Pursuant to Article 47 paragraph 1 item 6 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21, 74/24 and 16/25) and Article 21 paragraph 18 and Article 61 paragraph 5 of the Bank Resolution Law (Official Gazette of the Republic of North Macedonia No. 209/23), the National Bank of the Republic of North Macedonia Council has adopted the following

DECISION
on the methodology for the manner of conducting the valuation for the purposes of bank resolution

(Official Gazette of the Republic of North Macedonia No. 71/25)

I. GENERAL PROVISIONS

1. This Decision shall lay down:

- the methodology for the manner of conducting the valuation of bank's assets and liabilities, for the purposes of bank resolution and/or the write-down or conversion of the relevant capital instruments and eligible liabilities;
- the manner of conducting the independent valuation of the losses of shareholders and creditors, and
- the conditions for the independence of the independent valuer who may conduct the valuation.

The provisions of this Decision shall apply accordingly to other legal entities to which the Bank Resolution Law applies, unless otherwise determined by this Decision.

2. The terms used in this Decision shall denote the following:

2.1. "Applicable accounting standards" shall denote the accounting standards prescribed by the regulation of the National Bank of the Republic of North Macedonia (hereinafter: the National Bank) on the methodology for recording and valuation of the accounting items and for preparation of the financial statements and/or other accounting standards applicable to the operations of trade companies in the Republic of North Macedonia, as applicable;

2.2. "Franchise value" shall denote the net present value of cash flows that can be expected to result from the maintenance and renewal of assets and liabilities of the bank or business lines, as well as from the impact of any potential business opportunities, including those stemming from the application of the different resolution actions that are taken into account by the valuer. Franchise value may be higher or lower than the value of assets and liabilities existing at the valuation date, having in mind the contractual terms;

2.3. "Equity value" shall denote an estimated market price, for transferred or issued shares, determined with the application of generally accepted valuation methodologies. Depending on the nature of the bank's assets or business lines, equity value may also comprise the franchise value;

2.4. "Disposal value" shall denote the value of the cash flows that can reasonably be expected to arise from the orderly sale or transfer of assets or liabilities under the prevailing market conditions, reduced by the disposal costs and the expected value of the guarantees given;

2.5. "Hold value" shall denote the present value of the cash flows, discounted at an appropriate discount rate, that can reasonably be expected to arise from retaining particular asset or liability of the bank, determined in a fair and realistic manner based on conservative assumptions, considering the factors that are significant for the resolution;

2.6. "Valuation date" shall denote:

- a date as determined by the valuer that is closest to the expected date on which the National Bank will adopt a decision to initiate bank resolution procedure or to exercise the power to write-down or convert the relevant capital instruments and eligible liabilities of the bank, or
- the resolution date referred to in sub-item 2.7 of this item, for the purposes of an ex-post definitive valuation or an independent valuation of the losses of the shareholders and creditors of the bank under resolution, in accordance with the Bank Resolution Law;

2.7. "Resolution date" shall denote the date on which the decision to resolve a bank is adopted, in accordance with the Bank Resolution Law;

2.8. "Actual treatment date" shall denote the date on which the shareholders and creditors of the bank have received compensation in the form of shares, debt instruments or cash, following the implementation of the resolution actions;

2.9. "Additional losses" shall denote the losses that should be anticipated when carrying out the provisional valuation, in accordance with Article 21 paragraph 11 of the Bank Resolution Law;

2.10. "Public authority" shall denote the Deposit Protection Agency and the Ministry of Finance, as well as the competent supervisory and resolution authorities of the other members of the banking group, if applicable;

2.11. "Independent valuer" shall denote an audit company, certified auditor or valuer that meets the requirements for independence under item 48of this Decision;

2.12. "Fair value" shall denote the value of assets and liabilities that would be exchanged between market participants in an orderly transaction under current market conditions at the valuation date, in accordance with the relevant accounting standards;

2.13. "Valuation measurement basis" shall denote the approach used by the valuer to determine value when applying the different resolution tools or powers;

2.14. "Provisional valuation" shall denote the valuation carried out by the National Bank of the Republic of North Macedonia or the independent valuer in accordance with Article 21 paragraph (11) of the Bank Resolution Law;

2.15. "Valuation 1" shall denote the valuation carried out in order to obtain information for the purposes of Article 21 paragraph 4 item 1 of the Bank Resolution Law;

2.16. "Valuation 2" shall denote the valuation carried out in order to obtain information for the purposes of Article 21 paragraph 4 items from 2 to 6 of the Bank Resolution Law.

