner of the business, a trustworthy bank for private clients, a progressive, and an innovative bank dedicated to the community, as well as to sustainability and social responsibility. Today, ProCredit Bank is positioned as one of the leading financial institutions in the country, a systemically important bank, with a deposit portfolio of EUR 610 million, a credit portfolio of EUR 553 million, and a market share of 11 %.

Our international presence focused on the Balkan region and Southeast Europe makes ProCredit Bank a leader in the region. We work actively on networking our clients to provide support for and assist the development of the business regionally, while facilitating their international operations by offering the most favorable and fastest transfers.

Guided by our dedication to the encouragement of innovation and economic growth and development through support of the local community, we implemented strategic initiatives for support of youth in business, the startup community, and women in business and local entrepreneurship in the course of 2024. We encouraged new and brave ideas through facilitated access to financial services, financial education and

networking. Our goal is always targeting the best interest of the clients by carefully tailoring the services and financial products to their individual needs.

In 2024, we expanded our network by opening 5 new modern service points in the country, to be physically accessible to all customers, as well as to offer greater availability of our products and the quality advisory services provided by our employees. Today, we operate at 12 locations through our branches, service points and 24/7 Zones.

We continuously introduce new and innovative banking products for individuals, providing them with security, easy access and flexibility. We made it possible for accounts to be open completely digitally through the OneID service, with no need to go physically to a service point. We have also introduced a Digital Banking Assistant that is available 24/7 for any questions of clients and offered a service for electronic signatures affixed on tablets. In this way, we strive to bring our clients closer to full digital banking. Additionally, we positioned ourselves among young people, creating unique products tailored to their lifestyle.

The positive results accomplished in each individual area are an indicator of the trust that the bank enjoys among its clients: in 2024, we achieved 11.5% growth of the number of active business clients and more than 21 % growth in the number of retail ones, accompanied by a 16 % profit growth, EUR 30 million or 5% growth in deposits, as well as growth of our credit portfolio in total value of EUR 47 million or 9%. Of particular significance is also the exceptionally low level of non-functional loans of 1.46 %, which is below the average in the banking sector, along with the fact that the eco-portfolio constitutes as much as 19% of the Bank's total credit portfolio, a percentage manifestly exceeding the banking sector average.

All of this has been possible thanks to our employees who are the key driving force of ProCredit Bank. In 2024, we hired 59 new staff, ending the year with 259 employees in total. We are grateful to the team of dedicated, diligent, restless professionals with high ethical values and a high degree of responsibility and personal integrity.

We continue with our mission of providing accessible and sustainable financial and non-financial services that contribute to the development of the domestic economy, society and the environment, always offering innovative and practical solutions.

Respectfully,

Emilija Spirovska
Member of the Management Board

Maja Mihajlova
Member of the Management Board

Stevche Kuzmanovski
Member of the Management Board

Milan Damchevski
Member of the Management Board

Key points for ProCredit Bank

FitchRatings

ProCredit is the only bank in North Macedonia rated by the international rating agency Fitch Ratings, and it has the highest possible rating a company can have in North Macedonia.

SUPERVISED BY BaFin

We work in accordance with the best international banking practices and regulatory standards in Germany, a banking system proven to be the most stable in Europe. At a consolidated level, ProCredit Banks are under the supervision of BaFin – the German Federal Financial Supervisory Authority.

Loan Portfolio

553
million EUR
total Loan Portfolio

9%
increase of the total credit portfolio in relation to 2023

1,46%
Level of non-performing loans

19%
participation of the Eco-portfolio in the total credit portfolio

83%
% business loans for micro, small and medium business.

ProCredit Holding

The sole owner of ProCredit Bank is ProCredit Holding (ProCredit Holding AG) which holds a controlling stake in each ProCredit institution. The main functions of ProCredit Holding with regard to banks in the Group are to provide equity and debt financing and indicate the strategic guidelines for development and supervision.

Zeitinger Invest GmbH - is a limited liability company based in Frankfurt, specialized in consultancy for financial institutions. The company is the leading shareholder and strategic investor in the ProCredit Group.

KFW - A German development bank under the financial supervision of the German Federal Government. It finances investments in developing countries and enjoys the highest AAA credit rating by Fitch Ratings.

DOEN Participaties - A Dutch foundation focused on achieving green, socially-inclusive and creative society. DOEN supports inspiring initiatives by issuing subsidies, providing loans or equity investments.

Other shareholders:

ProCredit Group

The ProCredit Group is made up of development-oriented commercial banks operating in South Eastern and Eastern Europe and South America, and it includes a bank in Germany.



Annual Report IFRS 2024

Balance Sheet	EUR'ooo		MKD'ooo		Growth
	2024	2023	2024	2023	
Total Assets	845,516	809,098	51,994,987	49,755,471	4.50%
Gross loan portfolio	554,418	507,676	34,093,962	31,219,520	9.21%
Business loans	460,197	442,696	28,299,842	27,223,612	3.95%
Private loans (Housing + Investment loans)	55,405	41,962	3,407,142	2,580,445	32.04%
Other	38,816	23,018	2,386,978	1,415,464	68.64%
Allowance for impairment of loans	8,729	9,410	536,769	578,694	-7.24%
Net Loan portfolio	545,690	498,265	33,557,193	30,640,826	9.52%
Liabilities to customers	611,144	583,482	37,582,318	35,881,241	4.74%
Liabilities to banks and financial institutions (excluding PCH)	124,434	132,743	7,652,042	8,163,030	-6.26%
Shareholder equity	96,090	78,829	5,909,082	4,847,567	21.90%

Income Statement					
Operating Income	30,769	28,453	1,892,117	1,749,727	8.14%
Operating Expenses	18,347	17,716	1,128,248	1,089,426	3.56%
Operating Profit before tax	12,422	10,737	763,869	660,301	15.69%
Net Profit	11,180	9,636	687,541	592,535	16.03%

Key ratios					
Cost/income ratio	53.23%	50.67%			
ROE	12.78%	13.04%			
Capital Ratio (IFRS)	23.13%	19.57%			
Nonperforming loans (Stage 3 loans)	1.46%	2.02%			

Operational Statistic					
Number of clients	23,524	19,903			
out of which business clients	4,514	4,200			
Loans Outstanding	14,162	11,834			
Number of deposit accounts	65,462	53,906			
Number of staff	259	234			
Number of branches and Service Centers/Points	11	3			



CORPORATE GOVERNANCE REPORT OF PROCREDIT BANK AD SKOPJE

(as required under the Decision on Good Corporate Governance Rules for Banks
(Official Gazette of the RM Nos. 24/2018, 113/2019 and 27/2025)





Introduction

This Report presents the manner of implementing corporate governance within ProCredit Bank AD Skopje, Republic North Macedonia, for the year ending on 31 December 2024. The Report shows the Bank's governing bodies, the independence of their members and the Bank's overall organizational structure which is created such that it shall prevent conflict of interest, as per the requirements set out in the Law on Banks and the Decision on Good Corporate Governance Rules for Banks. During 2024, the Bank was managed through statutory established bodies having the rights and obligations stipulated by the Law on Banks, the Law on Trade Companies and the Bank's Charter.

Based on the corporate culture established, good corporate governance is essential for the successful operation of ProCredit Bank AD Skopje. Through its successful corporate governance, ProCredit Bank AD Skopje strives to maintain stability, responsibility and success within its framework. Successful corporate governance is demonstrated through the efficiency and quality of established processes that are positioned in a way that increases responsibility and reduces risks. The Bank's processes are based on procedures that encourage behaviours in line with mechanisms that prevent conflict of interest, allow for decentralisation and control of the decision-making process, maintain integrity and enhance the managing structure responsibility. Also, the Bank's successful corporate governance guarantees shareholders' interest protection, while its transparency contributes to building and increasing customers' and public confidence in the Bank, which is one of the crucial elements of the Bank's long-term success and good reputation.

In this respect, the Report contains a description of the Bank's management structure and the way these principles are applied in practice to ensure Bank's sound corporate governance.

1. Shareholders structure of ProCredit Bank

ProCredit Holding AG is the sole shareholder of ProCredit Bank AD Skopje, with a stake of 100%, or owner of 6,757,351 shares with nominal value of 5 EUR per share.

The Bank's shareholders have established the Bank's management in accordance with the Law on Banks and its related bylaws.

2. Information and data on the composition and operation of the Supervisory Board, Management Board and other Bank's bodies

2.1. Information on the number and the composition of the Bank's bodies

As of 31 December 2024, the **Supervisory Board** of ProCredit Bank consists of the following 6 (six) members:

- Christian Edgardo Dagrosa
- Jovanka Joleska Popovska
- Eriola Bibolli
- Driss Nor
- Kaspar Baumann
- Elena Naumovska

In 2024, pursuant to the consent by the Governor of the National Bank of the RNM, Ms. Elena Naumovska was re-appointed as the Bank's Supervisory Board Member for a period of 4 years. Also, Ms. Eriola Bibolli was appointed as the Bank's Supervisory Board Member for a period of 4 years, whereby the number of Supervisory Board Members increased to 6.

During 2024, Mr. Christian Edgardo Dagrosa was the Supervisory Board Chair, while Mr. Kaspar Baumann and Ms. Elena Naumovska were independent Board Members.

As of 31 Decmeber 2024, the Bank's Management Board consists of the following 4 (four) members:

- Emilija Spirovska – Management Board Member
- Stevche Kuzmanovski – Management Board Member
- Milan Damchevski – Management Board Member
- Maja Mihajlova – Management Board Member

In 2024, pursuant to the consent by the Governor of the National Bank of the RNM, Ms. Maja Mihajlova was appointed as Management Board Member for a period of 2 years, whereby the number of Management Board Members increased to 4. Mr. Milan Damchevski and Ms. Emilija Spirovska were re-appointed as Management Board Members, each for a period of 4 years.

All Management Board Members are equally responsible for the banking operations and liabilities of the Bank.

The Risk Management Committee, as of 31 December 2024, consists of the following six members:

- Emilija Spirovska – Management Board Member
- Stevche Kuzmanovski – Management Board Member
- Milan Damchevski – Management Board Member

- Maja Mihajlova – Management Board Member
- Aleksandra Bogoevska – Head of Risk Management Department
- Ivana Donchovska – Head of Credit Risk Department

The Risk Management Committee Members were elected from among the persons with special rights and responsibilities employed in the Bank and at least one of the Bank's Management Board Members. All Risk Management Committee Members shall, in addition to meeting the requirements determined by law, have appropriate experience in finance and banking.

With the aim of managing the Bank's overall risk profile, the Risk Management Committee shall hold meetings focused on specific risks.

The Risk Management Committee shall also perform the following duties:

- Continuously monitor and assess the Bank's risk level and identify acceptable risk-exposure levels to minimize any potential losses which could result from the Bank's risk exposure
- Establish risk management policies and monitor their implementation, and accordingly make suggestions for revising them
- Monitor any changes in the National Bank regulations pertaining to risk management and the Bank's compliance with such regulations
- Assess the Bank's risk management systems
- Determine both short- and long-term strategies for managing certain types of risks to which the Bank is exposed
- Analyze the reports on the Bank's risk exposure developed by the Bank's risk assessment units and propose risk-managing strategies, measures and instruments
- Monitor the internal control systems' efficiency in risk management
- Monitor the implementation of the Bank's internal acts relating to the identification, measurement or assessment, control or reduction and monitoring of individual risks
- Determine and regularly revise the exposure limits regarding individual risk types
- Analyze the impact of risk management measures on the Bank's performance
- Analyze the effects of proposed risk management strategies, including proposed risk hedging strategies, measures and instruments
- Inform the Supervisory Board, on a quarterly basis, of any changes in the Bank's risk positions, risk management strategies, the impact of risk management measures on the Bank's performance, and any measures undertaken and instruments employed for Bank's risk hedging and the effects thereof
- Review transactions with any persons associated with the Bank on a quarterly basis and submit a report on such transactions to the Supervisory Board at least once every three months
- Assess the prices of the products and services offered by the Bank with an accepted risk level, in compliance with the Bank's Business Policy and Development Plan
- Approve exposures to entities exceeding 10% to 20% of the Bank's own funds

- Assess whether the remuneration system considers the Bank's risk profile and solvency, liquidity and profitability position.

The Risk Management Committee shall meet at least once a week or more frequently, upon the request of the Supervisory Board or at least two of its Members.

Decisions brought by the Risk Management Committee shall be considered valid only if brought by a simple majority of the Risk Management Committee Members. Minutes shall be drafted on any conducted meeting and kept in chronological order either in electronic form or hard copy by the Risk Management Department.

The Bank's **Audit Committee** consists of the following five members:

- Eriola Bibolli
- Christian Edgardo Dagrosa
- Jovanka Joleska Popovska
- Krsto Nestorov and
- Blagoja Hamamdjiev

During 2024, Ms. Eriola Bibolli was the Audit Committee Chair, Mr. Krsto Nestorov and Mr. Blagoja Hamamdjiev are independent members of the Audit Committee, as stipulated by the Law on Banks, while Mr. Krsto Nestorov is a certified auditor.

Audit Committee Members shall be elected for the period of their mandate in the Bank's Supervisory Board, except for the independent Members who shall be appointed with no period limitation, i.e. all Members shall hold their position of Audit Committee Member up until the Decision on their succession.

In 2024, pursuant to the consent by the Governor of the National Bank of the RNM, Ms. Eriola Bibolli was appointed as the Bank's Supervisory Board Member and also as Audit Committee Member instead of Ms. Elena Naumovska. In addition, Mr. Blagoja Hamamdjiev was appointed instead of Mr. Jordan Damchevski as Audit Committee Member.

Three of these Audit Committee Members shall be elected from among the Supervisory Board Members.

The Audit Committee shall perform the following duties:

- Review the Bank's financial statements and ensure that any financial information disclosed on Bank's operations is accurate and transparent, as specified by the accounting regulations and international accounting standards
- Review and make assessments of internal control systems
- Monitor the operations and assess the efficiency of the Internal Audit Department
- Monitor the Bank's audit process and assess the audit firm's work
- Adopt the Bank's accounting policies
- Monitor the compliance of Bank's operations with any regulations related to accounting standards and financial statements
- Hold meetings with the Management Board, Internal Audit Department and audit firm in order to identify any instances of non-compliance with regulations and weaknesses in the Bank's operations

- Discuss the reports of the Risk Management Committee
- Propose the appointment of an audit firm or cancellation of an already signed agreement with an audit firm
- Report to the Bank's Supervisory Board on its operations at least once per quarter, and
- At least once a year, make assessment of Audit Committee's work from the aspect of Audit Committee's members individually and jointly.

In 2024, the Bank established a Risk Committee within the Supervisory Board. This Committee was established in accordance with the instructions from the ProCredit Holding, with the purpose of creating a prudent and diligent risk-management process, including divided responsibilities in identification and monitoring of risks up to the Supervisory Board level. The Risk Committee within the Supervisory Board has three members, elected from among the Supervisory Board Members.

The Audit Committee shall submit both a Semi-annual and Annual Report on its operations to the Bank's Supervisory Board.

2.2. Procedure for appointing and dismissing members and their qualifications

The procedure for appointing and dismissing members and their qualifications is based on criteria relevant to the assessment of members' qualifications and other requirements defined by the Law on Banks and the Bank's Charter.

When appointing Supervisory Board Members, the Bank's General Shareholders Meeting shall make sure that all members of this body have the requisite professional expertise and experience, and exhibit the personal qualities needed to successfully perform the obligations and responsibilities of a Supervisory Board Member.

Management Board Members, persons with special rights and responsibilities or net debtors of the Bank may not be Supervisory Board Members at the same time.

Supervisory Board Members shall be elected by the General Meeting of Shareholders for a period of four years, with the right to re-election. The Supervisory Board shall consist of six members, of whom two shall be independent Supervisory Board Members.

The Bank's General Meeting of Shareholders may not appoint Supervisory Board Members without prior consent by the Governor of the National Bank of the Republic of North Macedonia.

Management Board Members shall be appointed by the Bank's Supervisory Board for a period of 4 years, with the right to be re-appointed. The Bank's Supervisory Board may not appoint a Management Board Member without prior consent by the Governor of the National Bank of the Republic of North Macedonia.

When appointing Audit Committee Members, the Bank's Supervisory Board shall ensure that the people selected meet the following criteria:

- Members must have the requested professional expertise and experience and fully understand the role of the Audit Committee and its sphere of responsibility within the Bank
- Members must be capable of making independent judgments and assessments and approach their work in an unbiased and objective manner
- Members must be well acquainted with the Bank's operations, products and services
- Members must understand the risks to which the Bank is exposed

- Members must be acquainted with the Bank's internal control systems and risk management policies
- Members must have a good knowledge of accounting and auditing.

2.3. Criteria on independence of Supervisory Board Member and Audit Committee Member

In accordance with the Law on Banks, ProCredit Bank strictly complies with the principle of independence in respect of the membership in its management bodies and decision-making process. The term "Independent Member" as stipulated by the Law on Banks and practice within the Bank shall mean:

- A member that is not employed or does not represent a person with special rights and responsibilities in the Bank
- A member that is not a shareholder with a qualified holding in the Bank or does not represent a shareholder with a qualified holding in the Bank
- A member that does not work or has not been working in an audit company over the last three years, which at that time audited the operations of the Bank
- A member that has no financial interest or business relation with the Bank in an average amount exceeding 3,000,000.00 Denar annually over the last three years.

2.4. Definition of material interest and business relations with the Bank

Independent Supervisory Board Members shall receive payment for the performance of their duties stipulated by the agreement for their appointment, and any travel expenses related to the performance of their duties shall be reimbursed.

2.5. Obligations and responsibilities of both Supervisory and Management Board Members

The obligations and responsibilities of the Members of both Supervisory Board and Management Board are set forth in detail in the Law on Banks and the Bank's Charter.

The Supervisory Board shall supervise the Management Board's work and approve the policies on conducting financial activities, as well as oversee the implementation thereof.

The Supervisory Board shall also perform the following activities:

- Adopt the Bank's Business Policy and Development Plan and monitor the implementation thereof
- Prepare draft proposals for amendments to the Bank's Charter
- Appoint and dismiss Bank's Management Board Members
- Appoint and dismiss Audit Committee Members
- Appoint and dismiss Risk Management Committee Members
- Adopt the Bank's Financial Plan
- Organize the Internal Audit Department
- Approve the Internal Audit Department's Annual Plan
- Adopt the Information Security Policy
- Adopt the Bank's risk management policies

- Adopt the Conflict-of-Interest Policy which shall identify any possible conflict of interest and stipulate the measures and activities for the prevention thereof
- Adopt the Remuneration Policy in compliance with the Business Policy, Development Plan, Financial Plan and Conflict-of-Interest Policy of the Bank
- Adopt and implement the Policy on the manner of appointing, monitoring the operation of, and relieving of duty of, the Members of the Supervisory Board, Risk Management Committee, Audit Committee and Management Board
- At least once a year perform an assessment of the Management Board's own work in terms of individual members and collectively and inform the Bank's General Shareholders Meeting about this
- Review the reports on Bank's Management Board activities
- Review the Audit Committee's reports
- Review the Risk Management Committee's reports
- Review the Compliance Department's reports
- Review the Internal Audit Department's reports
- Approve the Bank's annual account and financial reports
- Approve policies applicable within the ProCredit Group and ensure that these policies are appropriate for the Bank and in compliance with the Republic of North Macedonia's legislation and the National Bank's standards
- Decide on the establishment, relocation, opening and closing of branches, subsidiaries, affiliates and representative offices
- Approve exposures to entities exceeding 20% of the Bank's own funds, except for exposures based on purchase of securities issued by the National Bank of the Republic of North Macedonia
- Approve transactions with Bank's related parties in amounts exceeding MKD 6,000,000.00
- Approve the acquisition of equity holdings and the purchase of securities for amounts greater than 5% of the Bank's own funds, other than the purchase of securities issued by the National Bank of the Republic of North Macedonia
- Decide on the issuance of securities, including bonds, except for shares
- Prepare and submit to the General Meeting of Shareholders proposals for the issuance of shares
- Approve the Audit Committee's proposal for the appointment of an audit firm or recommendation for termination of an agreement with an audit firm, and assume responsibility for ensuring that audits are conducted appropriately
- Adopt the Internal Audit Policy and procedures, monitor the procedures to ensure that they are appropriate, and monitor the efficiency of the Internal Audit Department's operations
- Review any supervisory reports or other reports provided by the National Bank, Public Revenue Office and other competent bodies, and propose or undertake measures and activities to overcome any shortcomings or weaknesses identified in the Bank's operations
- Approve the Annual Report on Bank's Operations and submit a written opinion on the said report

to the Bank's General Meeting of Shareholders

- Review the audit firm's report and submit a written opinion on the said report to the General Meeting of Shareholders
- Adopt the Bank's Code of Conduct
- Adopt the Code of Corporate Governance which regulates the rules for governance and supervision of the Bank
- Decide on any other issues as determined by law.

The Bank's Management Board shall be responsible for the Bank's lawful operation.

The Bank's Management Board shall perform the following activities:

- Manage the Bank's operations
- Represent the Bank
- Implement the decisions of the Bank's General Meeting of Shareholders and Supervisory Board
- Undertake initiatives and submit proposals for improvement of the Bank's operations
- Appoint and dismiss persons with special rights and obligations, and adopt and implement a Policy on the manner of appointment, monitoring the work of, and the relieving of duty of, these persons with special rights and responsibilities, except for the Members of the Supervisory Board, Risk Management Committee, Audit Committee and Management Board
- Prepare the Bank's Business Policy and Development Plan
- Prepare the Bank's Financial Plan
- Implement the ProCredit Group's policies and ensure that these policies are adequate for the Bank and in compliance with the Republic of North Macedonia's legislation and the National Bank's standards
- Prepare the Bank's Information Security Policy
- Prepare an Annual Report on Bank's Operations and submit it to the Supervisory Board
- Decide on granting or taking out loans/guarantees/guarantee schemes by the Bank, issuance of guarantees and other means of providing or issuing, underwriting or acquiring securities within the Bank's credit balance, in accordance with law and the decisions of the General Meeting of Shareholders and Supervisory Board, except for any transactions for which the General Meeting of Shareholders or Supervisory Board have no jurisdiction by law
- Implement the Bank's internal procedures
- Prepare the Bank's Code of Conduct
- Perform any other tasks assigned to it by the Supervisory Board.

The Management Board shall also be responsible for:

- Establishing adequate conditions for the Bank's operation in accordance with regulations
- Monitoring and management of risks that the Bank is exposed to in its operations
- Attaining and maintaining an adequate level of Bank's own funds

- Ensuring the smooth functioning of the internal control system in all areas of Bank's operations
- Ensuring the smooth operation of the Bank's Internal Audit Department on an ongoing basis, i.e. ensuring that the Internal Audit Department has the necessary access to Bank's documentation and employees in order to carry out its activities continuously
- Smooth operation of the Compliance Department or ensuring that the compliance officer, i.e. the Department, has access to the Bank's documentation and employees in order to implement their powers
- Keeping the Bank's trade and other books and business documentation and preparing financial and other reports in accordance with accounting regulations and accounting standards
- Ensuring timely and accurate financial reporting
- Ensuring the timeliness and accuracy of the reports submitted to the National Bank of the Republic of North Macedonia in accordance with the Law and regulations pursuant to the Law, and
- Implementing any measures imposed on the Bank by the Governor.

2.6. Functions of Supervisory Board Members outside the Bank

Supervisory Board Members shall make sure that any activities in which they are engaged outside the Bank, regardless of whether they receive compensation for these activities or not, do not adversely affect their ability to perform their duties and do not damage the Bank's public image.

The functions of the Members of the Supervisory Board of ProCredit Bank outside the Bank include the following:

- Jovanka Joleska Popovska – ProCredit Reporting DOOEL – Consultant, Analyst
- Christian Edgardo Dagrosa – ProCredit Holding AG – Management Board Member
- Eriola Bibolli – ProCredit Holding AG – Management Board Member
- Driss Nor – DOOEN Foundation – Executive Director
- Kaspar Baumann – Clarmondial AG at Weinrebenstrasse 20, 8708 Männedorf, Switzerland – Manager
- Elena Naumovska – Associate Professor at the University "St. Cyril and Methodius", Faculty of Economics – Skopje.

3. Information and data on the Bank's organizational structure

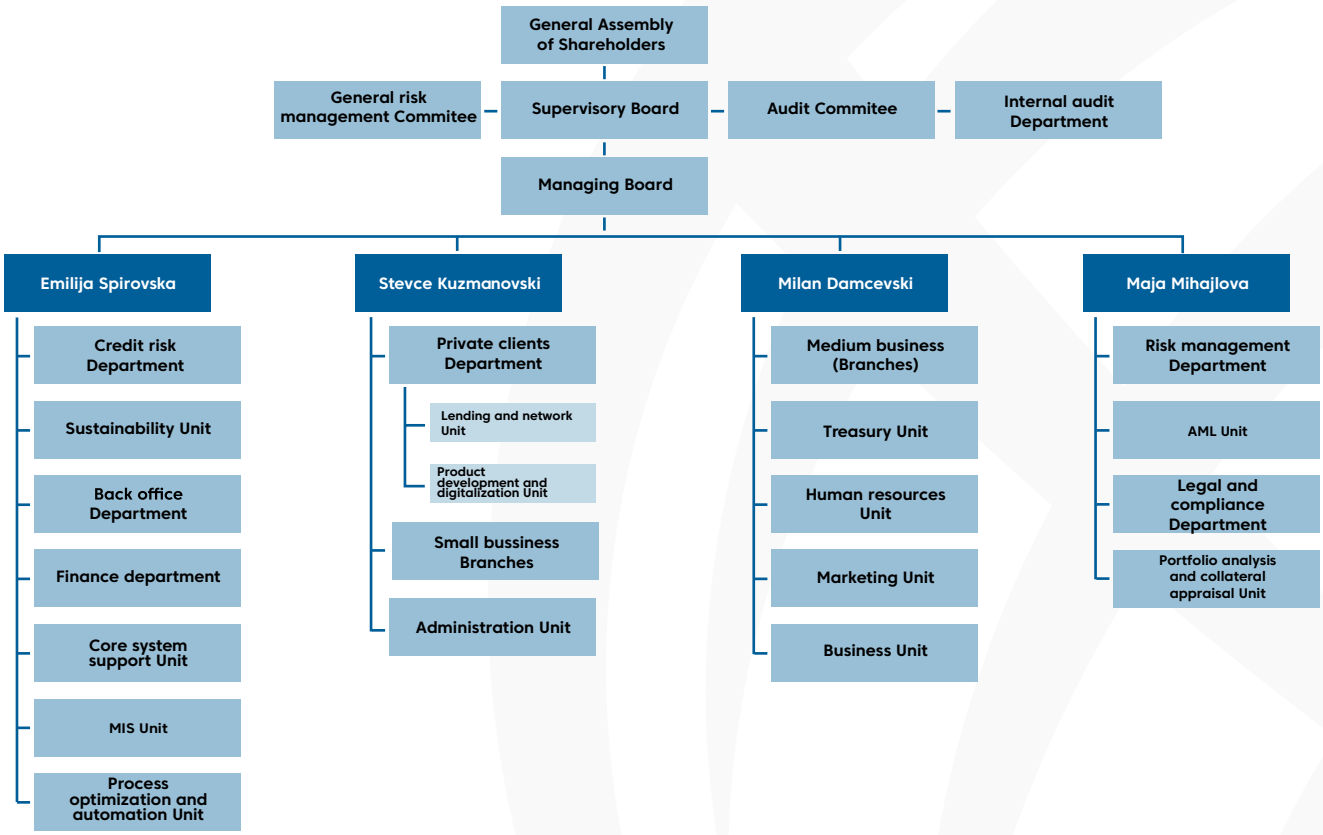
Most of the departments and units performing the Bank's activities are organised in departments that are directly supervised by the Management Board. The organizational structure has been established such that it can comply with the Bank's overall strategy and meet the goals and objectives in line with the Bank's Business Policy.

By the establishment of Bank's organizational structure, the responsibilities and lines of responsibility, cooperation and information exchange have been precisely defined, where there is a clear segregation between the persons and organizational units responsible for risk management from the persons and organizational units responsible for undertaking risks. The division line goes down the entire

organizational structure up to, and including, the Management Board.

Any changes to the organizational structure are presented in regular Supervisory Board meetings by the Management Board Members. Each change in the structure is illustrated as a quality measure affecting the efficiency and effectiveness of the Bank's operations. Based on the presentation and assessment of such impact on the banking operations, the Supervisory Board shall approve the Bank's organizational structure.

As of 31 December 2024, the organizational chart is as follows:



The Remuneration Policy contains clear and transparent rules and criteria for determining the total compensation amount, including rules and criteria for clear determination of compensation according to the Bank's salary structure. In principle, according to the Bank's pay structure, the employees, also including the Management Board Members, the persons with special rights and responsibilities and the other Bank employees, shall receive fixed compensation (compensation in the form of salary). The Remuneration Policy also defines the principles and circumstances where compensation may be variable, which depends on the long-term success in accomplishing one's tasks and duties, while also taking into consideration the specific risk level related thereto. The independent Supervisory Board Members are entitled to remuneration for their participation and work at the sessions, the amount of which is stipulated in the agreement for their appointment.

4. Information and data on the Bank's Conflict of Interest Prevention Policy

ProCredit Bank endeavours to prevent conflict of interest from arising and ensure that internal information is not used inappropriately.

ProCredit Bank implements the following measures for avoiding conflict of interest:

- Avoiding any situation that would lead to conflict of interest or occurrence of a conflict of interest.
- It is forbidden to undertake any activities within the Bank's regular operation from which an employee may personally have additional financial interest.
- It is prohibited to participate in Bank's matters that involve any financial interests of: employees' family; partners; or organizations where employees serve as officers, directors, trustees or employees.
- It is not allowed to accept any gifts, meals, favours, services, entertainment, or anything else of monetary value from any person or organization that seeks action by the Bank, does business with or seeks to do business with the Bank, or may be affected by employees' work at ProCredit Bank.
- Employees do not participate in the hiring process of new staff if the candidate is a relative or friend of such employees.

The Bank's employees shall report on any situation where a conflict of interest might arise.

A written statement shall be submitted regarding any conflict of interest prior to the meeting of the relevant body at which the transaction in question is to be dealt with in order to enable a thorough review of the situation before a decision is taken, an agreement is concluded, or a business activity is initiated. This written statement shall be submitted to both the Supervisory Board and Management Board of the Bank, and it shall describe the precise nature of the conflict between the personal interests of the Management Board and the interests of the Bank and explain how such conflict originated.

If a Supervisory Board Member finds that he/she is in a situation involving conflict of interest or can anticipate that he/she will become involved in a situation of this type at some point in the future, he/she shall report this information to the Supervisory Board Chair in a timely manner.

5. Information related to outsourcing services

"Outsourcing Services" implies the transfer of Bank's rights to another entity (legal/private person) to carry out activities and processes relating to banking, financial and other services usually performed within the Bank. The use of Outsourcing Services is regulated in detail by the Bank's Outsourcing Policy.

ProCredit Bank AD Skopje has a well-defined system for managing Outsourcing Services. Before the Bank transfers the right to another entity to perform activities and processes, it must conduct a comprehensive risk analysis and obtain approval from the Bank's Management Board. Afterwards, the Outsourcing Service is integrated into the established control system within the risk management system scope.

The Bank used a total of 14 outsourced services at the end of 2024, 4 of which were material outsourcings. The quality of Outsourcing Services is monitored regularly and depending on the type of service, monitoring is done monthly, quarterly or annually. The quality of these services is reported at least once in a quarter at a meeting of the Operational Risk Management Committee. ProCredit Holding is also informed on an annual basis.

6. Information related to the Code of Corporate Governance enforcement

The Code of Corporate Governance (the Code) has been duly enforced in every aspect defined therein.

During 2024, all procedures defined by the Code, in particular related to convening the General Meeting

of Shareholders and appointment of Supervisory Board Members, were conducted as prescribed by the Code and regulations on these procedures.

In this manner, all criteria as set in the Code and regulations were met.

Additionally, the co-operation between the Supervisory Board and the Management Board was as set in the Code, especially in: defining the Bank's business objectives; defining the strategies for ensuring sound risk management; determining the Bank's risk profile; establishing policies to enable the Bank to achieve its goals and objectives defined with regard to its risk profile; holding regular meetings (at least once per quarter); circulating proposals for measures to improve the Bank's corporate governance etc.

The Management Board has provided the Supervisory Board with all reports and fulfilled the requests by the Supervisory Board.

The Bank's Internal Audit Department and compliance function operate in line with the regulations defined by both the Code and the legal framework.


ProCredit Bank

PROCREDIT BANK AD SKOPJE

Financial Statements

for the year ended 31 December 2024

With the Independent auditor's report thereon

PROCREDIT BANK AD SKOPJE

Independent auditor's report

Tel: +389 2 3117 888
Fax: +389 2 3117 999
www.bdo.mk

Blvd. Jane Sandanski, No. 111
1000 Skopje
Republic of North Macedonia

To
The shareholder of
ProCredit Bank AD Skopje

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of ProCredit Bank AD Skopje ("the Bank"), which comprise the statement of financial position as of 31 December 2024, the statements of profit or loss and other comprehensive income, statement of changes in equity and a statement of cash flows, 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 preparing and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 Official Gazette of the Republic of North Macedonia 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 audit opinion.

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BDO is the brand name for the BDO network and for each of the BDO member firms.

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Blvd. Jane Sandanski, No. 111
1000 Skopje
Republic of North Macedonia

To
The shareholder of
ProCredit Bank AD Skopje

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Skopje, 28 April 2025

Ivan Bogdanovski, Certified auditor
Partner

Dragan Dimitrov, Certified auditor
Managing partner

Друштво за ревизија БДО ДОО Скопје

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BDO is the brand name for the BDO network and for each of the BDO member firms.

PROCREDIT BANK AD SKOPJE

Audited Financial Statements

ProCredit Bank AD Skopje

Financial Statements

for the year ended 31 December 2024

With the Independent auditor's report thereon

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Statement of profit or loss

in '000 MKD	Note	01.01.-31.12.2024	01.01.-31.12.2023
Interest income (effective interest method)		2,207,323	1,956,432
Interest expenses		(728,831)	(616,267)
Net interest income	(24)	**1,478,492**	**1,340,165**
Fee and commission income		476,752	415,702
Fee and commission expenses		(207,089)	(189,730)
Net fee and commission income	(25)	**262,662**	**225,972**
Result from foreign exchange transactions	(26)	205,244	189,967
Result on derecognition of financial assets measured at amortised cost		395	18
Net other operating income (expense)	(27)	(61,676)	(6,396)
Operating income		**1,892,117**	**1,749,727**
Personnel expenses	(28)	(316,271)	(267,210)
Administrative expenses	(29)	(690,815)	(619,352)
Loss allowance	(30)	(121,162)	(202,864)
Profit before tax		**763,869**	**660,301**
Income tax expenses	(38)	(76.328)	(67,765)
Profit of the period		**687,541**	**592,535**

Statement of Other Comprehensive Income

in '000 MKD	Note	01.01.-31.12.2024	01.01.-31.12.2023
Profit of the period		**687,541**	**592,535**
Items that are or may be reclassified to profit or loss		**3,806**	**14,846**
Change in revaluation reserve		4,153	16,453
Change in value not recognised in profit or loss		3,464	16,062
Change in loss allowance (recognised in profit or loss)		688	391
*Change in deferred tax on revaluation reserve**		(346)	(1,606)
Other comprehensive income of the period, net of tax		**3,806**	**14,846**
Total comprehensive income of the period		**691,347**	**607,382**

**Previous year presentation and figures have been adapted to the current disclosure structure*

Statement of financial position

in '000 MKD

Assets	Note	31.12.2024	31.12.2023
Cash	(32)	501,510	522,060
Central bank balances	(32)	11,050,944	14,595,551
Loans and advances to banks	(33)	2,309,939	704,993
Investment securities	(34)	3,600,276	2,436,259
Loans and advances to customers	(35)	33,557,193	30,640,826
Property, plant and equipment	(36)	700,044	667,067
Intangible assets	(37)	8,684	1,104
Current tax assets	(38)	-	-
Other assets	(39)	266,397	187,613
Total assets		**51,994,987**	**49,755,471**
Liabilities			
Liabilities to banks	(41)	7,652,042	8,163,030
Liabilities to customers	(42)	37,582,318	35,881,241
Other liabilities	(43)	92,771	70,250
Provisions	(45)	32,316	31,196
Current tax liabilities	(38)	34,916	51,064
Deferred tax liabilities	(38)	4,124	23,705
Subordinated debt	(43)	687,418	687,418
Total liabilities		**46,085,905**	**44,907,904**
Equity			
Subscribed capital	(48)	2,078,316	1,708,148
Capital reserve (share premium)		74,633	74,633
Legal reserve	(48)	132,621	101,830
Retained earnings		3,618,617	2,961,868
Revaluation reserve		4,894	1,088
Total equity		**5,909,082**	**4,847,567**
Total equity and liabilities		**51,994,987**	**49,755,471**

The Bank's financial statements for the financial year ended 31 December 2024 were approved for issue by the Supervisory Board on 24 April 2025 and signed on their behalf by:

Emilija Spirovska
Member of Managing Board

Stevce Kuzmanovski
Member of Managing Board

Maja Mihajova
Member of Managing Board

Milan Damcevski
Member of Managing Board

Statement of Changes in Equity

in '000 MKD	Note	Subscribed capital	Share premium	Legal reserve	Retained earnings	Revaluation reserve	Total Equity
Balance as of 1 January 2024		**1,708,148**	**74,633**	**101,830**	**2,961,868**	**1,088**	**4,847,567**
Corrections on the initial balance		-	-	-	-	-	-
Restated balance as of 1 January 2024		**1,708,148**	**74,633**	**101,830**	**2,961,868**	**1,088**	**4,847,567**
Change in fair value reserve		-	-	-	-	3,806	3,806
Other comprehensive income of the period, net of tax		**-**	**-**	**-**	**-**	**3,806**	**3,806**
Profit of the period		-	-	-	687,541	-	687,541
Total comprehensive income of the period		-	-	-	687,541	3,806	691,347
Transfer to legal reserve		-	-	30,791	(30,791)	-	-
Capital increase		370,168					370,168
Distributed dividends		-	-	-	-	-	-
Balance as of 31 December 2024		**2,078,316**	**74,633**	**132,621**	**3,618,617**	**4,894**	**5,909,082**

in '000 MKD	Note	Subscribed capital	Share premium	Legal reserve	Retained earnings	Revaluation reserve	Total Equity
Balance as of 1 January 2023		**1,710,748**	**74,633**	**90,871**	**2,380,291**	**(13,758)**	**4,242,785**
Corrections on the initial balance		**(2,600)**	**-**	**-**	**-**	**-**	**(2,600)**
Restated balance as of 1 January 2023		**1,708,148**	**74,633**	**90,871**	**2,380,291**	**(13,758)**	**4,240,185**
Change in fair value reserve		-	-	-	-	14,846	14,846
Other comprehensive income of the period, net of tax		**-**	**-**	**-**	**-**	**14,846**	**14,846**
Profit of the period		-	-	-	592,535	-	592,535
Total comprehensive income of the period		-	-	-	592,535	14,846	607,381
Capital increase		-	-	-	-	-	-
Distributed dividends		-	-	-	-	-	-
Balance as of 31 December 2023		**1,708,148**	**74,633**	**101,830**	**2,961,868**	**1,088**	**4,847,567**

Cash Flow Statement

in '000 MKD	Note	01.01.-31.12.2024	01.01.-31.12.2023
Profit of the period		687,541	592,535
Income tax expenses (continuing operations)		76,328	67,765
Profit before tax (including discontinued operations)		**763,869**	**660,300**
Adjustments for:			
Depreciation and amortization of property, plant and equipment and intangible assets		53,208	46,296
Gains / losses from disposal of fixed assets		153	(622)
Net Interest Income		(1,478,492)	(1,340,165)
Net Impairment losses of loans and advances		121,162	202,864
Subtotal		(540,100)	(431,327)
Net change in assets and liabilities from operating activities:			
Loans and advances to banks		(703,951)	(885,057)
Loans and advances to customers		(3,020,963)	(2,234,696)
Other assets from operating activities		(78,784)	(4,321)
Liabilities to banks (deposits only)		-	-
Liabilities to customers		1,740,573	5,955,431
Other liabilities from operating activities		(11,040)	41,728
Interest received		2,254,994	1,999,051
Interest paid		(173,384)	(568,870)
Income tax paid		(63,121)	(19,657)
Cash flow from operating activities		**(595,776)**	**3,852,282**
Proceeds from disposal of fixed assets		68	1,599
Payments for purchase of fixed assets		(93,986)	(33,744)
Investment securities acquired		(3,588,724)	(2,360,470)
Proceeds from sale of investment secirities		2,360,470	953,569
Cash flow from investing activities		**(1,322,172)**	**(1,439,046)**
Dividends paid		-	-
Proceeds from subordinated loans		-	-
Proceeds from borrowings		2,110,701	3,389,237
Payments of borrowings		(3,216,632)	(2,593,381)
Proceeds from capital increase		370,168	(2,600)
Lease payments		(10,450)	(10,576)
Cash flow from financing activities		**(746,213)**	**782,680**
Cash and cash equivalents at end of previous year		**12,120,546**	**8,924,627**
Cash flow from operating activities		(595,776)	3,852,282
Cash flow from investing activities		(1,322,172)	(1,439,046)
Cash flow from financing activities		(746,213)	782,680
Cash and cash equivalents at end of period	**(32)**	**9,456,387**	**12,120,546**

Notes to the Financial Statements

A. Basis of Preparation

1) Reporting entity and compliance with International Financial Reporting Standards
2) Compliance with local law
3) Comparative information
4) Use of judgements and estimates
5) Accounting developments

B. Summary of Significant Accounting Policies

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7) Financial instruments
8) Foreign currency translation
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14) Impairment of non-financial assets
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16) Income tax
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18) Post-employment benefits and other employee benefits
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20) Equity capital
21) Financial guarantee contracts
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28) Personnel expenses
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37) Intangible assets
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43) Subordinated debt
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E. Risk Management

49) Capital management
50) Management of individual risks
- Credit risk
- Counterparty risk, including issuer risk
- Foreign currency risk
- Interest rate risk
- Liquidity risk
- Funding risk
- Operational risk
- Risks arising from money laundering, terrorist financing and other acts punishable by law
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F. Additional Notes

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Notes to the Financial Statements

Basis of Preparation

1) Reporting entity and compliance with International Financial Reporting Standards

Reporting entity

ProCredit Bank AD Skopje ("the Bank") focuses on financing of Micro, Small and Medium-sized Enterprises (MSMEs) and direct banking for private clients. Through its business activities the Bank aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. The parent company of the Bank is ProCredit Holding AG ("ProCredit Holding"), domiciled at Rohmerplatz 33-37, 60486 Frankfurt am Main, Germany (Commercial Register Frankfurt, Section B No. 132455).