2.17. "Valuation 3" shall denote the independent valuation of the losses of the shareholders and creditors of the bank under resolution, carried out for the purposes of Article 61 of the Bank Resolution Law;

2.18. "Valuer" shall denote the independent valuer or the National Bank of the Republic of North Macedonia when independently carrying out the provisional valuation of the bank's assets and liabilities, in accordance with the Bank Resolution Law.

Terms not defined in this Decision shall have the meaning of the terminology defined in the Bank Resolution Law (hereinafter: the Law).

II. METHODOLOGY FOR THE MANNER OF CARRYING OUT VALUATION

3. The methodology for the manner of carrying out the valuation of the bank's assets and liabilities, for the purposes of bank resolution and/or write-down or conversion of the relevant capital instruments and eligible liabilities shall encompass:

- the general requirements for the manner of carrying out valuations 1 and 2 from Chapter III of this Decision;the manner of carrying out valuation 1 from Chapter IV of this Decision;
- the manner of carrying out valuation 2 from Chapter V of this Decision;
- the manner of carrying out provisional valuation from Chapter VI of this Decision.

III. GENERAL REQUIREMENTS FOR VALUATIONS 1 AND 2

4. When carrying out valuations 1 and 2, the valuer shall take into account the factors that may affect the expected cash flows from the bank's assets and liabilities and the level of discount rates applied to those assets and liabilities, in accordance with the regulation of the National Bank of the Republic of North Macedonia (hereinafter: the National Bank) on the methodology for recording and valuation of the accounting items and for preparation of the financial statements, in order to fairly and objectively represent the bank's financial position.

When determining the factors that may affect the expected cash flows from the bank's assets and liabilities and the level of discount rates applied to those assets and liabilities, the valuer shall take into account the provisions of item 17of this Decision.

5. In the valuation report, the valuer shall present and justify the main assumptions used when carrying out the valuation. The valuer shall justify in the valuation report any significant deviation in the assumptions used in the valuation from the assumptions used by the bank in the preparation of the financial statements and in the determination of its own funds and the capital requirements. The deviations shall be supported by the appropriate data and information available to the valuer at the time of carrying out the valuation.

6. Based on the data and information available at the time of carrying out the valuation, the valuer shall provide the best point estimate of the value of the bank's assets and/or liabilities, which may also be provided in the form of a range.

If the estimated value is provided in the form of a range, the value range shall be as small as possible and shall reflect the valuer's understanding of the current and future expected conditions in the bank and the expected results from the implementation of the resolution procedure. The size of the range shall be adequately explained in the valuation report.

7. The criteria for valuation of the bank’s individual assets and liabilities prescribed by this Decision shall be appropriately applied when carrying out valuation of portfolios or groups of assets or combinations of assets and liabilities of the bank, business lines or the bank as a whole, depending on the characteristics of the assets, liabilities or business lines whose value is being assessed.

8. For the purposes of Article 21 paragraph 10 of the Law, the valuer may take into account the provisions of items 35, 36, 37, 38, 39, 40and 41of this Decision.

9. The National Bank may request from the valuer to carry out several valuations, if it deems it necessary and in that case the National Bank shall take into account the valuation according to which the bank’s assets and liabilities have the lowest value.

Sources of information

10. The valuation shall be carried out based on all data and information submitted by the bank or which are available to the valuer on the valuation date and shall refer at least to:

- the updated income statement and balance sheet of the bank and the regulatory reporting submitted to the National Bank, prepared by the bank on a date or for a period as close as possible to the valuation date;
- an explanation of the assumptions and judgements used by the bank when preparing the financial statements and regulatory reporting to the National Bank;
- the audit report of the bank's latest annual financial statements;
- the data and information from the bank's business books;
- the data and information available on the financial market, the real estate market, etc.;
- the valuer’s conclusions based on discussions with management of the bank and audit company;
- the data and information that the National Bank has received as the competent supervisory authority;
- the data and information prepared by the bank in accordance with the regulation of the National Bank on drawing up a bank resolution plan and assessing bank resolvability;
- the asset quality assessments at the banking system level, if applicable to the bank's assets, as well as the stress test results;
- the publicly available information on the value of assets and liabilities of other banks of similar size and business models, appropriately adjusted to capture the bank’s characteristics;
- the historical data and information, adequately adjusted to capture the bank’s characteristics and changes in the circumstances to which these data and information relate and
- the trend analyses, adequately adjusted to reflect the bank's characteristics.