The Bank is licensed to perform all banking activities in accordance with the law. The main activities include commercial lending, receiving of deposits, foreign exchange deals, and payment operation services in the country and abroad and retail banking services.

Compliance with International Financial Reporting Standards

These financial statements represent individual financial statements of the Bank in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Bank does not prepare consolidated financial statements.

Management prepared these financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources and analysed the impact of the recent financial crisis on future operations of the Bank.

Functional and presentation currency

All amounts are presented in thousands of Macedonian denars (MKD), unless otherwise stated. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit.

2) Compliance with local law

ProCredit Bank AD Skopje is a joint stock company. For supervisory purposes, ProCredit Bank AD qualifies as a Bank according to the Macedonian Banking Law and is therefore supervised by the National Bank of the Republic of North Macedonia (NBRNM).

The Supervisory Board approved the Bank's financial statements for the fiscal year 2024 for issue on 24 April 2025.

3) Use of judgements and estimates

The Bank's financial reporting and its financial results are influenced by accounting policies, assumptions, estimates, and management judgement, which necessarily have to be made in the course of preparing the financial statements.

All estimates and assumptions necessary for compliance with the IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances.

For a description of estimates and judgements, please refer to part Financial instruments, Loss allowance, Intangible assets, Income taxes, Provisions, as well as Risk management.

4) Accounting developments

a) Standards, amendments and interpretations that are already effective

- Amendments to IAS 1: “Classification of Liabilities as Current or Non-Current” and “Non-current Liabilities with Covenants” have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.
- Amendments to IFRS 16: “Lease Liability in a Sale and Leaseback” have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

The following standards, amendments or interpretations were issued by the IASB and endorsed by the EU and had no impact on our consolidated financial statements: Amendments to IAS 7 and IFRS 7: “Supplier Finance Arrangements”.

b) Standards, amendments and interpretations issued but not yet effective

- Amendments to IAS 21: “Lack of Exchangeability” have no impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2025.
- Amendments to IFRS 9 and IFRS 7: “Classification and Measurement of Financial Instruments” have a minor impact on the consolidated financial statements with regard to additional disclosures on financial assets at fair value with changes in fair value recognised in other comprehensive income. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- Annual improvements to IFRS (Volume 11) with amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 have a minor impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- Amendments to IFRS 9 and IFRS 7: “Contracts Referencing Nature-dependent Electricity” have no impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2026.
- IFRS 18 “Presentation and Disclosure in Financial Statements” replaces IAS 1 and affects the presentation of the consolidated statement of profit or loss. This standard defines categories and subtotals for the consolidated statement of profit or loss. Furthermore,

additional disclosure requirements for management-defined performance measures have been introduced and the guidelines on the aggregation and disaggregation of items have been expanded. There are no effects on the presentation of the consolidated statement of financial position or the consolidated statement of cash flows. IFRS 18 is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.

- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” will not have an impact on the consolidated financial statements. This standard is, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2027.

There was no early adoption of any standards, amendments and interpretations not yet effective.

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5) Comparative information

In order to ensure consistency to the current year, the comparative information may be modified accordingly. The changes made are not material and are intended to improve comparability, except those described in detail in the notes, if any.

6) Measurement basis

Upon acquisition, financial instruments are measured at fair value. This is the transaction price at the time they are acquired. Depending on their respective category, financial instruments are recognised in the statement of financial position subsequently either at (amortised) cost or fair value. In general, financial instruments at fair value are measured on a recurring basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date.
The Bank applies the IFRS hierarchy to measure fair value. The hierarchy categorises the inputs used in the valuation techniques to measure fair value into three levels:

(a) Active market: Quoted price (Level 1)

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

(a) Valuation technique using observable inputs (Level 2)

Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation techniques applied refer to the current fair value

of similar instruments and valuation techniques using observable market parameters. Each subsidiary applies individual observable interest and exchange rates that are provided by the local central banks, among other bodies.

(b) Valuation technique with significant non-observable inputs (Level 3)

Unobservable inputs for the asset or liability. If observable market interest rates are not available, internal rates are used as an input for a discounted cash flow model. Internal rates reflect the cost of funds, taking into account foreign currency effects and maturities as well as a risk margin, e.g. ProCredit Group Funding interest rates. Internal rates are regularly compared to those applied for third-party transactions and are consistent with the parameters of an orderly transaction between market participants under market conditions at the measurement date.

7) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument for another entity. The financial assets can be debt instruments or equity instruments. Equity instruments are recognised at fair value through other comprehensive income. For debt instruments, IFRS 9 is based on a consistent approach to classify and measure financial assets according to the underlying business model in which the financial assets are managed and to their cash flow characteristics.

We differentiate between the following business models:

- “Hold to collect”: the financial assets are held with the aim of collecting the contractual cash flows.
- “Hold to collect and sell”: the financial assets are held with the aim of both collecting the contractual cash flows and selling the financial assets.
- "Other": this business model is used for financial assets that are neither allocated to the “hold to collect" business model nor to the "hold to collect and sell" business model.

Our business models for financial assets are assessed on the basis of groups of financial assets (portfolios). The allocation to a business model is based on the actual circumstances at the time of the assessment. We take the following criteria, among others, into account:

- our business strategy and risk strategy,
- the way in which the development of the business model is evaluated and reported to our Management and Supervisory Board,
- if there were sales in previous periods, the frequency, volume, timing and reasons for those sales as well as expectations regarding future sales activities.

As a result, the balance sheet items allocated to the “hold to collect” business model are: “Central bank balances”, “Loans and advances to banks”, “Loans and advances to customers” and “Other assets”. “Investment securities” are allocated to the “hold to collect” or the “hold to collect and sell” business model.

Subsequent recognition of financial liabilities is at amortised cost; only derivative financial liabilities are recognised at fair value through profit or loss.

a) Financial assets and liabilities at amortised cost

A financial asset is classified “at amortised cost” when the financial asset is assigned to the “hold to collect” business model with the objective to solely collect contractual cash flows through interest and principal payments (SPPI conform). The review of the SPPI criterion is a discretionary decision of the Management.

These financial assets are initially recognised at fair value plus transaction costs; subsequently they are measured at amortised cost using the effective interest method. Expected credit losses (ECL) are recognised using a three-stage model (see note 12)). If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the Statement of Profit or Loss. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been incurred as of the valuation date if there had not been any impairment. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been substantially modified, or we have transferred substantially all risks and rewards of ownership. In addition, when loans and receivables are restructured with substantially different terms and conditions, the original financial asset is derecognised and replaced with the new financial asset.

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of Profit or Loss over the period of the debt instrument. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

b) Financial assets at fair value with changes in fair value recognised in Other Comprehensive Income

A financial asset is classified and recognised as “Fair Value through Other Comprehensive Income” (“FVOCI”), if the financial asset is allocated to the “hold to collect and sell” business model.

In general, part of “Investment securities” are allocated to this business model. The cash flow criterion is checked individually. Investment securities of the ProCredit group fulfil the cash flow criterion (SPPI conform) but can be sold if required. Furthermore, a small amount of shares included under the balance sheet position “Other assets” are classified as FVOCI. There is no intention to trade or sell these shares.

At initial recognition, the FVOCI financial instruments are recorded at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently they are carried at fair value. Gains and losses arising from changes in fair value are recognised in the Statement of Other Comprehensive Income under “Revaluation reserve”. If the financial asset is derecognised (see note 12 for details on impairment), the cumulative gain or loss previously recognised in the “Revaluation reserve” is recognised in the Statement of Profit or Loss. Interest

calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as FVOCI financial instruments are recognised in the Statement of Profit or Loss. For the FVOCI equity instruments, any dividend payments are recognised in the Statement of Profit or Loss, but not the accumulated value change on derecognition (no recycling).

Purchases and sales of FVOCI financial instruments are recorded as of the trade date. They are derecognised when the rights to receive cash flows from the financial assets have expired or been significantly modified, or when we have transferred substantially all risks and rewards of ownership.

c) Financial assets and financial liabilities at fair value through profit or loss

Derivatives with a positive fair value at the balance sheet date are carried as financial assets and reported under “Derivative financial assets”. Derivatives with a negative fair value are carried as financial liabilities and are reported under “Derivative financial liabilities”. We designate certain derivatives as hedging instruments in qualifying hedging relationships (hedge accounting) in accordance with IFRS 9. At the inception of the hedging relationship, we formally document the relationship between the hedging instrument(s) and hedged item(s), including risk management objectives and strategies for undertaking the hedge, and the method of assessing effectiveness. We assess compliance with the effectiveness requirements both at the inception of the hedging relationship and on an ongoing basis.

Derivative financial instruments are initially recognised at fair value, and transaction costs are expensed in the Statement of Profit or Loss. Purchases and sales of derivative financial instruments are recognised on the trade date – the date on which the Bank commits to purchase or sell the instrument. Subsequently, the financial instruments are carried at fair value. Gains and losses arising from changes in their fair value are immediately recognised in the Statement of Profit or Loss of the period.

Derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been significantly modified, or where the Bank has transferred legal rights and substantially all risks and rewards of ownership. Derivative financial liabilities are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

8) Foreign currency translation

(a) *Functional and presentation currency*
Items included in these financial statements are measured in Macedonian denars (MKD), which is the functional currency of the Bank.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities are translated using the closing exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss (result from foreign exchange transactions).

Foreign non-monetary items measured at amortised cost are translated with the historical exchange rate as at the date of the transaction.

The reporting exchange rates and average rates for the period used in the balance sheet and the income statement are listed in section (55) of these notes.

9) Cash and cash equivalents

Cash and central bank balances comprise cash on hand, treasury bills issued by Central Bank and balances at central banks that are highly liquid and readily convertible to cash with insignificant risk of changes in value and other bills eligible for discounting with central banks.

For the purposes of the cash flow statement, central bank balances comprise balances with less than three months' maturity from the date of acquisition. Restricted central bank balances (i.e. mandatory reserves) are deducted for cash flow purposes. Loans and advances to banks and amounts due from other banks with a maturity of less than three month like current accounts or nostro accounts, are accounted for in the respective accounts of the balance sheet position: "loans and advances to banks", but are included as cash for purposes of the cash flow statement.

10) Loans and advances to banks

The amounts reported under "Loans and advances to banks" consist mainly of loans and advances issued, allocated to the business model "hold to collect" (SPPI conform).

In addition to overnight and term deposits, the amounts reported under receivables from banks include nostro account balances.

All loans and advances to banks are carried at amortised cost, using the effective interest method. Amortised premiums and discounts are accounted for over the expected life of the financial instrument in the income statement under "Net interest income".

For the purposes of the cash flow statement, claims to banks with original maturity of less than three months from the date of acquisition are recognised under "Cash and cash equivalents" (see note 32).

11) Loss allowance

We establish loss allowances in an amount equivalent to the expected loss for all financial assets recognised at amortised cost, for investment securities recognised at fair value with changes in fair value reported in Other Comprehensive Income (FVOCI), and for contingent liabilities. A three-stage model is used to report loss allowances. Estimates and assumptions are particularly necessary for determining which future-related macroeconomic factors are to be included. Furthermore, discretionary decisions are made when determining the probability of occurrence for various scenarios.

The Bank sets aside loss allowances for the balance sheet items "Central bank balances", "Loans and advances to banks", "Loans and advances to customers", "Investment securities", for the financial assets under "Other assets" and for off-balance sheet transactions. These are recognised

at net value within the corresponding balance sheet position; the exceptions are “Investment securities” recognised at fair value and off-balance sheet transactions. The loss allowance for investment securities at fair value is recognised through profit or loss directly in shareholders’ equity under “Revaluation reserve”. Loss allowances for off-balance sheet transactions are reported under the balance sheet position “Provisions”.

Change in loss allowances

Recognition of loss allowances uses a three-stage model based on expected credit losses. Allocation to stages requires discretionary decisions to be made with regard to the definition of default, stage transfers and the determination of criteria as to whether there has been a significant increase in credit risk since recognition in the balance sheet:

- Stage 1: All financial assets are allocated to Stage 1 upon recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). We establish loss allowances in an amount equivalent to the expected credit losses during a maximum of 12 months following the balance sheet date, insofar as there is no significant increase in credit risk since initial recognition.
- Stage 2: If credit risk increases significantly, the assets are classified as Stage 2 and loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.
- Stage 3: Impaired financial assets are classified as Stage 3 and loss allowances are likewise established in an amount equivalent to the expected credit losses over the entire remaining maturity. For significant exposures, loss allowances are determined individually on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Interest income is recognised on the net book value (with consideration of loss allowances).

Financial assets which are already impaired at initial recognition (POCI) are reported as part of the impaired exposures. These financial assets are initially recognised at fair value and thus no loss allowances are established. In subsequent periods, changes in the expected loss over the entire remaining maturity are recognised as an expense in the Statement of Profit or Loss.

A non-substantial modification exists if a financial asset is modified without derecognition. The modification gain or loss is recognised in “Change in loss allowances”. The modification gain or loss is equal to the difference between the original gross book value and the present value, discounted at the original effective interest rate, of the contractual cash flows under the modified terms.

Migration between the stages is possible in both directions (except for POCI), provided the grounds for the prior migration no longer exist. In the event that credit risk decreases, loss allowances already recorded are reduced.

For the “Other assets” position, loss allowances are established using the simplified approach. As a rule, loss allowances are recorded at initial recognition and on each subsequent reporting date

in an amount equivalent to the expected credit losses during the total maturity period. For these short-term assets, the total maturity period has been simplified as 12 months.

Recoveries of written-off loans and direct write-offs

When a loan is uncollectible, it is written off considering the related loss allowance which has been set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts which have been written off are recognised in the Statement of Profit or Loss under “Loss allowances”. Uncollectible loans for which no loss allowances have been set aside in full are recognised in profit or loss as direct write-offs.

12) Intangible assets

(a) *Computer software*

Software is stated at acquisition or production cost less scheduled depreciation and impairment losses. The acquisition or production costs include all expenses to acquire or to develop and bring to use the specific software. Management makes the discretionary decision to amortise software on a straight-line basis over an expected useful life of up to five years. In addition, software is tested for impairment on an annual basis and in response to relevant events or changed circumstances. Moreover, impairment tests are performed for the cash-generating unit. Depreciation and impairment are recognised within “Administrative expenses”.

13) Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation and impairment losses. Acquisition or production costs include all expenditure directly attributable to the goods. Component parts of an asset are recognised separately if they have different useful lives or have different patterns of use. The acquisition costs of rights-of-use assets (ROU) include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received.

Subsequent purchase or production costs are included in the asset’s carrying amount or are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Statement of Profit or Loss during the current financial period.

Depreciation property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	40 years
– Leasehold improvements	5 years
– Computers	4 years
– Furniture	5 years
– Motor vehicles	4 years
– Other	5 - 7 years

Depreciation and impairment are recognised within “Administrative expenses”.
The Bank does not hold investment property.

a) Repossessed properties

Repossessed properties are non-financial assets acquired in exchange for credit exposures as part of an orderly realisation and are sold as soon as possible. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan at the date of exchange. All subsequent impairment losses and reversals of impairment up to the original amount are recognised in the Statement of Profit or Loss in “Net other operating result”.

14) Impairment of non-financial and financial assets

- Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying value exceeds its recoverable amount.

The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

- Impairment of financial assets

By applying IFRS 9, loss allowances are established in an amount equivalent to the expected loss for all financial assets recognised at amortised cost, for all financial instruments recognised at fair value with changes in fair value reported in Other Comprehensive Income (FVOCI), and for off-balance-sheet business. Expected credit losses are recorded in an approach with different stages. The Bank reports the balance sheet items “Central bank balances”, “Loans and advances to banks”, “Investment securities”, “Loans and advances to customers” and “Other assets” net (including loss allowances). Further information on the bank’s accounting policy on loan loss provisioning can be found in Note (10) and Note (51).

15) Leases

(a) *ProCredit is the lessee*

The leases disclosed by the Bank are divided into finance lease and operating lease. As a lessee, the Bank leases branch and other premises. Under IFRS 16, the Bank recognises “right-of-use” assets under “Property, Plant and Equipment” and leasing liabilities under “Other liabilities” in the balance sheet for these leases.

At the inception of a contract, the Bank assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset (ROU asset) represents the Bank's right to use an underlying asset for the lease term. Right to direct the use of an asset is the right to decide when, how and in which way the asset will be used.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, if any.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the bank's incremental borrowing rate. In general, the Bank uses its incremental borrowing rate as discount rate. Incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank determine incremental borrowing rate in a currency in which the lease payments are denominated.
Subsequently, the lease liability is measured at amortised cost using the effective interest rate method. The Bank measure the lease liability by reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

Additionaly, IFRS 16 contains two exemptions for lease contract to be classified as a lease: short-term leases, and leases for which the underlying asset is of low value. The Bank has elected not to recognise ROU assets and lease liabilities for short-term leases and leases of low-value. The term "low-value" is defined as any amount under EUR/USD 5.000 per item. Short-term leases are leases with a lease term of 12 months or less. The lease term also includes periods covered by an option to extend, or an option to terminate, if the lessee is reasonably certain to exercise the extension option, or not to exercise the termination option. A lease that contains purchase option is not a short-term lease. Short-term leases or leases based on assets of minor value are not recognised in the balance sheet; instead, the lease payments are recognised under administrative expenses in the statement of profit or loss over the term of the lease.

(b) *ProCredit is the lessor*

The Bank does not act as lessor.

16) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, through other comprehensive income.

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the tax authorities. The respective country-specific tax rate (10%) is used for the calculation.

Deferred taxes are recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements prepared in conformity with IFRS. Deferred tax assets and liabilities are determined using local tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither the profit (before tax) for the period according to IFRS, nor the taxable profit or loss, and does not give rise to equal taxable and deductible differences.

We recognise deferred tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilised. The profit projection is based on the current business planning and reflects the Management's view of future business prospects.

Changes of deferred taxes related to fair value re-measurement of investment securities are charged to the Statement of Other Comprehensive Income. The presentation in the Statement of Other Comprehensive Income is made on a gross basis.

17) Provisions

Provisions are established when we have a present legal or constructive obligation resulting from past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period.

Provisions for unbilled services are established for services which have been provided but not yet invoiced as of the reporting date. Provisions for legal risks are mainly recognised for legal disputes. Provisions for untaken vacation are established for employee vacation days still outstanding as of the reporting date. Provisions for post-employment benefits include obligations for staff pensions. Provisions for off-balance sheet transactions include provisions for financial and non-financial off-balance sheet transactions.

18) Post-employment benefits and other employee benefits

(a) Employee benefits

Employee benefits comprise all kinds of benefits provided for the Bank's employees. This item includes salaries and wages as well as social contribution and fringe benefits.

The Bank, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax that are calculated on the basis of gross salaries and wages according to the legislation requirements. The Bank makes these contributions to the Government's health and retirement funds, at the statutory rates in force during the year,

based on gross salary payments. The Bank pays contributions to public pension insurance fund on a mandatory basis.

Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute costs for the year in which they are due and as such are included in personnel expenses. The cost of these payments is charged to the income statement in the same period as the related salary cost. The Bank does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions to the employees. In addition, the Bank does not operate shared based compensation plan in exchange to the employee services provided.

(b) Other post-employment obligations

In accordance with local regulations the Bank pays two average salaries to its employees at the moment of retirement. There is no additional liability in respect of post retirement.

The long-term employee benefits are discounted to determine their present value.

19) Subordinated debt

Subordinated debt consists mainly of liabilities to shareholders, which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied.

Following initial recognition at fair value, the subordinated debt is recognised at amortised cost.

20) Equity capital

Equity capital comprises of ordinary shares. . All issued shares are non-par value shares and fully paid. Each holder of ordinary shares is entitled, subject to a corresponding resolution of the General Meeting, to receive dividends and is entitled to one vote per share.

21) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overs and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of: the amount initially recognised, less amortization of the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

22) Interest income and expense

Interest income and expenses are recognised in the Statement of Profit or Loss and reported on an accrual basis. Net interest income is calculated on the gross book value of a financial asset; for financial assets in Stage 3, net interest income is calculated on the net book value of a financial

asset. Payments received in respect of written-off loans are not recognised in net interest income, but rather under “Loss allowance”.

23) Fee and commission income and expenses

Fees are charges for services rendered by the bank. The Bank charges fees from banks and clients for services such as maintenance fee, transaction-based fees or product issuing fees. They are transaction-based and often computed as a fixed percentage of the transaction value.

Fees and commissions, which are integral part of the effective interest rate of financial instruments are included in the calculation of the effective interest rate and are amortized over the expected life of the financial instrument. These fees and commissions are gradually differentiated and recognized as part of the amortized amount for the period, within interest income or expenses.

For fees and commissions which are not integral part of the effective interest rate, the Bank recognize revenue and respective expenses when the Bank satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer.

Fee and commission income and expenses are recognised on the basis of the agreed amount payable. Income and expenses are generally recognised at a point in time.

Result for the financial year

24) Net interest income

	1.1-31.12.2024	1.1-31.12.2023
Interest income from		
Cash and central bank balances	229,632	225,748
Loans and advances to banks	93,043	60,775
Investment securities FVOCI	97,148	63,408
Loans and advances to customers	1,781,970	1,596,411
Prepayment penalty	5,530	10,091
Interest income (effective interest method)	**2,207,323**	**1,956,433**
Interest expenses on		
Liabilities to banks	(203,636)	(162,076)
Liabilities to customers	(491,414)	(420,585)
Interest expenses from unwinding provisions	(281)	(186)
Subordinated debt	(33,496)	(33,420)
Negative interest from assets	(3)	-
Interest expenses	**(728,831)**	**(616,267)**
Net interest income	**(1,478,492)**	**1,340,165**

Interest income from our green loan portfolio amounts to MKD 329,310 thousand (2023: MKD 289,289 thousand). The green loan portfolio includes financing for investments in energy efficiency, renewable energies or other environmentally friendly technologies.