Impact of financial support agreements within a banking group

11. If the bank is part of a banking group and has concluded financial support agreements within the group that can be put into effect in the event of a disruption in the financial situation of the group or in the process of its resolution, the valuer shall take into account the possible impact of these agreements on the valuation.

12. The valuer shall take into account the impact of other financial support agreements within the banking group only if it is likely that those arrangements will remain in place in the event of group's deteriorated financial situation or in resolution.

13. The valuer shall determine whether the bank's assets within the group of which a bank forms part are available to meet losses of other members of the banking group.

Valuation report

14. The valuer shall prepare and submit to the National Bank a valuation report containing the elements referred to in Article 21 paragraph 8 of the Law, taking into account the provisions of Article 21 paragraph 10 of the Law.

Other information that is significant for the valuation referred to in Article 21 paragraph 8 item 4 of the Law shall refer at least to the following elements:

- a summary of the valuation, the valuation date, an explanation of the best point estimate of the bank's assets and liabilities referred to in item 6of this Decision, as well as an explanation of the positions with a high level of uncertainty and the cash flows from these positions, in accordance with items 15, 16and 17of this Decision;
- an explanation of the key valuation methodologies and assumptions in accordance with item 5of this Decision, the sensitivity of the valuation to the selected methodologies and assumptions and, if applicable, an explanation of the differences between the selected methodologies and assumptions and the methodologies and assumptions applied in other valuations carried out for the resolution purposes;
- an inventory of the bank's on-balance sheet assets and liabilities and off-balance sheet assets and liabilities for each individual valuation of the impact of the application of the different resolution tools or powers whose application is being considered in accordance with item 19 of this Decision;
- when the power to write down or convert the relevant capital instruments and eligible liabilities is exercised, an explanation for the total amount that needs to be written down to cover losses and reduce the net present value of assets to zero, as well as the equity value after the write-down or conversion;
- the data referred to in item 23 of this Decision;
- information on the key sources of information and data used in the valuation;
- information about data that cannot be provided when carrying out the valuation;
- information on material unrealized gains that have not been recognized by the valuation, with an appropriate explanation of the reasons that led to the emergence of those gains;
- a statement from the valuer on the compliance of the valuation with the requirements of the Law;
- any additional information which in the valuer's opinion would be useful to the National Bank in achieving the resolution objectives.

Positions with high level of uncertainty

15. The valuer shall pay special attention to the cash flows from the bank's assets and liabilities for which there is insufficient information and/or which are highly volatile (positions with a high level of uncertainty), and which have a significant impact on the results of the valuation. The valuer shall provide the best point estimate of these positions in accordance with item 6of this Decision.

16. Positions with high level of uncertainty shall refer at least to:
- loans or loan portfolios, the expected cash flows of which depend on the counterparty’s capacity, ability or readiness to fulfill its obligation, whereby those expectations are driven by probabilities of default, loss given default, or loan’s characteristics, especially where evidenced by loss patterns for relevant loans or a loan portfolio;
- foreclosed assets based on outstanding receivables whose expected cash flows are affected by both the asset's fair value at the valuation date and the expected evolution of such value after the valuation date;
- instruments measured at fair value, if the determination of that fair value in accordance with applicable accounting standards is no longer applicable or possible, taking into account the circumstances, especially in case of lack of data on active markets;
- goodwill and intangibles;
- legal disputes and misdemeanor sanctions, the expected cash flows of which may be subject to uncertainty relating to their amount and/or timing;
- expected cash flows from deferred tax assets.