25) Net fee and commission income

in '000 MKD	1.1.-31.12.2024	1.1.-31.12.2023
Fee and commission income from		
Payment services	173,167	150,560
Debit/credit cards	85,681	70,552
Account maintenance fee	139,938	130,081
Letters of credit and guarantees	60,021	45,724
Others	17,945	18,785
Fee and commission income	**476,752**	**415,702**
Fee and commission expenses on		
Payment services	(86,647)	(79,321)
Debit/credit cards	(97,894)	(79,279)
Account maintenance fee	(469)	(435)
Letters of credit and guarantees	(19,652)	(28,924)
Others	(2,427)	(1,771)
Fee and commission expenses	**(207,089)**	**(189,730)**
Net fee and commission income	**269,663**	**225,972**

The item “other fee and commission income” consists of transactions carried out on behalf of third parties.

26) Result from foreign exchange transactions

“Result from foreign exchange transactions” refers to the results of foreign exchange dealings with and for customers. The Bank is not engaged in any foreign currency trading on its own account. In addition, this position includes unrealised foreign currency revaluation effects. The Bank does not apply hedge accounting as defined by IFRS 9.

in '000 MKD	1.1.-31.12.2024	1.1.-31.12.2023
Currency exchange	211,067	187,293
Net gains and losses from FX revaluation	(5,823)	2,674
Total	**205,244**	**189,967**

27) Net other operating income/expense

in '000 MKD	1.1.-31.12.2024	1.1.-31.12.2023
Other operating income from		
Reversal of provisions	1,055	-
Repossessed properties	6,536	13,076
Sale of property, plant and equipment	67	862
Others	24,880	37,888
Other operating income	**32,538**	**51,826**
Other operating expenses for		
Deposit insurance	(33,774)	(28,483)
Disposal of property, plant and equipment	(220)	(239)
Impairment of repossessed properties	(40,297)	(16,041)
Administration of repossessed properties	(5,905)	(622)
Others	(14,018)	(12,837)
Other operating expenses	**(94,214)**	**(58,222)**
Net other operating result	**(61,676)**	**(6,396)**

28) Personnel expenses and employees

Personnel expenses can be broken down as follows:

in '000 MKD	1.1.-31.12.2024	1.1-31.12.2023
Salary expenses	(308,876)	(263,278)
Post-employment benefits plans (Defined benefit plans)	(1,103)	(2)
Other employee benefits	(6,292)	(3,930)
Personnel expenses	**(316,271)**	**(267,210)**

29) Administrative expenses

"Administrative expenses" include the following items:

in '000 MKD	1.1.-31.12.2024	1.1.-31.12.2023
Depreciation fixed and intangible assets (incl. Impairment)	(53,210)	(46,296)
IT expenses	(309,224)	(252,877)
Office space-related expenses	(70,130)	(74,236)
Non-profit tax	(68,109)	(54,611)
Legal and consulting fees	(33,476)	(32,673)
Marketing, advertising and representation	(36,549)	(48,589)
Transport	(12,211)	(12,594)
Recruitment and other personnel-related expenses	(80,746)	(78,104)
Insurances	(7,866)	(8,397)
Lease expenses	(2,337)	(2,171)
Other administrative expenses	(16,957)	(8,804)
Administrative expenses	**(690,815)**	**(619,352)**

Of the total administrative expenses, MKD 26,236 thousand (2023: MKD 26,409 thousand) was incurred for staff training.

30) Loss allowance

Risk provisioning on loans and advances to customers is reflected in the income statement as follows:

in '000 MKD	1.1.-31.12.2024	1.1.-31.12.2023
Change in loss allowances	(201,648)	(229,705)
Recovery of written-off loans	80,486	26,841
Direct write-offs	-	-
Loss allowance	**(121,162)**	**(202,864)**

31) Earnings per share

in '000 MKD	1.1-31.12.2024	1.1-31.12.2023
Profit of the period	687,541	592,535
Profit attributable to ProCredit shareholders	*687,541*	*592,535*
Weighted average number of ordinary shares	6,757,351	5,557,351
Earnings per share	**0,1**	**0,1**

Notes to the Statement of Financial Position

32) Cash and Central Bank balances

in '000 MKD	31.12.2024	31.12.2023
Cash in hand	501,510	522,060
Balances at Central Banks	10,458,497	14,012,045
Treasury bills with original maturity of less than three months	593,803	585,930
Loss allowance for central banks	(1,355)	(2,425)
Cash and central bank balances	**11,552,455**	**15,117,610**
Loans and advances to banks with a maturity up to 3 months	2,309,939	704,993
Minumum reserve, which does not qualify as cash for the statement of cash flows	(4,406,008)	(3,702,058)
Total cash and balances with the Central Bank	**9,456,386**	**12,120,545**

Treasury bills are issued by National Bank of North Macedonia and can be traded on the secondary market. These bills are with original maturity of 35-56 days and interest rate is 5,55% (2023: 6,30%).

Mandatory reserve is calculated based on the average balance of deposit liabilities as defined in the Decision of Mandatory reserve issued by National Bank of North Macedonia. The amount of mandatory reserve in MKD is 1,672,597 MKD thousand as of 31.12.2024 (2023:1,279,333 MKD thousand), while in foreign currency the amount of mandatory reserve is 2,733,153 MKD thousand (2023: 2,422,725 MKD thousand). Mandatory reserve in MKD is non-interest bearing, while for mandatory reserve in foreign currency the Bank pays/receives compensation at the rate equal to the lower of 0% and the interest rate of the available overnight deposit of the European Central Bank.

Loans and advances to Banks with original maturity up to three months, which qualify as cash and cash equivalents are sign deposits on nostro accounts, unrestricted demand deposits and placements with other banks and financial institutions with the original maturity less than three months.

The changes in cash and cash equivalents and the respective loss allowances are presented in the following tables:

in '000 MKD	31.12.2024	31.12.2023
Gross outstanding amount as of 1 January	15,117,613	8,659,150
New financial assets originated	3,402,644	5,203,069
Derecognition	(5,203,069)	(3,939,200)
Change in exposure and exchange rate movements	(1,763,378)	5,194,594
Gross outstanding amount as of 31 December	**11,553,810**	**15,117,613**

in '000 MKD	31.12.2024	31.12.2023
Loss allowances as of 1 January	(2,425)	(1,875)
New financial assets originated	(11)	(26)
Release due to derecognition	26	35
Change in credit risk	1,055	(559)
Loss allowances as of 31 December	**(1,355)**	**(2,425)**

33) Loans and advances to Banks

Loans and advances to Banks are as follows:

in '000 MKD	31.12.2024	31.12.2023
up to three months	2,309,939	704,993
Loans and advances to banks	**2,309,939**	**704,993**

The changes in loans and advances to banks and the respective loss allowances are presented in the following tables. All loans and advances to banks are classified as Stage 1.

in '000 MKD	31.12.2024	31.12.2023
Gross outstanding amount as of 1 January	704,993	3,084,494
New financial assets originated	1,055,873	189
Derecognition	-	(1,076,399)
Change in exposure and exchange rate movements	549,089	(1,303,291)
Gross outstanding amount as of 31 December	**2,309,956**	**704,993**

in '000 MKD	31.12.2024	31.12.2023
Loss allowances as of 1 January	-	(141)
New financial assets originated	(16)	-
Release due to derecognition	-	141
Change in credit risk	-	-
Loss allowances as of 31 December	**(16)**	**-**

34) Investment securities

in '000 MKD	31.12.2024 Investment securities at FVOCI	31.12.2023 Investment securities at FVOCI
Fixed interest rate securities	3,600,276	2,436,259
Investment securities	**3,600,276**	**2,436,259**

This balance sheet item includes bills issued by Ministry of finance, in amount of 3,524,874 MKD thousand (2023: 2,360,470 thousand), with original maturity of up to 1 year and interest rates from 3.80% to 4.10% and Eurobonds, issued by Ministry of Finance of Republic of North Macedonia, in net amount of 75,402 thousand (2023: 75,789 thousand), with nominal coupon rate of 3.675% and maturity in June 2026.

The changes in investment securities and the respective loss allowances are presented in the following tables. All investment securities are classified in Stage 1.

in '000 MKD	31.12.2024 Investment securities at FVOCI	31.12.2023 Investment securities at FVOCI
Gross outstanding amount as of 1 January	2,436,259	1,027,204
New financial assets originated	3,588,724	2,360,470
Derecognition	(2,360,470)	(953,569)
Change in exposure and exchange rate movements	(64,237)	2,154
Gross outstanding amount as of 31 December	**3,600,276**	**2,436,259**

in '000 MKD	31.12.2024 Investment securities at FVOCI	31.12.2023 Investment securities at FVOCI
Loss allowances as of 1 January	(778)	(387)
New financial assets originated	(1,420)	(732)
Release due to derecognition	731	341
Loss allowances as of 31 December	**(1,466)**	**(778)**

The Bank is making regular revaluation of the Fair Value of these investments according to the values calculated with a valuation technique based on currently observable market data. The revaluation reserve for investment securities in equity in other comprehensive income shows the following changes:

in '000 MKD	31.12.2024	31.12.2023
Revaluation reserve as of 1 January	**1,088**	**(13,758)**
Changes in fair value	3,464	16,062
Change in loss allowance	688	391
Deferred taxes	(346)	(1,606)
Revaluation reserve as of 31 December	**4,894**	**1,088**

35) Loans and advances to customers

	31.12.2024			
in '000 MKD	**Gross outstanding amount**	**Loss allowance**	**Net outstanding amount**	**Share of total portfolio**
Business loans	**28,299,842**	**(412,544)**	**27,887,297**	**83,10%**
Wholesale and retail trade	9,431,334	(156,484)	9,274,850	27,64%
Agriculture, forestry and fishing	1,480,229	(21,434)	1,458,796	4,35%
Production	6,295,694	(111,677)	6,184,017	18,43%
Transportation and storage	2,766,079	(19,987)	2,746,091	8,18%
Electricity, gas, steam and air conditioning supply	1,773,002	(10,859)	1,762,143	5,25%
Construction and real estate	4,179,762	(51,785)	4,127,977	12,30%
Hotel, restaurant and catering	634,886	(15,673)	619,213	1,85%
Other economic activities	1,738,855	(24,646)	1,714,209	5,11%
Private loans	**5,794,120**	**(124,225)**	**5,669,895**	**16,90%**
Housing	2,961,511	(35,415)	2,926,096	8,72%
Investment loans	445,631	(8,390)	437,241	1,30%
Consumer loans	2,386,978	(80,420)	2,306,559	6,87%
Total	**34,078,882**	**(536,769)**	**33,557,193**	**100,00%**

	31.12.2023			
in '000 MKD	**Gross outstanding amount**	**Loss allowance**	**Net outstanding amount**	**Share of total portfolio**
Business loans	**27,223,612**	**(488,129)**	**26,735,483**	**87.25%**
Wholesale and retail trade	9,154,273	(86,696)	9,067,577	29.59%
Agriculture, forestry and fishing	1,602,025	(21,303)	1,580,722	5.16%
Production	6,548,173	(270,985)	6,277,188	20.49%
Transportation and storage	2,202,160	(16,429)	2,185,731	7.13%
Electricity, gas, steam and air conditioning supply	1,385,791	(6,344)	1,379,447	4.5%
Construction and real estate	4,257,677	(30,372)	4,227,305	13.8%
Hotel, restaurant and catering	644,475	(35,608)	608,868	1.99%
Other economic activities	1,429,038	(20,393)	1,408,645	4.6%
Private loans	**3,995,908**	**(90,565)**	**3,905,343**	**12.75%**
Housing	2,185,289	(30,033)	2,155,256	7.03%
Investment loans	395,156	(11,553)	383,603	1.25%
Consumer loans	1,415,464	(48,979)	1,366,484	4.46%
Total	**31,219,520**	**(578,694)**	**30,640,826**	**100.0%**

The tables below are showing movements in Gross outstanding amounts and Loss allowances by Stage for 2024 and 2023.

in '000 MKD	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1 January 2024	**29,564,763**	**1,023,936**	**630,286**	**536**	**31,219,520**
New financial assets originated	13,557,195	-	-	-	**13,557,195**
Modification of contractual cash flows of financial assets	15,122	4,200	1,613	-	**20,934**
Derecognitions	(3,645,830)	(257,505)	(58,391)	-	**(3,961,726)**
Write-offs	-	-	(269,491)	-	(269,491)
Changes in interest accrual	17,829	1,947	(6,389)	(1)	**13,387**
Changes in the principal and disbursement fee	(5,898,037)	(381,052)	(207,984)	(40)	**(6,487,113)**
Transfers to stage 1	469,650	(461,885)	(7,765)	-	**-**
Transfers to stage 2	(1,315,961)	1,320,885	(4,924)	-	**-**
Transfers to stage 3	(7,182)	(411,029)	418,210	-	**-**
Foreign exchange and other movements	(12,699)	(1,804)	678	-	**(13,825)**
Gross outstanding amount as of 31 December 2024	**32,744,851**	**837,694**	**495,843**	**495**	**34,078,882**

in '000 MKD	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1 January 2024	**(190,458)**	**(41,610)**	**(346,624)**	**-**	**(578,694)**
New financial assets originated	(109,195)	-	-	-	(109,195)
Release due to derecognition	17,980	5,814	34,486	-	58,279
Transfers to Stage 1	(6,887)	6,649	238	-	-
Transfers to Stage 2	12,240	(12,400)	159	-	-
Transfers to Stage 3	80	17,339	(17,419)	-	-
Change in credit risk	43,351	(33,341)	(186,661)	-	(176,650)
Usage of allowance	-	-	269,491	-	269,491
Foreign exchange and other movements	(85)	(22)	107	-	-
Loss allowances as of 31 December 2024	**(232,974)**	**(57,570)**	**(246,224)**	**-**	**(536,769)**

in '000 MKD	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1 January 2023	**27,917,885**	**713,711**	**527,568**	**707**	**29,159,871**
New financial assets originated	12,277,655	-	-	-	**12,277,655**
Modification of contractual cash flows of financial assets	15,790	1,285	529	-	**17,604**
Derecognitions	(3,485,173)	(146,388)	(59,604)	(137)	**(3,691,302)**
Write-offs	-	-	(176,682)	-	**(176,682)**
Changes in interest accrual	53,144	4,705	6,716	10	**64,575**
Changes in the principal and disbursement fee	(6,034,338)	(301,740)	(95,866)	(43)	**(6,431,987)**
Transfers to stage 1	504,363	(490,177)	(14,187)	-	**-**
Transfers to stage 2	(1,679,261)	1,682,422	(3,162)	-	**-**
Transfers to stage 3	(150)	(438,351)	438,501	-	**-**
Foreign exchange and other movements	(5,152)	(1,532)	6,471	-	**(213)**
Gross outstanding amount as of 31 December 2023	**29,564,763**	**1,023,936**	**630,286**	**536**	**31,219,520**

in '000 MKD	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1 January 2023	**(181,929)**	**(36,932)**	**(287,243)**	**-**	**(506,104)**
New financial assets originated	(86,627)	-	-	-	**(86,627)**
Release due to derecognition	14,790	3,291	33,791	-	**51,871**
Transfers to Stage 1	(7,286)	6,706	580	-	**-**
Transfers to Stage 2	24,369	(24,476)	107	-	**-**
Transfers to Stage 3	4	14,960	(14,964)	-	**-**
Change in credit risk	46,248	(5,156)	(254,874)	-	**(213,783)**
Usage of allowance	-	-	176,682	-	**176,682**
Foreign exchange and other movements	(26)	(3)	(704)	-	**(734)**
Loss allowances as of 31 December 2023	**(190,458)**	**(41,610)**	**(346,624)**	**-**	**(578,694)**

All financial assets are allocated to Stage 1 at initial recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). The movements in line “New financial assets originated” in Stage 2 and Stage 3 refer to transfers of existing exposures to higher risk category due to increase in the risk classification after initial recognition during the financial year. Additionally, in this position are included overdrafts and credit lines withdrawn during the year from existing clients classified in Stage 2.

36) Property, plant and equipment

The development of property, plant and equipment was as follows:

in '000 MKD	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total
Total acquisition costs at January 1, 2024	712,852	61,397	532,434	-	1,306,683
Additions	16,536	45,310	23,924	-	85,769
Transfers	-	-	-	-	-
Disposals/Write offs	(1,395)	-	(26,632)	-	(28,027)
Total acquisition costs at December 31, 2024	**727,992**	**106,707**	**529,727**	**-**	**1,364,426**
Accumulated depreciation at January 1, 2024	145,222	39,217	455,178	-	639,617
Depreciation	16,234	11,910	24,428	-	52,572
Disposals/Write offs	(1,361)	-	(26,446)	-	(27,807)
Accumulated depreciation at December 31, 2024	**160,096**	**51,127**	**453,160**	**-**	**664,382**
Net book value at December 31, 2024	**567,896**	**55,580**	**76,567**	**-**	**700,044**

in '000 MKD	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total
Total acquisition costs at January 1, 2023	**712,852**	**56,833**	**521,418**	-	**1,291,103**
Additions	-	11,774	21,970	-	33,744
Transfers	-	-	-	-	-
Disposals/Write offs	-	(7,210)	(10.954)	-	(18,164)
Total acquisition costs at December 31, 2023	**712,852**	**61,397**	**532,434**	**-**	**1,306,683**
Accumulated depreciation at January 1, 2023	**129,931**	**36,131**	**445,091**	-	**611,153**
Depreciation	15,291	9,563	20,797	-	45,652
Disposals/Write offs	-	(6,477)	(10,711)	-	(17,188)
Accumulated depreciation at December 31, 2023	**145,222**	**39,217**	**455,178**	**-**	**639,617**
Net book value at December 31,2023	**567,630**	**22,180**	**77,256**	**-**	**667,067**

37) Intangible assets

The development of the intangible assets is shown in the following tables:

in '000 MKD

Software	1.1-31.12.2024	1.1-31.12.2023
Net book value at January 1	**1,104**	**1,749**
Total acquisition costs at January 1	42,269	61,790
Additions	8,217	-
Disposals	-	-
Total acquisition at December 31	**50,486**	**61,790**
Accumulated depreciation at January 1	(41,164)	(60,041)
Amortization	(637)	(645)
Disposals	-	-
Transfers	-	-
Accumulated depreciation at December 31	**(41,802)**	**(60,686)**
Net book value at December 31	**8,684**	**1,104**

38) Income taxes

The following table shows the main components of income tax expense:

in '000 MKD	1.1-31.12.2024	1.1-31.12.2023
Current tax	96,255	69,775
Deferred tax relating to origination and reversal of temporary differences	(19,927)	(2,010)
Income tax expenses	**76.328**	**67,765**
Deferred tax on revaluation reserve	(381)	(34)
Items charged or credited directly to equity	**(381)**	**(34)**
Total	**75,947**	**67,731**

Deferred tax assets and deferred tax liabilities result from taxable/deductible temporary differences, which arise between the carrying amount of an asset/liability in the balance sheet and its tax base (the amount that is attributed to that asset/liability for tax purposes). The table below shows the changes in deferred income taxes and the underlying business transactions:

in '000 MKD

Movement in deferred tax balances	1.1-31.12.2024	1.1-31.12.2023
Net balance at January 1	(23,705)	(24,109)
- Recognised in OCI	(346)	(1,606)
- Recognised in profit or loss	19,927	2,010
Deferred tax assets/(liabilities)	**(4,124)**	**(23,705)**

Reconciliation of effective tax rate

in '000 MKD	31.12.2024	31.12.2024	31.12.2023	31.12.2023
Profit/(loss) before tax	%	**763,869**	%	**660,301**
Tax using the domestic tax rate	10%	76,387	10%	66,030
Non-tax deductible expenses	0,00%	-	0.26%	1,735
Tax incentive	(-0,01%)	(59)	(0.00%)	(-)
Total income tax expense in profit and loss	**9,99%**	**76,328**	**10.26%**	**67,765**

in '000 MKD	31.12.2024	31.12.2023
Tax assets		
Current tax assets	-	-
Total	**-**	**-**

in '000 MKD	31.12.2024	31.12.2023
Tax liabilities		
Current tax liabilities	(34,916)	(51,064)
Deferred tax liabilities	(4,124)	(23,705)
Total	**(39,040)**	**(74,769)**

39) Other assets

in '000 MKD	31.12.2024	31.12.2023
Accounts receivable	10,920	8,985
Prepayments	44,185	48,310
Others	156,103	91,971
Loss allowance	(427)	(346)
Other financial assets	**210,781**	**148,921**
Repossessed properties	54,463	36,972
Inventory and assets to be sold	1,153	1,720
Other non-financial assets	**55,616**	**38,692**
Total	**266,397**	**187,613**

The changes in other financial instruments and the respective loss allowances are presented in the following tables. The simplified approach is used when establishing loss allowances.

Other financial assets

in '000 MKD	31.12.2024	31.12.2023
Gross outstanding amount as of 1 January	149,267	138,918
Change in exposure and exchange rate movements	61,941	10,349
Gross outstanding amount as of 31 December	**211,208**	**149,267**

Loss allowances other financial assets

in '000 MKD	31.12.2024	31.12.2023
Loss allowances as of 1 January	(346)	(508)
Change in credit risk	(82)	162
Loss allowances as of 31 December	**(427)**	**(346)**

Repossessed properties are non-financial assets acquired in exchange for credit exposures as part of an orderly realisation and are sold as soon as possible.

Repossessed properties have net increase by 17,492 MKD thousands (in 2023 there was net decrease of 7,128 MKD thousands).

Repossessed properties

in '000 MKD	31.12.2024	31.12.2023
Outstanding amount as of 1 January	36,973	44,101
Additions	67,239	28,903
Impairment	(36,533)	(9,378)
Disposal of Impairment in case of write-off and sale	12,408	33,012
Reversal of impairment	-	-
Sale (disposal at time of sale)	(25,622)	(59,666)
FX differences	-	-
Total	**54,464**	**36,972**

40) Pledged and transferred assets

	31.12.2024		31.12.2023	
in '000 MKD	Pledged assets that can be repledged or sold	Related liability	Pledged assets that can be repledged or sold	Related liability
Loans and advances to banks	-		-	-
Loans and advances to customers	1.956.497	3.132.540	1,981,960	2,658,693
Other assets	-	-	-	-
Total	**1.956.497**	**3.132.540**	**1,981,960**	**2,658,693**

The total volume of this item consist of pledged receivables toward clients for channelled loans funded from Development Bank of North Macedonia. The pledges would be exercised in case of default of interest or principal payment on the respective loans .The maturities of the pledges are in line with the related liabilities.

41) Liabilities to Banks

Balance of liabilities to banks consist of short term interbank loans, long term loans from ProCredit Bank Germany and loans received from domestic and international development banks. The table below shows outstanding balance of liabilities toward these institutions split by remaining maturity:

in '000 MKD	31.12.2024	31.12.2023
up to three months	349,644	935,705
up to one year	1,413,870	1,029,437
more than one year	5,888,528	6,197,889
Liabilities to banks	**7,652,042**	**8,163,030**

	31.12.2024	31.12.2023
Current	1,763,514	1,965,141
Non-current	5,888,528	6,197,889
Total	**7,652,042**	**8,163,030**

As of 31.12.2024 the following long term deposits and loans are outstanding:

1) Loans received from ProCredit Bank Germany:
   - Long term loan in amount of 1,800,000 EUR withdrawn on 30.10.2017, with maturity date 29.10.2027;
   - Long term loan in amount of 1,300,000 EUR withdrawn on 29.01.2018, with maturity date 31.01.2028;
   - Long term loan in amount of 1,300,000 EUR withdrawn on 20.02.2018, with maturity date 18.02.2028;

2) Loans received from Council of Europe Development Bank:
   - Long term loan with original principal in amount of 7,500,000 EУР withdrawn on 31.10.2022 with maturity date 31.10.2029. Outstanding liabilities as of 31.12.2024 are amounting to 5,357,143 EUR.

3) Loans received from European Investment Bank:
   - Long term loan with original principal in amount of 5,000,000 EUR withdrawn on 10.07.2015 with maturity date 12.07.2027. Outstanding liabilities as of 31.12.2024 are amounting to 1,764,706 EUR;
   - Long term loan with original principal in amount of 15,000,000 EUR withdrawn on 09.08.2021 with maturity date 09.08.2028. Outstanding liabilities as of 31.12.2024 are amounting to 10,909,091 EUR.

4) Loans received from European Bank for Reconstruction and Development:
   - Long term loan with original principal in amount of 5,000,000 EUR withdrawn on 23.12.2019 with maturity date 04.10.2026. Outstanding liabilities as of 31.12.2024 are amounting to 1,818,182 EUR;
   - Long term loan with original principal in amount of 1,000,000 EUR based on agreement signed on 22.10.2019 with maturity 05.04.2027, withdrawn in 3 separate tranches during 2020. Outstanding liabilities as of 31.12.2024 are amounting to 454,545 EUR;

- Long term loan with original principal in amount of 2,500,000 EUR withdrawn on 12.03.2021 with maturity date 29.12.2027. Outstanding liabilities as of 31.12.2024 are amounting to 1,363,636 EUR;
- Long term loan with original principal in amount of 1,000,000 EUR withdrawn on 11.03.2021 with maturity date 29.12.2027. Outstanding liabilities as of 31.12.2024 are amounting to 545,455 EUR;
- Long term loan with original principal in amount of 2,000,000 EUR based on agreement signed on 06.09.2021 with maturity 07.09.2028, withdrawn in 2 separate tranches during 2021.Outstanding liabilities as of 31.12.2024 are amounting to 1,454,545 EUR;
- Long term loan with original principal in amount of 2,000,000 EUR withdrawn on 20.07.2022 with maturity date 17.05.2029. Outstanding liabilities as of 31.12.2024 are amounting to 1,636,364 EUR;
- Long term loan with original principal in amount of 1,500,000 EUR withdrawn on 25.01.2023 with maturity date 15.12.2029. Outstanding liabilities as of 31.12.2024 are amounting to 1,363,636 EUR;
- Long term loan with original principal in amount of 1,000,000 EUR withdrawn on 15.11.2023 with maturity date 11.09.2030. Outstanding liabilities as of 31.12.2024 are amounting to 1,000,000 EUR;
- Long term loan with original principal in amount of 3,500,000 EUR withdrawn on 21.12.2023 with maturity date 21.11.2030. Outstanding liabilities as of 31.12.2024 are amounting to 3,500,000 EUR;
- Long term loan with original principal in amount of 2,000,000 EUR withdrawn on 21.12.2023 with maturity date 23.11.2028. Outstanding liabilities as of 31.12.2024 are amounting to 2,000,000 EUR;
- Long term loan with original principal in amount of 2,000,000 EUR withdrawn on 22.02.2024 with maturity date 20.12.2028. Outstanding liabilities as of 31.12.2024 are amounting to 2,000,000 EUR;
- Long term loan with original principal in amount of 4,000,000 EUR withdrawn on 29.10.2024 with maturity date 19.09.2029. Outstanding liabilities as of 31.12.2024 are amounting to 4,000,000 EUR.

5) Loans received from European Fund for Southeast Europe:

- Loan term loan with original principal in amount of 10,000,000 EUR withdrawn in two separate tranches during 2023 on 15.09.2023 and 15.12.2023, with maturity date on 15.06.2028. Outstanding liabilities as of 31.12.2024 are amounting to 10,000,000 EUR.

6) Loans received from Development Bank of North Macedonia as follows:

a) Credit line for support of small and medium enterprises with outstanding balance of 3,593,182 EUR. Within this line the bank pays different interest rates as follows:
   - 1 loan in amount in amount of 43,182 EUR withdrawn in 2015 with maturity date in 2026;
   - 3 credit lines in amount in amount of 3,550,000 EUR withdrawn in 2016 and 2017 with maturity in 2027 and 2028.

b) Credit line for agricultural support with outstanding balance of 449,690 EUR withdrawn after 2011 and maturity date no later than 2029.

c) Credit line with funds from European Investment Bank with outstanding balance of 51,640,041 EUR withdrawn after 2019 and maturing between 2026-2036.

d) Credit line for increased energy prices support with outstanding balance of MKD 34,210 thousand withdrawn in 2022 and 2023 with maturity date in 2025 and 2026.

e) Credit line for energy efficiency and renewable energy sources support with outstanding balance of MKD 75,872 thousand withdrawn in 2022 and 2023 with maturity date after 2027.

f) Credit line for digitalization and digital transformation, energy efficiency and renewable energy sources support with outstanding balance of 5,808,536 EUR withdrawn in 2023 with maturity date after 2031.

g) Credit line for green and socially responsible investments with funds provided by the French Development Agency with outstanding balance of 2,853,000 EUR withdrawn in 2024 with maturity date in 2032.

Part of the outstanding borrowings in the amount of MKD 3,132,540 thousand (2023: MKD 2,658,693 thousand) are secured over loans and advances to customers with a carrying amount of MKD 1,956,497 thousand (2023: MKD MKD 1,981,960 thousand).

The changes in liabilities to banks are as follows:

		Cashflow			Non-cashflow		
in '000 MKD	**31.12.2023**	**Cash out (principal)**	**Cash out (interest)**	**Cash in (principal)**	**Deferred fees and accrued interest**	**Foreign exchange movement**	**31.12.2024**
Liabilites to banks	**8,163,030**	(3,216,632)	(236,028)	2,110,701	830,970	-	**7,652,042**
Total	**8,163,030**	(3,216,632)	(236,028)	2,110,701	**830,970**	**-**	**7,652,042**

42) Liabilities to customers

Liabilities to customers consist of deposits due on demand, savings deposits and term deposits. The following table shows a breakdown by customer groups:

in '000 MKD	**31.12.2024**	**31.12.2023**
Current accounts	**21,066,733**	**20,723,303**
-private individuals	3,129,739	2,330,348
-legal entities	17,936,994	18,392,955
Savings accounts	**3,206,355**	**3,189,888**
-private individuals	3,206,355	3,189,888
Term deposit accounts	**13,193,150**	**11,713,934**
-private individuals	8,513,697	7,244,398
-legal entities	4,679,453	4,469,536
Other liabilities to customers	**116,080**	**254,115**
Total	**37,582,318**	**35,881,241**

Current	34,027,032	30,976,919
Non-current	3,555,286	4,904,322
Total	**37,582,318**	**35,881,241**

The category “legal entities” includes liabilities to commercial companies, non-governmental organisations (NGOs) and public-sector institutions.

43) Subordinated debt

The subordinated debt can be broken down as follows:

in ‘000 MKD	up to 3 months	3-12 months	1-5 years	more than 5 years	noncash-relevant	31.12.2024
Subordinated debt	-	10,973	-	676,445	-	687,418
Subordinated debt	**-**	**10,973**	**-**	**676,445**	**-**	**687,418**

The change in subordinated debt is as follows:

in '000 MKD	
Book value as of 31.12.2023	**687,418**
Cashflow	
Cash out	(34,603)
Cash in	-
Non-cashflow	
Deferred fees and accrued interest	34,624
Exchange rate movements	(21)
Book value as of 31.12.2024	**687,418**

The Bank uses Subordinated loans from ProCredit Holding in the amount of 11,000,000 EUR out of which:

- EUR 8,000,000 originated in 2015 with contractual maturity of ten years. On 24.02.2020 Amendment of the agreement was signed, for extension of the maturity for additional 5 years. Maturity date for this loan is 25.02.2030;
- EUR 3,000,000 originated in 2020 with contractual maturity of ten years. Maturity date for this loan is 25.09.2030.

The Bank includes subordinated loans as part of Total Capital in capital adequacy calculation in Tier II.

44) Other liabilities

in '000 MKD	31.12.2024	31.12.2023
Liabilities for goods and services	7,359	2,351
Lease liabilities	56,797	23,336
Others	13,139	33,116
Deferred income	5,936	4,556
Non-income tax liability	9,541	6,890
Total	**92,771**	**70,250**

Lease liabilities are recognised at the present value of the lease payments not yet made at that time. The lease payments are discounted at the lessee's incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.

45) Provisions

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period.

in '000 MKD	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2024	**1,294**	**4,355**	**10,440**	**3,628**	**10,920**	**-**	**30,637**
Additions	-	-	-	1,103	5,819	-	**6,922**
Releases	-	(1,055)	-	-	(530)	-	**(1,585)**
Used	(1,294)	(3,300)	(10,440)	-	-	-	**(15,034)**
Change in credit risk	-	-	-	-	(4,309)	-	**(4,309)**
Exchange rate movements	-	-	-	-	1	-	**1**
Unwinding	2,614	-	12,789	281	-	-	**15,684**
Book Value as of 31.12.2024	**2,614**	**-**	**12,789**	**5,012**	**11,901**	**-**	**32,316**

in '000 MKD	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Contingent liabilities	Other provisions	Provisions
Book value as of 1.1.2023	**948**	**-**	**9,752**	**3,441**	**8,076**	**-**	**22,217**
Additions	1,294	4,355	10,440	-	3,326	560	**19,975**
Releases	-	-	-	-	(657)	-	**(657)**
Used	(948)	-	(9,752)	-	-	-	**(10,700)**
Change in credit risk	-	-	-	-	177	-	**177**
Exchange rate movements	-	-	-	-	(2)	-	**(2)**
Unwinding	-	-	-	186	-	-	**186**
Book Value as of 31.12.2023	**1,294**	**4,355**	**10,440**	**3,628**	**10,920**	**560**	**31,196**

"Other provisions" includes used provisions related to services already received and invoiced from Quipu for development of different kind of IT projects.

46) Maturities of assets and liabilities

In the following table, we show amounts for assets and liabilities that will be settled within twelve months (short term) and more than twelve months (long term) after the balance sheet date. Financial instruments without contractual maturities as well as cash and central bank balances are classified as short term. We classify the balance sheet items Property, plant and equipment, Intangible assets and Deferred tax assets/liabilities as long term.

in '000 MKD	Short-term	Long-term	31.12.2024	Short-term	Long-term	31.12.2023
Assets						
Cash	501,510	-	501,510	522,060	-	522,060
Central bank balances	11,050,944	-	11,050,944	14,595,551	-	14,595,551
Loans and advances to banks	2,309,939	-	2,309,939	704,993	-	704,993
Investment securities	3,524,874	75,402	3,600,276	2,362,176	74,082	2,436,259
Loans and advances to customers	13,267,748	20,289,444	33,557,193	12,976,081	17,664,744	30,640,826
Property, plant and equipment	-	700,044	700,044	-	667,067	667,067
Intangible assets	-	8,684	8,684	-	1,104	1,104
Current tax assets	-	-	-	-	-	-
Other assets	266,397	-	266,397	187,613	-	187,613
Total assets	**30,921,412**	**21,073,575**	**51,994,987**	**31,348,474**	**18,406,997**	**49,755,471**
Liabilities						
Liabilities to banks	1,779,817	5,872,225	7,652,042	1,982,104	6,180,926	8,163,030
Liabilities to customers	34,456,733	3,125,585	37,582,318	31,223,268	4,657,972	35,881,241
Other liabilities	41,458	51,313	92,771	50,903	19,347	70,250
Provisions	22,990	9,326	32,316	23,851	7,345	31,196
Current tax liabilities	34,916	-	34,916	51,064	-	51,064
Deferred tax liabilities	-	4,124	4,124	-	23,705	23,705
Subordinated debt	10,973	676,445	687,418	10,973	676,425	687,418
with fixed interest rate	*10,973*	*676,445*	*687,418*	10,973	676,425	687,418
with variable interest rate	-	-	-	-	-	-
Total liabilities	**36,346,887**	**9,739,018**	**46,085,905**	**33,342,164**	**11,565,741**	**44,907,904**

47) Fair value of financial instruments

The following table gives an overview of the carrying amounts and fair values of the financial assets and liabilities according to the classes of financial instruments, defined in accordance with the business of the Bank. The following table shows the distribution of fair values over the different fair value hierarchies:

in '000 MKD **31.12.2024**

Financial assets	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Central bank balances	AC	11,552,454	11,552,454	-	11,552,454	-
Loans and advances to banks	AC	2,309,939	2,309,939	-	2,309,939	-
Investment securities	FVOCI	3,600,276	3,600,276	75,402	3,524,874	-
Loans and advances to customers	AC	33,557,193	33,425,015	-	-	33,425,015
Other assets (Financial instruments)	AC	210,781	210,781	-	210,781	-

Financial liabilities	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Liabilities to banks	AC	7,652,042	7,150,859	-	1,275,888	5,874,972
Liabilities to customers	AC	37,582,318	37,414,744	-	24,389,734	13,025,010
Other liabilities	AC	92,771	92,771	-	92,771	-
Subordinated debt	AC	687,418	687,418	-	687,418	-

in '000 MKD **31.12.2023**

Financial assets	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Central bank balances	AC	15,117,611	15,117,611	-	15,117,611	-
Loans and advances to banks	AC	704,993	704,993	-	704,993	-
Investment securities	FVOCI	2,436,259	2,436,259	75,789	2,360,470	-
Loans and advances to customers	AC	30,640,826	28,253,159	-	-	28,253,159
Other assets (Financial instruments)	AC	148,921	148,921		148,921	-

Financial liabilities	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Liabilities to banks	AC	8,163,030	6,989,525	-	1,762,238	5,227,287
Liabilities to customers	AC	35,881,241	35,727,022	-	24,167,700	11,559,322
Other liabilities	AC	70,250	70,250	-	70,250	-
Subordinated debt	AC	687,418	687,418	-	687,418	-

48) Equity

As at December 31, 2024 the shareholder structure was as follows:

	31.12.2024			31.12.2023		
Shareholder	Size of stake in %	Number of shares	Amount (in '000 MKD)	Size of stake in %	Number of shares	Amount (in '000 MKD)
Procredit Holding AG, Frankfurt am Main, Germany	100%	6,757,351	2,078,316	100.00%	5,557,351	1,708,148
Total Voting Capital	**100%**	**6,757,351**	**2,078,316**	**100.00%**	**5,557,351**	**1,708,148**

	Subscribed capital		Number of ordinary shares	
	31.12.2024	**31.12.2023**	**31.12.2024**	**31.12.2023**
As of 1 January	1,708,148	1,708,148	6,757,351	5,557,351
As of 31 December	**2,078,316**	**1,708,148**	**6,757,351**	**5,557,351**

The Bank's share capital consists of 6,757,351 ordinary shares. All shares have a par value of 5 EUR (2023: 5 EUR). All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

Legal reserve

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

Dividends

in '000 MKD	**31.12.2024**	**31.12.2023**
Dividends paid	-	-

No dividend liabilities have been provided for at the end of the year in statement of financial position.

The Bank has not declared any dividends after the balance sheet date.

Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary objective of the risk management function is managing the identified material risks with the help of established risk limits, and ensuring that the exposure stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

49) Capital management

Capital management is guided by the principle that the bank may not, at any time, incur greater risks than it is able to bear.

The principle of capital adequacy is monitored using different indicators for which early warning indicators and limits have been established. The indicators include, in addition to regulatory standards, a capital adequacy calculation in accordance with CRR requirements, a Tier 1 leverage ratio in accordance with CRR and a calculation of economic perspective.

The capital management framework of the Bank has the following objectives:

- Compliance with regulatory capital requirements (normative perspective)
- Ensuring adequate capitalisation in the economic perspective
- Compliance with the internally defined capital requirements and creation of a sufficient capital buffer to ensure that the bank is able to act

The capital management of ProCredit bank is governed by group policies and monitored on a monthly basis by the Group Risk Management Committee.

Capital adequacy in the economic perspective

Ensuring that the bank maintains sufficient capitalisation in the economic perspective at all times is a key element of ProCredit's group-wide risk management and capital management processes. Capitalisation in the economic perspective was adequate at all times during the course of 2024. In the context of the economic perspective, the capital needs arising from bank's specific risk profile are compared with the available capital resources to assure that bank's capitalisation is at all times sufficient to match its risk profile. It is an ongoing process that raises group-wide awareness of our capital requirements and exposure to risks.

The methods the bank uses to calculate the amount of economic capital required to cover the different risks the bank is exposed to are based on statistical models, provided that appropriate models are available. The guiding principle for bank's calculations is that the bank is able to withstand strong shock scenarios.

When calculating the economic capital required to cover risk exposures the bank applies a one-year risk assessment horizon. The included material risks and the limits set for each risk reflect the specific risk profile of the bank and are based on the annually conducted risk inventory. The following risks are included in the calculation of the economic capital for the bank:

- Credit risk, comprising:
  - Costumer credit risk
  - Counterparty risk, including issuer risk
- Foreign currency risk
- Interest rate risk
- Operational risk

The bank's risk-taking potential (RTP), defined as the equity (net of intangibles and deferred tax assets), amounted to MKD 5,900 million as of the end of December 2024 (2023: MKD 4,846 million). As end of December 2024, the Management set the Resources Available to Cover Risk (RAtCR) at the amount of MKD 4,720 million (2023: MKD 3,877 million). This reflects the acceptable risk amount for the bank; moreover, taking account for the conservative risk tolerance, it was set below the bank's RTP in order to ensure the existence of a sufficient security buffer. The decrease in RTP resulted from methodological exclusion of subordinated debt from the calculation.

The table below shows the distribution of RAtCR among the different risks and the limit utilisation. In the standard scenario, which is calculated with a 99.9% confidence level, the bank needs 36.3% of its RAtCR (2023: 50.8%) to cover its risk profile.

		31.12.2024	31.12.2023
in '000 MKD	**Limit**	**Limit Used**	**Limit Used**
Customer Credit & Counterparty Risk	3,009,203	1,408,154	1,621,039
Currency Risk	177,012	526	251
Interest rate Risk	767,052	129,043	212,324
Operational Risk	767,052	176,784	136,414
Total	**4,720,318**	**1,714,508**	**1,970,027**
Total limit used in %		**36%**	**51%**

Capital adequacy in the normative perspective

The normative perspective analyses whether regulatory and supervisory capital requirements have been met on a continuous basis. During the reporting period, all capital requirements were met at all times. Bank's capital ratios calculated in accordance to the CRR requirements are presented below:

	31.12.2024	**31.12.2023**
Common equity Tier 1 capital ratio	20.7%	17.1%
Tier 1 capital ratio	20.7%	17.1%
Total capital ratio	**23.1%**	**19.6%**

As end of 2024, the CET1 ratio and Tier 1 ratio were at the level of 20.7%. The total capital ratio by the end of the year was at the level of 23.1%. The level of capitalisation of ProCredit bank is higher than the current policy and regulatory requirements.

With the implementation of CRR, an additional leverage ratio was introduced which is not risk-based. This is defined as the ratio of Tier 1 capital to unweighted on- and off-balance sheet risk exposures. As end of December 2024 the bank reported comfortable leverage ratio of 10.6%.

in '000 MKD	**31.12.2024**	**31.12.2023**
Equity	5,868,591	4,726,736
Assets	55,592,236	52,764,180
Leverage ratio	**10.6%**	**9.0%**

50) Management of individual risks

The material risks for the ProCredit Bank are credit risk, market risks (foreign currency risk and interest rate risk), liquidity and funding risk, operational risk, risks arising from money laundering, terrorist financing and other acts punishable by law, business risk and model risk.

ESG risks are environmental, social or corporate governance events or conditions whose occurrence may have an actual or potential negative impact on financial position and financial performance as well as on reputation. We deliberately do not give separate treatment to ESG risks, as it would hardly be possible to isolate such risks.

Managing ESG risks is an integral part of our business strategy. ESG risks can have a material impact on all of our identified risks, contributing as a factor in their materiality. We assume that ESG risks for the ProCredit Bank have the greatest impact on credit risk arising from business with clients, i.e. the impact that ESG risks have on our clients and the corresponding business models and thus on their ability to survive.

The management of material risks in ProCredit Bank is described in greater detail in the following section.

- **Credit risk**

Credit risk is defined as the risk that the party to a transaction cannot fulfil its contractual obligations, not in full or not on time. Within overall credit risk, we distinguish between customer credit risk, counterparty risk (including issuer risk) and country risk. Credit risk is the most significant within our risk management framework, with customer credit risk accounting for the largest share thereof.

in '000 MKD	**31.12.2024**	**31.12.2023**
Central bank balances	11,052,299	14,595,551
Loss allowances for central bank balances	(1,355)	(2,425)
Loans and advances to banks	2,309,956	704,993
Loss allowances for loans to banks	(17)	-
Investment securities	3,600,276	2,436,259
Loss allowances for Investment securities	(1,466)	(778)
Loans and advances to customers	*34,093,962*	*31,219,520*

Loss allowance for loans to customers	*(536,769)*	*(578,694)*
Other assets (financial instruments)	*211,208*	*148,921*
Loss allowance for other assets (financial instruments)	*(427)*	*(346)*
Contingent liabilities	*7.629,096*	*6,877,573*
Provisions for contingent liabilities	*(11,900)*	*(10,920)*
Total	**58,347,863**	**55,389,654**

a) Customer credit risk

The main objective of credit risk management is to ensure a high level of credit quality and to avoid excessive concentrations of risk within the credit portfolio. In addition, we ensure that potential default risks are adequately covered by means of forward-looking loss allowances in our lending business.
ProCredit bank focuses on a clearly defined target group: Micro-enterprises with increasingly formalised structures, small and medium-sized enterprises (SMEs) and private clients from the middle class. For our lending operations with clients, we apply the following principles, among others:

- intensive analysis of the debt capacity and repayment capacity of borrowers, taking account for expected future cash flows as well as assessing ESG aspects
- carefully documenting the risk assessments and the processes conducted during lending operations, such that the analyses performed can also be understood by expert third parties
- avoiding overindebtedness among credit clients
- building a long-term relationship, maintaining regular contact, and documenting the development of the exposure in regular monitoring reports
- monitoring the repayment of credit exposures
- customer-oriented, intensified loan management in the event of arrears
- collateral realisation in the event of insolvency

The Bank's framework for managing customer credit risk is presented in the relevant policies and standards. The policies specify, among other things, the responsibilities for managing credit risk in the bank, the principles for the organisation of the lending business, the principals involved in lending operations, and the framework for the valuation of collateral for credit exposures. The standards contain detailed explanations of the bank's lending operations with business clients and private clients and of the range of credit offered. They also set forth the rules governing restructuring, loss allowances and write-offs. Thus, the policies and standards define risk-mitigating measures for the pre-disbursement phase (credit risk assessment) and the post-disbursement phase (e.g. regular monitoring of the financial situation, review of early warning indicators, and both intensified and problem loan management).

ProCredit Bank divides its credit exposures mainly into micro, small and medium-sized business credit exposures and credit exposures to private clients. Depending on the client category to which the respective credit exposure is assigned, different credit risk assessment processes are applied. These processes differ from one another in terms of the following attributes: involvement of back-office functions, type of information that provides the basis for the credit analysis, criteria for credit decisions, and collateral requirements. A strict separation of front and back office functions up to the management level is applied for risk-relevant operations.

The experience of the Bank has shown that a careful creditworthiness assessment is a necessary form of credit risk management. The credit decisions of the Bank are therefore based predominantly on an analysis of the client's financial situation and on an assessment of creditworthiness. We maintain regular contact with our business clients, including regular on-site visits to ensure that we give adequate consideration to their specific risk profile and needs. For private customers, the assessment is mainly based on the amount and source of income and their overall debt.

Assessment of ESG risks as part of credit risk

Our credit risk assessment takes ESG risks into account at all levels of the lending and monitoring process. At the start of the lending process, potential borrowers are checked against our Exclusion List and the Screening List for Category A projects. This screening ensures that we do not enter into business relationships with customers whose economic activities have an adverse impact on the environment and society, as defined in our Exclusion List.

Furthermore, all business customers are categorised according to the potential environmental impacts and risks of their activities. Depending on the environmental risk category and the volume of the credit exposure, clients are subject to a more comprehensive environmental and social assessment that also includes risks and impacts related to governance and climate change aspects of their business model. In the case of project financing for renewable energies, the scope of the environmental and social assessment depends on the type of technology and the installed capacity. Regardless of the size of the loan exposure and the environmental risk category, a 'social check' is carried out for all business customers, examining the social, health and safety aspects in connection with occupational safety and the impact on the local community. When analysing the financial situation and assessing the creditworthiness of borrowers, the possible impact of risks inherent in their industry and other factors identified in the environmental and social assessment are taken into account.

KRIs have been defined to measure and monitor the impact of ESG risks on customer credit risk in the loan portfolio. These are monitored in the quarterly risk report in order to identify and review portfolio concentrations with increased ESG risk at an early stage.

Approval process for credit exposures

All credit decisions are taken by a credit committee. Its members have approval limits that reflect their expertise and experience. Granting of medium credit exposures is carried out exclusively by credit committees at the banks' head offices.

The most important factor for credit committee decisions is a funding and collateral structure that is based on the client's needs and conditional on the respective risk profile. In general, high collateral requirements apply to our exposures in the SME sector; specifically: the lower the loan amount, the more detailed the documentation, the shorter the loan period, the longer the client's history with the bank, and the higher the account turnover with the bank, then the lower our collateral requirements will be.

The Bank's credit risk management policies limit the possibility for unsecured credit operations. Depending on the risk profile and the term of the exposure, loans can also be issued without

being fully collateralised. Credit exposures are primarily covered with collateral security, mostly through mortgages.

As a rule, the valuation of collateral is based on assessments conducted by external, independent experts. In order to ensure that impairment is identified at an early stage and that appropriate measures are initiated, a plausibility check of the collateral value is performed when there are indicators of impairment and at least annually. External assessments are updated at regular intervals, with plausibility checks being carried out by specialised ProCredit bank staff.

Based on our collateralisation requirements, securing loans with mortgages is among the most important instruments for limiting credit risk. Although the largest share is concentrated in real estate, its distribution by individual purpose, location and associated market is diversified across regions and economic sectors, similar to the distribution of the loan portfolio of the Bank.

	31.12.2024		31.12.2023	
in '000 MKD	**Defaulted LP**	**Total LP**	**Defaulted LP**	**Total LP**
Loan portfolio	495,843	34,093,962	630,822	31,219,520
Loss allowance	(246,226)	(536,769)	(346,626)	(578,694)
Coverage ratio excluding collateral	49.66%	1.57%	54.95%	1.85%
Loan collateral	376,986	22,982,359	473,231	21,348,858
Coverage ratio including collateral	125.69%	68.98%	130%	70%

Early risk detection and monitoring

The early identification of rising credit risks is an integral part of all credit-related processes. This enables the prompt identification and assessment of potential financial difficulties for our customers. This risk analysis is carried out at the individual client level as well as at the portfolio and sub-portfolio level, e.g. for specific industries or geographic regions. This is always based on up-to-date and relevant information, including customer financial data and market-specific developments.

As part of our process for the early identification of risks, we have a comprehensive list of early warning indicators that take into account both quantitative and qualitative risk characteristics. These are recorded and monitored at portfolio level.

Some of these indicators are customer-specific, including declining account turnover and balances, high utilisation of credit lines and overfacilities over a longer period of time, and payment arrears or structural changes in business operations. In addition, we analyse potential risks based on macroeconomic factors, such as those arising from specific economic sectors or geographic regions. These risk factors can lead to a targeted limitation of exposures to certain client groups. If an increase in credit risk cannot be ruled out, the respective clients are added to a watch list; this entails closer monitoring and thus acts as a preliminary stage of intensified management. The regular recording and evaluation of these early warning indicators is essential for the management of the loan portfolio, the early identification of potential loan defaults and the

introduction of suitable countermeasures to mitigate risk. Reports on affected portfolios are given on an ongoing basis to the corresponding branch management, the bank's head office and, in aggregated form, to ProCredit Holding. Special risk-relevant events with potential effects on larger parts of the credit portfolio, such as a significant increase in interest rates, require further analyses and corresponding measures at the group and bank level.

Relevant credit risk events

We monitor our loan portfolio continuously for possible risk-relevant developments. During the
We monitor our loan portfolio continuously for possible risk-relevant developments. During the 2024 financial year, several macroeconomic developments were identified as negative factors influencing credit risk and the repayment capacity of our customers. Unlike the previous years, we have observed a tendency towards falling inflation and relief from high interest levels due to cuts in key interest rates by NBRSM and ECB. However, the uncertainty caused by existing global conflicts and political tensions remains high and manifested itself in 2024 in particular through unrest in the context of national elections. The outcome of the elections in the USA also has a direct impact on the development of the business situation in the country. Furthermore, additional market disruptions are possible, such as in energy supply and pricing developments or the imposition of tariffs, leading to a potential trade war. Many of these developments were also exacerbated in part by a deterioration in the global security situation, including the war against Ukraine and the conflict in the Middle East.

The persistently challenging macroeconomic conditions in 2024 continue to be analysed regularly in the context of our clients. A systematic deterioration in the quality of our loan portfolio due to the economic conditions was not observed. Nevertheless, we continue to take the above-mentioned effects and the high degree of uncertainty into account as part of a general negative outlook.

Risk and quality-dependent treatment

On the basis of asset quality indicators, the loan portfolio is divided into categories: performing, underperforming and defaulted. This categorisation is based on a risk classification system that takes account for repayment arrears as well as other risk characteristics, including the initiation of bankruptcy or legal proceedings, restructurings or collateral liquidations by other banks. In addition, other factors which indicate a significant deterioration of the economic situation of the client can also play a role. The portfolio indicators allow for a clear overview of the quality of the Bank's portfolio and represent one of the most important tools for the credit risk management process. The indicators and the associated internal processes are defined in accordance with the requirements of the European Banking Authority.

- The performing loan portfolio shows no signs of a potential risk increase. Although some exposures show early warning signals, these may not necessarily result in a risk increase being specifically determined.

- The underperforming loan portfolio comprises exposures with elevated credit risk. This can be caused by temporary payment difficulties (30-90 days), restructuring or by a deterioration in the financial circumstances of clients, as expressed through an adjustment of the risk classification. Nevertheless, the bank still assesses full repayment of the exposure to be possible, e.g. after restructuring.

- The defaulted loan portfolio comprises all exposures in default, pursuant to the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178), that have shown lasting payment difficulties (over 90 days) or other indications. These include, among other factors, when the borrower is highly unlikely to meet their loan obligations to the bank in full or when insolvency proceedings have been initiated. Further details are provided below.

Once we identify a higher risk of default for a credit exposure, it is placed on the watch list or put directly under intensified management and assigned to the underperforming category. This centres around close communication with the client, identification of the source of higher credit default risk and close monitoring of business activities. For private customers, any changes in the income or debt situation are investigated in more detail by initiating contact. Decisions on measures to reduce the credit default risk for individual credit exposures are taken by the authorised decision-making bodies for the credit exposures in question. In addition, specialised recovery officers may be called in to support the intensified management of the credit exposure. One of the first steps in managing the exposure is to determine the current economic and financial situation of the client, as this is the most important basis for decisions on whether or not the exposure can be restructured. The aim is to take such decisions at an early stage, while the chances of stabilisation are high and before the exposure enters an advanced phase of payment delay. When a credit exposure is classified as defaulted, specialised officers take over dealings with these loans. Based on the prospects for the customer, a strategy is developed with the goal of either restructuring or winding down the exposure. These officers are supported by the legal department of the Bank. In the event of collateral realisation, items are sold through liquidation to a third party at the highest possible price, typically via public auction. The majority of the collateral sold consists of tangible assets such as land or buildings.

in '000 MKD	31.12.2024	31.12.2023
Real Estate	39,495	43,011
Other	52,588	1,324
Total	**92,084**	44,335

- **Loss allowances**

The expected credit loss (ECL) model pursuant to IFRS 9 is the central element of the approach to quantifying loss allowances for both on- and off-balance sheet financial instruments and is continually optimised. The calculated loss allowances are determined based on the expected credit losses for several future default scenarios. This represents the combined sum of the probability-weighted results from the scenarios. ECL estimates are based on reliable information about past events, current conditions and projections of future economic conditions. A detailed description of the model specifications is provided below.

Three-stage approach

Loans and advances to customers are broken down into the three stages described below, based on the development of credit risk since initial recognition. A specific methodology is applied for each stage in order to determine impairment. During the term of an exposure, movement is possible between the stages.

- *Stage 1* comprises exposures for which credit risk has not significantly increased since initial recognition, and for which there is thus no indication of a trigger for allocation to Stage 2 or Stage 3; this also includes exposures which have been re-assigned to Stage 1 from other stages. Generally, all exposures are allocated to Stage 1 upon initial recognition, with the exception of those categorised as POCI (Purchased or Originated Credit Impaired). For Stage 1 exposures, the expected credit losses arising from possible default events within a period of up to 12 months following the reporting date are recognised in expenses. For receivables with a remaining term of less than 12 months, the shorter contractual maturity is applied.

- *Stage 2* comprises exposures for which credit risk as of the reporting date has significantly increased since initial recognition, but for which there is no objective indication of impairment; this also includes exposures which have been re-assigned to Stage 2 from Stage 3. Loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.

- *Stage 3* includes all defaulted exposures (except POCI); i.e. as of the reporting date, there are objective indications of impairment. The respective calculation of loss allowances is performed based on the expected credit losses over the entire remaining maturity considering 100% probability of default.

- POCI exposures refer to defaulted exposures; however, they are recorded separately and are differentiated from other exposures in Stage 3 in the recognition of loss allowances.

Calculation of expected credit loss (ECL)

The following parameters are used in the calculation of expected credit loss:

- Exposure at default (EAD):

EAD is the expected exposure amount at the time of a loan default; it is derived from the currently outstanding receivable from the customer and possible future changes under the applicable contractual conditions. Thus, the EAD consists of the expected exposures (including credit risk from off-balance sheet business) at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted for the expected possibility of early repayment based on historical observations and on scenarios for the development of the economic environment and associated future forecasts. For potential exposures that may arise in the future from the utilisation of existing credit commitments, such as credit lines or overfacilities, conversion factors are estimated based on empirical analysis of historical data; for payment guarantees and letters of credit, a conversion factor of 100% or 50%, respectively, is set on the basis of professional judgment.

- Probability of default (PD):

The probability of a loan default within a certain period of time is derived from historical default events. These data include the time, type and amount of default as well as information about the characteristics of the customer from our internal risk classification system. The parameters differentiate the risk levels of exposures according to the customer segments defined. We use statistical models to analyse the collected data and make forecasts for the expected PD based on scenarios for the development of the economic environment. (PiT estimate). In addition, we estimate the PDs over the remaining lifetime of an exposure.

- Loss given default (LGD):

The LGD reflects the expected extent of the loss from a defaulted credit exposure. The figure comprises the probability of recovery from the default and the estimated recovery rates for both scenarios (recovery/non-recovery). The recovery rates are calculated from the discounted cash flows based on historical data on funds received from defaulted customers and on the realisation of collateral and guarantees. The estimated probabilities and recovery rates are modelled as forward-looking forecasts that account for the assumed scenarios about the development of the economic environment.

Input data for the assessment of credit risk parameters are based on multi-year data histories for our borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through regression analysis. The multi-stage selection process for relevant macroeconomic factors, which address various dimensions of the economic environment (economic performance, inflation, unemployment, interest rate environment, currency strength, energy prices), is based on professional discretion, their statistical significance and economic relevance. The selection process is validated annually. Publications of the International Monetary Fund (IMF), the Economist Intelligence Unit (EIU) and the European Central Bank (ECB) are used as data sources for the historical data and forecasts of the following relevant macroeconomic factors: GDP, inflation, unemployment rate, lending rate, purchasing power parity, gas and oil price index.

In order to establish the ECL parameters, a probability-weighted average value is calculated based on various scenarios for the macroeconomic factors.

The calculation of loss allowances is automated and parameter-based for exposures in Stage 1 and Stage 2 as well as individually insignificant Stage 3 exposures. Loss allowances for individually significant Stage 3 exposures are estimated by portfolio analysts.

The current macroeconomic forecasts from the IMF World Economic Outlook Database and the EIU were used in establishing loss allowances. The parameters are calculated by weighting the three scenarios (baseline/downside/upside), with the base scenario normally weighted at 50% and the alternative scenarios at 25%. The stronger weighting of the downside scenario (40%) as of the reporting date is intended to reflect the currently tense overall economic situation. A detailed description can be found in the section on overlays.

Baseline scenario	**GDP growth in %**			**Inflation rate in %**			**Unemployment rate in %**		**Change in credit interest rate in %**			**Change in purchasing power parity in %**		**Change in gas price in %**		**Change in oil price in %**			**Weight**
Country	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2024**	**2025**	**2026**	**2024**	**2025**	**2024**	**2025**	**2023**	**2024**	**2025**	
North Macedonia	2.2	3.6	-	-	2	-	-	-	0.56	-	-	-	-	-	-	-	-	(1.3)	50%

Downside scenario	**GDP growth in %**			**Inflation rate in %**			**Unemployment rate in %**		**Change in credit interest rate in %**			**Change in purchasing power parity in %**		**Change in gas price in %**		**Change in oil price in %**			**Weight**
Country	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2024**	**2025**	**2026**	**2024**	**2025**	**2024**	**2025**	**2023**	**2024**	**2025**	
North Macedonia	1.18	2.58	-	-	4.73	-	-	-	1.23	-	-	-	-	-	-	-	-	17.5	40%

Upside scenario	GDP growth in %			Inflation rate in %			Unemployment rate in %		Change in credit interest rate in %			Change in purchasing power parity in %		Change in gas price in %		Change in oil price in %			Weight
Country	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2024**	**2025**	**2026**	**2024**	**2025**	**2024**	**2025**	**2023**	**2024**	**2025**	
North Macedonia	4.23	5.63	-	-	(0.1)	-	-	-	0.14	-	-	-	-	-	-	-	-	(21.19)	10%

In case of insignificance, the respective macroeconomic factor is not specified.

The sensitivity of our loss allowances is analysed in terms of the influence of relevant macroeconomic factors. Sensitivity is calculated by simultaneously increasing or decreasing all the applied macroeconomic model factors by 10%, depending on the expected direction of the factor's impact, in order to simulate a positive or negative macroeconomic environment. The following table presents the loss allowances for the Bank with the respective macroeconomic changes.

Adapted new provisions MEV +/- 10%"	Current provisions	Adapted new provisions MEV +/- 10%
526,942	537,298	548,039

Changes in the above assumptions can lead to changes in the calculated loss allowances over time. In this context, discretionary decisions and estimation uncertainties can have a significant impact on the establishment of loss allowances for collectively and individually assessed exposures. Our discretionary decisions reflect, among other aspects, the applied default definitions, the approach to determining a significant increase in credit risk (SICR) and the selected macroeconomic factors and scenarios.

Overlays

Overlays are made to account for persisting uncertainty in connection with current global economic and political developments and the effects of the war in Ukraine on the macroeconomic forecasts, as the existing models do not fully reflect these factors.

in 000 MKD

Overlay description	Impact on	31.12.2023	Change	31.12.2024
Macroeconomic effects of a negative development due to the ongoing Russian invasion in Ukraine	Loan portfolio in Stage 1, 2 and 3	12,528	7,782	20,310
Effects of multifactorial crisis on the credit risk parameters	Loan portfolio in Stage 1, 2 and 3	103,821	(19,455)	84,366
Total		116,349	(11,673)	104,675

The adjustments are described below.

Due to the ongoing tense situation in the Russo-Ukrainian War, with possible spill-over effects impacting the economic situation of the country, the adjusted weighting of scenarios (baseline/downside/upside) for the calculation of loss allowance parameters remained consistent

with the previous year. Likewise unchanged, the baseline scenario has a weighting of 50%, the weighting of the downside scenario is 40% and the upside scenario is 10%. This adjustment resulted in an overlay in the loss allowances, amounting to EUR 0,33 million as of the balance sheet date.

Price development and interest rates have continued to stabilise. The overlays were retained, albeit in a reduced form. Nevertheless, the current global environment is characterised by geopolitical conflicts, political instability and a focus on national interests, with uncertain consequences for the economic situation in countries where ProCredit operates.
The extent of increased national and global uncertainty, with potential consequences for price levels, interest rates or energy supply, cannot be reflected in all model parameters due to the lack of statistical correlations in the macroeconomic factors and historical default/loss rates. Therefore, parameter adjustments were made to the PD and LGD.
The adjustments were based on observations of maximum default and loss rates from historical default events in the crises that serve as stress levels. The key parameters, PD and LGD, have been increased using the defined probability of occurrence of the stress level (10%, based on expert assessment). As part of the calculation of LGD, it is assumed that the probability of a defaulted credit exposure migrating back to Stage 1 or 2 is zero. A further measure was the increase in the credit conversion factors for potential receivables from off-balance sheet items by 10%. This resulted in an overlay in the loss allowances amounting to EUR 1,37 million as of the balance sheet date.
During the financial year, the overlays for loss allowances declined compared to the previous year by EUR 0,19 million to EUR 1,7 million.

		31.12.2024		31.12.2023	
Loan portfolio	**12m PD range**	**Loan portfolio in '000 MKD**	**Loan portfolio in %**	**Loan portfolio in '000 MKD**	**Loan portfolio in %**
Risk classes: 1-5: Performing*	0-1,5%	20,601,358	60.43%	11,276,149	36.12%
	1,5-4%	5,503,316	16.14%	8,059,748	25.82%
	4-7%	-	-	5,635,703	18.05%
Risk classes 6-7: Underperforming*	7-10%	-	-	-	-
	10<100%	695,437	2.04%	707,986	2.27%
Risk class 8: Default	100%	409,874	1.20%	568,248	1.82%
Wthout risk class**		6,883,978	20.19%	4,971,686	15.92%
Gross outstanding amount		**34,093,962**	**100%**	**31,219,520**	**100.00%**

*** Loans to private customers and business customers with a credit volume of EUR 50,000 and less are not assessed with an internal risk classification.*

The PDs are assigned to the scale for internal risk classification. This results in a breakdown of the loan portfolio into the presented PD intervals. Exposures assigned to risk classes 6 and 7 correspond to the underperforming category and are considered to have higher risk. They therefore show PDs of generally more than 7%. The risk classifications are assigned according to an internal evaluation process for the current repayment capacity of the credit exposure, based on quantitative as well as qualitative factors.

Significant increase in credit risk (SICR)

Quantitative and qualitative information is used to determine whether there is a significant increase in credit risk.

The quantitative test for SICR consists of a comparison between the expected PD over the remaining lifetime as of the reporting date and the expected PD over the corresponding time period at initial recognition. A significant increase in credit risk is deemed to exists if the difference between the PDs exceeds a factor of 2.5. In this case, the respective financial instrument is transferred from Stage 1 to Stage 2. Conversely, a transfer from Stage 2 to Stage 1 is possible once the associated credit risk is no longer significantly elevated. In addition, qualitative criteria are used for SICR decisions.

A transfer from Stage 1 to Stage 2 is made when one of the following criteria is met:

- Contractual payments are past due by more than 30 days but not more than 90 days;
- Classification of the customer as “restructured” (forbearance) pursuant to internal policies (adjustment of contractually agreed conditions);
- Classification of the loan in risk classes 6 or 7, which are associated with an increase in credit risk.
- Recognition of a possible increase in credit risk based on information from the early warning system.

A return from Stage 2 to Stage 1 occurs when no overdue payments are outstanding for more than 30 days and no other Stage 2 criteria are met. Forborne exposures are subject to an additional two-year probationary period during which no payments due may be outstanding for more than 30 days. The period begins with the restructuring of the contract.

Impaired credit exposures

If a credit exposure is deemed to be impaired, it is transferred to Stage 3 accordingly. The definition of impairment according to IFRS 9 corresponds to the definition used for the Defaulted portfolio in internal risk management, and thus also the regulatory definition of default (Regulation (EU) No. 575/2013 under (EU) 2019/876 (CRR II), Art. 178). This default definition is applied to all exposures which are part of the loan portfolio of the Bank. An exposure is considered to be impaired if at least one of the criteria of the default definition is met and the expected cash flows have been negatively impacted to such an extent that full repayment of the receivable can no longer be assumed.

When establishing Stage 3 loss allowances, a distinction is likewise drawn between individually significant and individually insignificant credit exposures; the threshold is EUR 250,000 (for all exposures to a client). For indications of impairment of significant exposures, an individual assessment is performed to determine loss allowances, taking account for probability-weighted expected inflows in various scenarios, including collateral liquidation. For individually insignificant exposures, loss allowances are determined using parameters for the collective assessment of credit risk with the ECL model.

Returning an exposure from Stage 3 to a lower stage is possible if the customer can settle outstanding debts in full without recourse to collateral realisation. Unrestructured loans can be repaid no sooner than three months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. Restructured loans can be repaid no sooner than 12

months after they are assigned to Stage 3 and a determination is made that repayment ability has improved. No migration between stages is possible for POCI exposures.

Purchase or Originated Credit Impaired (POCI) exposures

In line with IFRS guidelines, the Bank performs separate recognition of POCI exposures. Within our business model, the acquisition of impaired exposures is not permitted. Accordingly, POCI exposures can only arise in the course of a new negotiation through substantial modification of the contractually agreed cash flows. For POCI exposures, no allowances for impairment are made at the time of initial recognition. In subsequent periods, all changes with regard to the expected losses over the remaining maturity period (lifetime ECL) are recognised as an expense in the income statement and reported accordingly as loss allowances for these exposures.

Changes to contractual terms (modifications)

Changes to the originally agreed contractual conditions of an exposure are possible, in particular with the aim of improving the prospects of repayment and, if possible, avoiding default, foreclosure or the realisation of collateral. If financial difficulties are identified for the customer at the time of the modifications, they are classified as a forbearance measure. This has an impact on the risk classification, the stage and thus on the calculated loss allowance. We use qualitative and quantitative factors to determine the existence of financial difficulties and the existence of a substantial modification of contractual conditions. As a quantitative factor, the net present value of cash flows is determined in order to assess the changed conditions of an exposure (net present value test). In the event of a substantial change, the original contract is derecognised and a new exposure is recognised at the fair value at the time of modification. In the case of a non-substantial change, the gain or loss is recognised through profit or loss.

Write off

When a loan is uncollectible, it is written off against the corresponding loss allowance, which has been set aside, provided there is no justified expectation of repayment. The direct and indirect costs of actively managing credit exposures that have not been written off must be in proportion to the size of the outstanding exposure.

For exposures of any size, the bank carry out an individual assessment of the justified feasibility of repayments. Based on the assessment, the bank may decide to write off the exposure or continue to actively manage the exposure in order to allow for further repayment of the loan. Portions of written-off exposures are still subject to enforcement activities.

	31.12.2024			
In '000 MKD	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**
Written-off exposures in current year subject to enforcement activity	-	-	253,477	-

	31.12.2023			
In '000 MKD	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**
Written-off exposures in current year subject to enforcement activity	-	-	173,535	-

The following table presents gross and net exposures, broken down according to internal risk classification.

In '000 MKD

		31.12.2024				
Loan portfolio		**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	1	203,444	-	-	-	**203,444**
	2	3,661,663	-	-	-	**3,661,663**
	3	7,919,795	-	-	-	**7,919,795**
	4	8,807,862	8,594	-	-	**8,816,456**
	5	5,449,697	53,619	-	-	**5,503,316**
Underperforming	6	-	262,337	-	-	**262,337**
	7	-	433,099	-	-	**433,099**
Defaulted	8	-	-	409,874	-	**409,874**
Without risk class*		6,717,470	80,044	85,970	495	**6,883,978**
Gross outstanding amount		**32,759,931**	**837,694**	**495,843**	**495**	**34,093,962**

In '000 MKD

		31.12.2023				
Loan portfolio		**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Performing	1	97,093	-	-	-	**97,093**
	2	3,371,249	-	-	-	**3,371,249**
	3	7,807,807	-	-	-	**7,807,807**
	4	8,059,748	-	-	-	**8,059,748**
	5	5,529,904	105,800	-	-	**5,635,703**
Underperforming	6	-	164,760	-	-	**164,760**
	7	-	543,226	-	-	**543,226**
Defaulted	8	-	-	568,248	-	**568,248**
Without risk class*		4,698,962	210,150	62,038	536	**4,971,686**
Gross outstanding amount		**29,564,763**	**1,023,936**	**630,286**	**536**	**31,219,520**

** Loans to private customers and business customers with a credit volume of EUR 50,000 and less are not assessed with an internal risk classification.*

The following table presents gross and net exposures, broken down according to economic sector and by stage.

in '000 MKD	Business loans								Private loans			
As of 31 December 2024	**Wholesale and retail trade**	**Agriculture, forestry and fishing**	**Production**	**Transportation and storage**	**Electricity, gas, steam and air conditioning supply**	**Construction and real estate**	**Hotel, restaurant and catering**	**Other economic activities**	**Housing**	**Investment loan**	**Consumer loans**	**Total**
Stage 1												
Gross outstanding amount	8,959,386	1,435,335	5,867,113	2,732,306	1,762,635	4,047,054	563,189	1,676,088	2,934,774	437,210	2,344,839	**32,759,929**
Loss allowance for loans to customers	(37,540)	(16,385)	(27,176)	(10,623)	(10,159)	(25,233)	(2,420)	(9,234)	(24,834)	(7,449)	(61,919)	**(232,972)**
Net outstanding amount	8,921,846	1,418,950	5,839,937	2,721,683	1,752,476	4,021,821	560,769	1,666,854	2,909,940	429,761	2,282,920	**32,526,957**
Stage 2												
Gross outstanding amount	255,345	39,974	331,638	21,875	10,366	86,909	12,230	46,151	8,183	5,704	19,318	**837,693**
Loss allowance for loans to customers	(14,392)	(1,795)	(32,232)	(628)	(700)	(4,517)	(304)	(1,676)	(384)	(164)	(777)	**(57,569)**
Net outstanding amount	240,953	38,179	299,406	21,247	9,666	82,392	11,926	44,475	7,799	5,540	18,541	**780,124**
Stage 3												
Gross outstanding amount	216,603	4,920	96,943	11,897	-	45,799	59,467	16,617	18,554	2,223	22,821	**495,844**
Loss allowance for loans to customers	(104,551)	(3,253)	(52,268)	(8,736)	-	(22,035)	(12,949)	(13,736)	(10,197)	(777)	(17,724)	**(246,226)**
Net outstanding amount	112,052	1,667	44,675	3,161	-	23,764	46,518	2,881	8,357	1,446	5,097	**249,618**
POCI												
Gross outstanding amount	-	-	-	-	-	-	-	-	-	495	-	**495**
Loss allowance for loans to customers	-	-	-	-	-	-	-	-	-	-	-	**-**
Net outstanding amount	-	-	-	-	-	-	-	-	-	495	-	**495**

in '000 MKD	Business loans								Private loans			
As of 31 December 2023	**Wholesale and retail trade**	**Agriculture, forestry and fishing**	**Production**	**Transportation and storage**	**Electricity, gas, steam and air conditioning supply**	**Construction and real estate**	**Hotel, restaurant and catering**	**Other economic activities**	**Housing**	**Investment loans**	**Consumer loans**	**Total**
Stage 1												
Gross outstanding amount	8,825,102	1,588,107	5,805,519	2,098,186	1,385,007	4,117,764	521,411	1,357,451	2,154,715	373,550	1,337,952	29,564,763
Loss allowance for loans to customers	(35,024)	(16,750)	(23,181)	(7,809)	(6,332)	(18,748)	(2,415)	(6,713)	(25,977)	(7,387)	(40,120)	(190,458)
Net outstanding amount	8,790,078	1,571,358	5,782,338	2,090,377	1,378,675	4,099,015	518,996	1,350,738	2,128,737	366,162	1,297,831	29,374,305
Stage 2												
Gross outstanding amount	242,133	8,378	360,463	97,080	784	135,895	23,421	53,607	20,268	15,004	66,902	1,023,936
Loss allowance for loans to customers	(12,063)	(97)	(13,230)	(3,987)	(11)	(7,606)	(332)	(1,522)	(679)	(400)	(1,684)	(41,610)
Net outstanding amount	230,070	8,281	347,233	93,093	773	128,289	23,089	52,086	19,590	14,605	65,217	982,325
Stage 3												
Gross outstanding amount	87,039	5,539	382,190	6,894	-	4,018	99,644	17,979	10,306	6,066	10,610	630,286
Loss allowance for loans to customers	(39,609)	(4,456)	(234,574)	(4,633)	-	(4,018)	(32,861)	(12,158)	(3,378)	(3,766)	(7,174)	(346,626)
Net outstanding amount	47,429	1,084	147,616	2,261	-	-	66,783	5,821	6,929	2,300	3,436	283,659
POCI												
Gross outstanding amount	-	-	-	-	-	-	-	-	-	536	-	**536**
Loss allowance for loans to customers	-	-	-	-	-	-	-	-	-	-	-	**-**
Net outstanding amount	-	-	-	-	-	-	-	-	-	536	-	**536**

Credit risk is assessed at portfolio level on a monthly basis and at shorter intervals if necessary. The analysis covers the structure and quality of the portfolio, restructured loans, write-offs, the coverage ratio and concentration risk. Key credit risk indicators, as well as more detailed reports and analyses, are used for this purpose.

A high degree of diversification is ensured, in order to limit concentration risk in the loan portfolio. This diversification is particularly a consequence of lending to MSMEs in various economic sectors and to private clients.

in '000 MKD **As of 31 December 2024**	**EUR < 100,000**	**EUR 100,000 - 250,000**	**EUR 250,000 - 750,000**	**EUR 750,000- 1,500,000**	**EUR >1,500,000**	**Total**
Business loans						
Wholesale and retail trade	1,977,937	2,555,044	3,599,577	1,038,137	260,640	**9,431,335**
Agriculture, forestry and fishing	756,198	302,053	322,240	99,739	-	**1,480,230**
Production	1,031,474	1,691,738	2,574,070	844,239	154,173	**6,295,694**
Transportation and storage	970,063	708,423	674,183	150,417	262,992	**2,766,078**
Electricity, gas, steam and air conditioning supply	20,414	216,794	509,420	586,970	439,405	**1,773,003**
Construction and real estate	526,460	1,017,664	1,906,411	506,176	223,051	**4,179,762**
Hotel, restaurant and catering	168,068	197,793	182,616	86,409	-	**634,886**

Other economic activities	499,053	674,013	565,790	-	-	**1,738,856**
Private loans						
Housing	1,809,958	814,267	284,921	52,364	-	2,961,510
Investment loans	379,358	66,273	-	-	-	445,631
Consumer loans	2,074,650	114,460	197,868	-	-	2,386,978
Customer loan portfolio (gross)	**10,213,633**	**8,358,522**	**10,817,096**	**3,364,451**	**1,340,261**	**34,093,962**

in '000 MKD **As of 31 December 2023**	**EUR < 100,000***	**EUR 100,000 - 250,000***	**EUR 250,000 -750,000***	**EUR 750,000- 1,500,000***	**EUR >1,500,000**	**Total**
Business loans	**5,661,843**	**6,803,478**	**10,213,325**	**3,176,649**	**1,368,317**	**27,223,612**
Wholesale and retail trade	1,899,721	2,481,552	3,370,995	1,051,259	350,746	**9,154,273**
Agriculture, forestry and fishing	696,297	276,842	447,786	181,099	-	**1,602,025**
Production	1,084,100	1,704,137	2,603,271	945,246	211,418	**6,548,173**
Transportation and storage	871,636	564,755	541,547	70,231	153,992	**2,202,160**
Electricity, gas, steam and air conditioning supply	18,054	141,987	347,844	384,520	493,385	**1,385,791**
Construction and real estate	537,225	987,228	2,161,984	412,464	158,776	**4,257,677**
Hotel, restaurant and catering	158,742	161,576	214,114	110,044	-	**644,475**
Other economic activities	396,069	485,401	525,783	21,785	-	**1,429,038**
Private loans	**3,019,731**	**663,776**	**256,380**	**56,022**	**-**	**3,995,908**
Housing	1,484,348	526,257	118,661	56,022	-	**2,185,289**
Investment loans	330,094	65,062	-	-	-	**395,156**
Consumer loans	1,205,289	72,457	137,718	-	-	**1,415,464**
Customer loan portfolio (gross)	**8,681,574**	**7,467,253**	**10,469,705**	**3,232,671**	**1,368,317**	**31,219,520**

** Previous year presentation and figures have been adapted to the current disclosure structure.*

In addition, the Bank limits the concentration risk of the portfolios by means of the following requirements: Large credit exposures (those exceeding 10% of regulatory capital) require the approval of the bank's Supervisory Board and the Group Risk Management Committee. Furthermore, no large credit exposure may exceed 25% of regulatory capital of the bank, and the sum of all large credit exposures of the bank may not exceed 150% of its regulatory capital.

The quality of the loan portfolio in all client categories is monitored by credit control units on bank level. They assess the quality of the credit analysis as well as compliance with internal procedures and identify signs of fraudulent activity.

- **Counterparty risk, including issuer risk**

ProCredit bank defines counterparty risk, including issuer risk, as the risk that a counterparty/issuer cannot fulfil its contractual obligations at all, not in full or not on time. Counterparty risk mainly arises from keeping highly liquid assets for the purpose of managing liquidity. There is also structural exposure towards Central Bank in the form of mandatory reserves.

Typically, bank's counterparties are the central bank, central government and commercial banks. The main types of exposure are account balances, short-term deposits, and highly liquid securities.

Counterparty risk is managed according to the principle that bank's liquidity must be placed securely and, to the greatest extent possible, in a diversified manner. While the bank tries to generate some income from these assets, the overriding objective is to ensure secure placement and timely availability, i.e. risk considerations predominate. For this reason, the bank only works with carefully selected reliable banks that usually have a high credit rating, local Banks with a good reputation and financial standing, typically places money for short terms (typically up to three months) and uses only a very limited number of simple financial instruments.

Issuer risk is likewise managed according to these principles. ProCredit bank is prohibited from engaging in speculative trading. Liquidity in domestic currency is predominantly invested in central bank papers or sovereign bonds issued by the local government.

The position loans and advances to banks is primarily related to current account balances and deposits in low risk OECD countries. As of 2024, the largest share of the balances on this position are placed in Landesbank Baden-Wuerttemberg, DZ Bank, UniCredit Bank Austria AG, and ProCredit Bank AG Germany. Fitch Ratings assigned these banks with the following long term issuer default rating: Landesbank Baden-Wuerttemberg long term issuer default rating of A+ (2023: A-), DZ Bank long term issuer default rating of AA- (2023: AA-), ProCredit Bank Germany long term issuer default rating of BBB (2023: BBB), and UniCredit Bank Austria AG is not rated by Fitch. UniCredit Bank's rating according to Standard and Poor's rating agency was BBB+ (2023: BBB+). Smaller amount of the position loans and advances to banks is placed in domestic banks, which are not assigned any rating.

in '000 MKD	**31.12.2024**	**31.12.2023**
Central bank balances	10,458,497	14,012,045
Mandatory reserve	4,406,008	3,702,058
Other balances with central banks	*6,052,488*	*10,309,988*
Loss allowances for central bank balances	*(1,355)*	*(2,425)*
Loans and advances to banks	*2,309,956*	*704,993*
Loss allowances for loans and advances to banks	*(17)*	-
Investment securities	3,600,276	2,436,259
Loss allowances for Investment securities	(1,466)	(778)
Total	**16.365.891**	**17,150,094**

The creditworthiness of another financial asset, i.e. a counterparty, is impaired if one or more events with an adverse effect on the expected future cash flows have occurred. Examples of such events are a breach of contract (such as default or overdue payment), significant financial difficulties of the counterparty, or a significant deterioration of the external rating. Due to the careful selection of the counterparties, as of 31 December 2024 none of the positions shown was past due nor showed any signs of impairment. The bank has established provisions in accordance with IFRS 9 requirements.

The exposure towards counterparties and issuers is managed on the basis of a limit system, as is the case for customer credit risk. ProCredit bank conclude transactions only with counterparties that have previously been carefully analysed and for which a limit has been approved by bank's ALCO. The total limit for banks or banking groups is also set, with a distinction being made between banks and banking groups based in an OECD country and those outside of the OECD. As a general rule, the Bank approves limits of up to 10% of its regulatory capital on exposures to banking groups whose ultimate parent is headquartered in non-OECD countries and up to 25% on banking groups whose ultimate parent is headquartered in OECD countries. Higher limits are subject to approval by the Group ALCO/RMC.

The tables below provide a breakdown of the balances with central banks, loans and advances to banks, and of the investment portfolio by rating category and corresponding loss allowances. Counterparties are assigned to rating categories based on the "long-term issuer default rating" from Fitch; if unavailable, then from S&P or Moody's, or according to our own methodology.

in '000 MKD	31.12.2024		31.12.2023	
Ratings	**Gross outstanding amount**	**Loss allowance**	**Gross outstanding amount**	**Loss allowance**
BB+	10,458,497	(1,355)	14,012,045	(2,425)
Central bank balances	**10,458,497**	**(1,355)**	**14,012,045**	**(2,425)**

in '000 MKD	31.12.2024		31.12.2023	
Ratings	**Gross outstanding amount**	**Loss allowance**	**Gross outstanding amount**	**Loss allowance**
AA-	972,681	(1)	364,832	-
BBB+	492,473	(2)	34,099	-
BBB	434,325	-	294,585	-
BBB-	31,006	-	5,749	-
BB	65,863	(3)	5,728	-
BB+	5,630	-	-	-
BB-	307,978	(10)		
Loans and advances to banks	**2,309,956**	**(16)**	**704,993**	**-**

in '000 MKD	31.12.2024		31.12.2023	
Ratings	**Gross outstanding amount**	**Loss allowance**	**Gross outstanding amount**	**Loss allowance**
BB+	3,600,276	(1,466)	2,436,259	(778)
Investment securities	**3,600,276**	**(1,466)**	**2,436,259**	**(778)**

- **Foreign currency risk**

We define foreign currency risk as the risk that the institution as a whole incurs losses due to exchange rate fluctuations or that foreign currency risk can have adverse effects on income and can lead to a decline in regulatory capital ratios.

Results are impacted negatively when the volume of bank's assets and liabilities denominated in foreign currencies do not match and the exchange rates move unfavourably. The key risk indicator that captures the balance sheet discrepancy for each currency is the open currency position (OCP). Limits for OCP are set at bank level.

Bank's Treasury Unit is responsible for continuously monitoring the developments of exchange rates and foreign currency markets. The Treasury Unit manages Bank's currency positions on a daily basis. As a general principle, all currency positions should be closed at end-of-day; long or short positions for speculative purposes are not permitted. Bank's foreign currency exposure is monitored and controlled on a daily basis by Treasury back office and risk management function. The Bank aims to close currency positions and ensures that an open currency position remains within the limits at all times. For the purpose of currency risk management, the Bank has established two levels of control: reporting triggers and limits. In cases where the positions cannot be brought back below 5% of the regulatory capital for a single currency, or 7.5% for the aggregate of all currencies, the Bank's ALCO has to be informed, and appropriate measures taken. This mechanism helps to ensure that the Bank's total OCP does not exceed 10% of regulatory capital. Exemptions from the limit or strategic positions are subject to approval by the Group ALCO or Risk Management Committee.

Facts and figures concerning foreign currency risk

The following table shows the distribution of the Bank's balance sheet items across its material operating currencies, which are USD and EUR. Indexed loans and deposits are treated as foreign currency items for this purpose.

in '000 MKD	EUR	USD	MKD	Other currencies	Total
As at December 31, 2024					
Assets					
Cash and cash equivalents	4,083,934	-	7,468,520	-	11,552,454
Loans and advances to banks	1,907,363	313,675	587	88,314	2,309,939
Investment securities	75,402	-	3,524,874	-	3,600,276
Loans and advances to customers	17,317,668	27,105	16,212,420	-	33,557,193
Other financial assets	16,866	12,229	237,302	-	266,397
Total assets	**23,401,233**	**352,556**	**27,344,354**	**88,314**	**51,286,259**
Liabilities					
Liabilities to banks	7,507,496	3,068	141,478	-	7,652,042
Liabilities to customers	15,219,245	347,593	21,868,086	147,394	37,582,318
Other liabilities	13,332	70	79,369	-	92,771
Subordinated debt	687,418	-	-	-	687,418
Total liabilities	**23,427,491**	**350,731**	**22,088,934**	**147,394**	**46,014,549**
Net position	**(26,258)**	**2,278**	**5,354,769**	**(59,080)**	**5,271,710**
Contingent commitments	**1.425.790**	**75,494**	**6.127.811**	**-**	**7.629.095**

in '000 MKD	EUR	USD	MKD	Other currencies	Total
As at December 31, 2023					
Assets					
Cash and cash equivalents	6,141,621	-	8,975,990	-	15,117,611
Loans and advances to banks	227,729	429,969	208	47,087	704,993
Investment securities	75,789	-	2,360,470	-	2,436,259
Loans and advances to customers	18,003,919	20,644	12,616,263	-	30,640,826
Other financial assets	5,240	11,103	84,268	-	100,611
Total assets	**24,454,298**	**461,716**	**24,037,199**	**47,087**	**49,000,300**
Liabilities					
Liabilities to banks	7,960,195	2,866	199,970	-	8,163,031
Liabilities to customers	15,779,507	459,674	19,599,889	42,171	35,881,241
Other liabilities	25,844	38	44,368	-	70,250
Subordinated debt	687,418	-	-	-	687,418
Total liabilities	**24,452,964**	**462,578**	**19,844,227**	**42,171**	**44,801,940**
Net position	**1,334**	**(862)**	**4,192,972**	**4,916**	**4,198,360**
Contingent commitments	**1,291,171**	**42,326**	**5,544,072**	**-**	**6,877,569**

- **Interest rate risk**

Interest rate risk is the risk of incurring losses due to changes in market interest rates and primarily arises from differences between the repricing maturities of assets and liabilities. The measurement, monitoring, limiting and managing of interest rate risk is based on economic value impact and P&L-oriented indicators.

The assets and liabilities are distributed across time buckets according to the terms of the underlying contracts. Interest-bearing sight deposits and savings accounts with unspecified contractual fixed interest are included in the gap analysis according to country- and currency-specific analyses of historical data. In addition, regularly updated assumptions on planned business developments are used to calculate the P&L indicator.

The bank assumes a +/– parallel shift of the yield curves. The magnitude of the interest rate shock is essentially determined on the basis of a historical analysis of the corresponding yield curves. For each currency, only the parallel shift scenario that results in considered in the calculation. Limits are set in relation to regulatory capital for the economic value impact and in relation to the forecast net interest income for the P&L effect. In addition, further scenarios are considered.

Interest rate risk is quantified and limited on the basis of economic value impact and on the basis of the 12-month P&L effect.

in '000 MKD	31.12.2024		31.12.2023	
	Economic Value Impact	**12 month P&L-Effect**	**Economic Value Impact**	**12 month P&L-Effect**
Total	(129,043)	(91,126)	(212,324)	(100,690)

In 2024 the economic value impact decreased to MKD 129 million from MKD 212 million at end of 2023. The 12-month P&L effect equalled to MKD 91 million. The decreased economic value impact is attributed to smaller mismatch between assets and liabilities in euro. The 12-month P&L effect decreased to MKD 91 million from MKD 101 million as result of higher liquidity and changes in methodology regarding non-maturing liabilities. Both indicators remained within their limits.

- **Liquidity risk**

Liquidity and funding risk addresses the ProCredit bank's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Liquidity risk

The bank assesses short-term liquidity risk on the basis of a liquidity gap analysis, among other instruments, and the bank monitors this risk using numerous indicators. These include a 30-day liquidity indicator (Sufficient Liquidity Indicator, SLI), a survival period, and the Liquidity Coverage Ratio, LCR as an early warning indicator. The SLI measures whether institutions have sufficient liquidity in relation to the expected inflows and outflows of funds in the next 30 days. The survival period is the timeframe during which the bank is able to fulfil all payment obligations, despite reduced liquidity inflows and elevated outflows. The calculation applies outflows derived from historical analyses of deposit movements in the bank. LCR indicates whether the bank has sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

Market-wide, institution-specific (idiosyncratic), combined and longer-term stress tests are conducted monthly and ad hoc to make sure that the bank keeps sufficient liquid funds to meet its obligations, even in difficult times. Moreover, the bank has a contingency plan, containing early warning indicators, responsibilities and measures that may be taken in case of liquidity crisis. If unexpected circumstances arise and the bank proves not to have sufficient liquid funds, ProCredit group has also developed a liquidity contingency plan and ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis.

Liquidity is managed on a daily basis by the Treasury Unit and is monitored by risk management function and ALCO. In 2024 the bank had enough liquidity available at all times to meet all its financial obligations in a timely manner.

The following tables show the undiscounted cash flows of the financial assets and financial liabilities of the bank according to their remaining contractual maturities. The remaining contractual maturity is defined as the period between the balance sheet date and the contractually agreed due date of the asset or liability, or the due date of a partial payment under the contract for an asset or liability.

in '000 MKD **As of 31 December 2024**	**Up to 1 month**	**1 - 3 months**	**4 - 12 months**	**1 - 5 years**	**More than 5 years**	**Maturity not applicable***	**Total**	**Carrying amount**
Assets:								
Cash	501,510	-	-	-	-	-	501,510	501,510
Central bank balances	11,051,322	-	-	-	-	-	11,051,322	11,050,944
Loans and advances to banks	2,310,268	-	-	-	-	-	2,310,268	2,309,939
Investment securities	189,934	214,345	3,125,240	76,634	-	-	3,606,152	3,600,276
Loans and advances to customers	1,532,652	3,794,359	14,813,154	18,296,642	7,187,371	(64,036)	45,560,142	33,557,193
Other financial assets	210,781						210,781	210,781
Total assets (contractual maturity dates)	**15,796,467**	**4,008,704**	**17,938,394**	**18,373,275**	**7,187,371**	**(64,036)**	**63,240,175**	**51,230,643**

in '000 MKD **As of 31 December 2024**	**Up to 1 month**	**1 - 3 months**	**4 - 12 months**	**1 - 5 years**	**More than 5 years**	**Maturity not applicable***	**Total**	**Carrying amount**
Liabilities:								
Liabilities to banks:	282,669	110,961	1,526,804	4,916,369	1,245,665	(15,689)	8,066,780	7,652,042
Liabilities to customers:	24,918,099	1,396,282	8,313,596	2,799,649	448,915	-	37,876,542	37,582,318
Provisions	28	328	22,634	3,398	5,928	-	32,316	32,316
Current tax liabilities	-	34,916	-	-	-	-	34,916	34,916
Other liabilities	24,940	5,047	11,471	33,849	11,528	5,936	92,771	92,771
Subordinated debt	-	-	44,358	133,631	699,042	-	877,031	687,418
Total liabilities (contractual maturity dates)	**25,225,736**	**1,547,535**	**9,918,863**	**7,886,897**	**2,411,079**	**(9,753)**	**46,980,355**	**46,081,781**
Total off balance sheet items	**7,629,096**	**-**	**-**	**-**	**-**	**-**	**7,629,096**	**7,629,096**
Net liquidity gap	**(17,058,365)**	**2,461,169**	**8,019,532**	**10,486,379**	**4,776,292**		**8,630,724**	**(2,480.234)**

in '000 MKD **As of 31 December 2023**	**Up to 1 month**	**1 - 3 months**	**4 - 12 months**	**1 - 5 years**	**More than 5 years**	**Maturity not applicable***	**Total**	**Carrying amount**
Assets:								
Cash	522,060	-	-	-	-	-	522,060	522,060
Central bank balances	14,596,779	-	-	-	-	-	14,596,779	14,595,551
Loans and advances to banks	704,993	-	-	-	-	-	704,993	704,993
Investment securities	189,920	353,643	1,821,551	79,958	-	-	2,445,072	2,436,259
Loans and advances to customers	1,736,435	3,351,741	14,006,878	16,379,927	6,004,095	(44,842)	41,434,235	30,640,826
Other financial assets	148,921	-	-	-	-	-	148,921	148,921
Total assets (contractual maturity dates)	**17,899,108**	**3,705,384**	**15,828,429**	**16,459,885**	**6,004,095**	**(44,842)**	**59,852,059**	**49,048,608**

in '000 MKD **As of 31 December 2023**	**Up to 1 month**	**1 - 3 months**	**4 - 12 months**	**1 - 5 years**	**More than 5 years**	**Maturity not applicable***	**Total**	**Carrying amount**
Liabilities:								
Liabilities to banks:	235,724	732,445	1,170,025	5,186,369	1,376,111	(16,963)	8,683,712	8,163,030
Liabilities to customers:	24,499,239	1,132,743	5,694,274	4,493,545	385,346	-	36,205,145	35,881,241
Provisions	17	16,374	6,900	6,646	699	-	30,637	31,196
Current tax liabilities	-	51,064	-	-	-	-	51,064	51,064
Other liabilities	39,069	3,288	8,546	12,481	2,309	4,556	70,250	70,250
Subordinated debt	-	-	44,449	133,631	732,427	-	910,507	687,418
Total liabilities (contractual maturity dates)	**24,774,049**	**1,935,914**	**6,924,194**	**9,832,671**	**2,496,893**	**(12,406)**	**45,951,315**	**44,884,199**
Total off balance sheet items	**6,871,423**	**-**	**-**	**-**	**-**	**-**	**6,871,423**	**6,877,573**
Net liquidity gap	**(13,746,364)**	**1,769,470**	**8,904,235**	**6,627,214**	**3,507,202**		**7,029,321**	**(2,713,164)**

.

Off balance items:

As at December 31, 2024	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 Months**	**1-5 years**	**Over 5 years**	**Total**
Performance guarantees, payment guarantees and letters of credit	4,558,518	6,150	-	27,000	492	-	4,592,160
Loan commitments (revocable)	3,037,265	-	-	-	-	-	3,037,265
Loan commitments (irrevocable)	-	-	-	-	-	-	-
Total 2024	**7,595,783**	**6,150**	**-**	**27,000**	**492**	**-**	**7,629,425**

As at December 31, 2023	Up to 1 month	1-3 months	3-6 months	6-12 Months	1-5 years	Over 5 years	Total
Performance guarantees, payment guarantees and letters of credit	3,773,129	-	-	-	-	-	3,773,129
Loan commitments (revocable)	3,104,444	-	-	-	-	-	3,104,444
Loan commitments (irrevocable)	-	-	-	-	-	-	-
Total 2023	**6,877,573**	**-**	**-**	**-**	**-**		**6,877,573**

In order to measure the liquidity risk of the bank, some positions, especially customer deposits, are distributed into the time buckets according to assumptions about inflows and outflows based on their observed historical behaviour in stress situations.

Short-term liquidity risk is measured particularly by means of LCR. As of 31 December 2024, the LCR was 199% (2023: 432%), and thus above the requirement of 100% as bank's internally defined early warning threshold. This indicates a comfortable liquidity situation for the bank.

The bank had adequate liquidity levels at all times during the 2024 financial year.

- **Funding risk**

Funding risk is the danger that additional funding cannot be obtained or can only be obtained at higher costs. It therefore covers parts of the non-systemic effect of interest rate changes. This risk is mitigated by the fact that the bank finances the lending operations primarily through customer deposits; bank's deposit-taking operations focus on the target group of business clients and private clients/savers, with whom the bank establishes strong relationships. The financial crisis in 2008 and 2009 has shown that the customer deposits are a stable and reliable source of funding. These are supplemented by long-term credit lines from ProCredit Germany or ProCredit Holding, Development Bank of North Macedonia, and international financial institutions (IFIs).

The bank makes little use of the interbank market. In addition, the bank primarily issues instalment loans with monthly repayments. As of end of December 2024, the largest funding source were customer deposits amounting to MKD 37,578 million. Liabilities to banks are the second-largest source of funding, accounting for MKD 7,656 million.

ProCredit bank manages, measures and limits funding risk through business planning, maturity gap analysis and several indicators. The funding needs of the bank, identified in the business planning process, are monitored and regularly reviewed. ALCO monitors the progress of all individually significant transactions with external funding providers, especially international financial institutions. A key indicator for limiting funding risk is the deposit concentration indicator.

- **Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence.

One of the key components of operational risk management is the detailed recording of risk events arising from operational risks. In this context, a Risk Event Database was developed to ensure that all risk events identified in the group and in the bank with realised or potential losses from operational risks are recorded, analysed and communicated effectively. Through this uniform, pre-defined structure for the documentation of risk events, it is ensured that adequate attention is paid to the implementation of necessary corrective and/or preventive measures for reducing or avoiding operational and fraud risk. The number of loss events during the financial year was 23 (2023: 22).

In addition, risk assessments are carried out annually. In contrast to the ex-post analysis of risk events as recorded in the Risk Event Database, these risk assessments are systematically performed in order to identify and evaluate key risks and to assess the adequacy of the control processes. Risk mitigation measures are defined for the areas identified as high risk. These two control components complement each other and provide an overall picture of the operational risk profile for ProCredit bank.

In addition, early warning indicators have been defined, in order to identify areas of banking business with increased fraud risk. The early warning indicators are analysed regularly and, where needed, preventive measures are agreed upon.

To complete the management of operational risk, all new products and/or activities, as well as outsourcing activities, need to be analysed to identify and manage potential risks before implementation.

Operational risk is accounted for and monitored within the scope of the capital adequacy calculation in the economic approach.

The bank has defined detailed guidelines and standards to ensure the confidentiality, availability and integrity of all information and information-processing IT systems requiring protection. Regular controls of information security and business continuity are part of existing processes and procedures. The bank carries out a classification of their information assets and conduct a risk assessment on their critical information assets each year. The business continuity framework implemented in the bank ensures that these risks are understood by all members of staff, that critical processes are identified and that resources are allocated to restore operations, in line with the prioritisation of processes. The IT service provider, Quipu, is part of the ProCredit group and supports the bank with respect to software and hardware.

- **Risks arising from money laundering, terrorist financing and other acts punishable by law**

Responsible behaviour is an integral part of our values-oriented business model. This is reflected in the Code of Conduct for the employees as well as in the contents of the introductory courses for new staff and in the curricula of the ProCredit academies. The prevention of money laundering,

terrorist financing and fraud is a key component of our self-perception. This is illustrated by the criteria used to select customers and by the few cases of internal fraud within the group.

The Bank is in full compliance with all regulatory requirements concerning the prevention of money laundering and terrorist financing. Moreover, the Bank has implemented the group-wide guidelines on the prevention of money laundering and terrorist financing. Implementation is regularly reviewed by the group's Anti-Money Laundering Officer.

As the ProCredit group is supervised by the German financial supervisory authorities, we implement the requirements stipulated by the German Money Laundering Act, as well as the requirements applicable at the European level, across the group as minimum requirements in all of ProCredit banks. As the superordinated company for the ProCredit group, ProCredit Holding is responsible for ensuring group-wide compliance with these requirements. All ProCredit banks also have their own independent money laundering officers, who in turn implement both group-wide requirements and national regulations for the prevention of money laundering and terrorist financing in the respective banks.

Our ethical responsibility is documented in the form of our Code of Conduct and Exclusion List, which contain the core rules and regulations that all employees of ProCredit bank are obliged to observe. The group-wide guidelines on the prevention of money laundering, terrorist financing and fraudulent activities, together with their subordinate directives, specify how these basic rules are to be implemented in practice.

Besides identifying all contracting parties and clarifying the purpose of the business relationship, at our bank the collection of client data always also entails identifying the beneficial owner of all funds that are managed in customer accounts. Beneficial owners are natural persons who substantially profit from a business structure, even if they are not personally in evidence during our business relationship with a client.

All ProCredit banks use specialised software to identify payments that give cause for suspicion of money laundering, terrorist financing or fraud. Anti-money laundering officers work closely with the responsible law enforcement authorities and report regularly to the Group Anti-Money Laundering (AML) Officer at ProCredit Holding, who in turn is the main contact for supervisory and law enforcement authorities in Germany and other countries.

Additional Notes

51) Contingent liabilities and commitments

in '000 MKD	31.12.2024	31.12.2023
Credit commitments (revocable)	3,037,265	3,104,444
Payment guarantees	1,892,882	1,631,291
Performance guarantees	2,637,415	2.103.035
Letters of credit	61,534	38,803
Total	**7,629,096**	**6,877,573**

The table above discloses the contractually agreed maximum amounts of contingent liabilities, without consideration of collateral. We expect that the most significant portion of guarantees will expire without being drawn upon. It is not practicable to estimate the future use of the credit commitments.

52) Related party transactions

The ultimate parent company of the Bank is ProCredit Holding AG. The Bank's related parties include the parent, fellow subsidiaries, key management personnel, close family members of key management personnel and entities, which are controlled or significantly influenced by key management personnel or their close family members.

Transactions of Bank with ProCredit group companies
According to the group's strategy, the Parent acts as an additional provider of funds (including subordinated debt) for its subsidiaries.

in '000 MKD	Management Board	Supervisory board	Family members of key personnel	ProCredit Holding and Procredit Banks	Zeitinger Invest GmbH	01.01. - 31.12.2024
Income	366	-	-	11,926	-	12,292
Expenses	(853)	-	-	494,225	-	493,372
Net income	**1,219**	**-**	**-**	**(482,299)**	**-**	**(481,080)**
Assets	13,369	-	-	460,896		474,265
Liabilities	5,015	-	-	1,223,131	-	1,228,146

in '000 MKD	Management Board	Supervisory board	Family members of key personnel	ProCredit Holding and Procredit banks	Zeitinger Invest GmbH	01.01. - 31.12.2023
Income	115	39	-	8,120	-	8,274
Expenses	62	79	-	462,142	-	462,282
Net income	**53**	**(39)**	**-**	**(454,022)**	**-**	**(454,008)**
Assets	1,376	616	-	316,917	-	318,909
Liabilities	9,612	8,678	-	1,936,233	-	1,954,523

The transactions leading to the above balances were made in the ordinary course of business and on substantially the same terms as for comparable transactions with entities or persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of payment defaults nor did they comprise other unfavourable features.

53) Key management compensation

During the reporting period, total compensation paid to the Managing Board amounted to:

in '000 MKD	1.1.-31.12.2024	1.1.-31.12.2023
short-term benefits	19,338	17,430
Total	**19,338**	**17,430**

To the members of the Supervisory Board travel expenses related to the performance of their duties are reimbursed and additionally the independent members of the Supervisory Board receive payment for the performance of their duties determined with the agreement for their appointment, which in 2023 represent total amount of MKD 488 thousands.

54) Significant post-balance sheet events

No material events subsequent to the statement of financial position date have occurred which require disclosure in the financial statements.

55) Exchange rates

For the balance sheet and the income statement, the following exchange rates used for translation of EUR to MKD were applied:

(amount of MKD for 1 EUR)		2024		2023	
Currency code	**Country**	**At balance sheet date**	**Average for the year**	**At balance sheet date**	**Average for the year**
MKD	North Macedonia	61,4950	61,5319	61.4950	61.5570

56) Address and general information

ProCredit Bank A.D., Skopje has been registered as a Stock Company domiciled in Republic of North Macedonia. The address of its registered office is as follows:

Manapo 7
1000 Skopje
Republic of North Macedonia

The names of the members of Managing Board of the Bank serving during the financial year and to the date of this report are as follows:

Member of Managing Board	Emilija Spirovska
Member of Managing Board	Milan Damcevski
Member of Managing Board	Maja Mihajlova
Member of Managing Board	Stevce Kuzmanovski