17. When determining the value of the positions with high level of uncertainty, the valuer shall take into account:
- the economic conditions that may affect the bank's operations, as well as the conditions in the relevant markets;
- the bank's business model and changes in its business plan;
- the characteristics of the loan portfolio, including the criteria for assessing the creditworthiness of the bank's clients;
- the circumstances and practices that are likely to lead to significant cash outflows;
- the circumstances that may affect the amount of risk-weighted assets;
- the bank's capacity to maintain an adequate amount of funds over a certain period and its ability to generate expected cash flows and
- the circumstances related to the bank's liquidity and its sources of funding.

IV. MANNER OF CARRYING OUT VALUATION 1

18. Valuation 1 shall provide information based on which it can determine whether the bank is failing or it is likely to fail.

Having in mind the applicable accounting standards, the valuer may not take into account the assumptions, data, methodologies and estimates used by the bank in preparing the financial statements, when determining its own funds and the capital requirements, as well as in preparing regulatory reports to the National Bank.

V. MANNER OF CARRYING OUT VALUATION 2

19. Valuation 2 shall assess the impact on the value of the bank's assets and liabilities of any resolution activity that the National Bank may undertake, in order to obtain the information referred to in Article 21 paragraph (4) items from 2) to 6) of the Law, based on which the National Bank will make the decision to apply the most appropriate tools or to exercise powers for bank resolution.

The National Bank may cooperate with the valuer in determining the different tools or powers for bank resolution whose application is being considered by the National Bank.

20. For the purposes of Valuation 2, the valuer shall determine the amount of cash flows from the bank's existing assets and liabilities that are expected to arise after the application of the resolution action or actions, discounted at a discount rate determined in accordance with item 21of this Decision.

The determination of cash flows can be at the level of an individual asset or liability, at the portfolio level, or at the level of business lines.

For the purpose of determining the amount of the cash flows referred to in paragraph 1 of this item, the valuer shall use their professional judgment to determine the main characteristics of the assets or liabilities whose value is being assessed. The valuer shall also use professional judgment in determining how the continuation, potential renewal or refinancing, and the separation or sale of those assets or liabilities, as envisaged by the resolution activities whose application is being considered, affect the cash flows of those assets or liabilities.

21. The discount rates used by the valuer to determine the cash flows shall be the discount rates determined in accordance with the applicable accounting standards, adjusted for the timing of the cash flows, the bank's risk profile, financial costs and market conditions, as well as the sale or transfer strategy whose implementation is being considered and the bank's financial condition after the resolution.

22. If the values of the valuation 2 significantly deviate from the values presented by the bank in the financial statements, the valuer shall prepare the updated balance sheet and income statement referred to in Article 21 paragraph (8) item 1) of the Law, based on the assumptions used in carrying out valuation 2, in accordance with the applicable accounting standards. With regard to the losses determined by the valuer, which cannot be recognized in the updated balance sheet and income statement, the valuer shall determine the amount of the losses, explain the manner of their determination, as well as the probability of their occurrence and timing.

23. Valuation 2 shall include data on operational costs resulting from costs incurred in connection with the application of the bank's resolution tools or powers.

The valuation shall also take into account the expected positive effects of reducing costs and/or increasing revenues when applying sale of the business tool or bridge bank, which would result from the merger with another bank, the acquisition of the bridge bank by another bank or the sale to a third party of all assets, rights or liabilities of the bridge bank.

In the valuation report referred to in item 14of this Decision, the data on operating costs referred to in paragraph 1 of this item and the assumptions for cost reduction and/or revenue increase referred to in paragraph 2 of this item shall be presented separately, avoiding double recording. If the equity value is being estimated, these data shall be presented as part of the cash flow calculation.

Selection of the valuation measurement basis

24. In order to ensure an objective and realistic valuation 2, based on conservative assumptions and depending on the needs and in cooperation with the National Bank, the valuer shall prepare individual valuations of the impact of the application of the different resolution

tools or powers whose application is being considered in accordance with item 19of this Decision, taking into account the provisions of this Chapter of the Decision.

Each of the individual valuations referred to in paragraph 1 of this item shall provide full recognition of losses from the application of the different resolution tools or the powers to write down or convert the relevant capital instruments and eligible liabilities.

25. If the resolution activities referred to in item 19of this Decision envisage that the bank will retain all or part of its assets and liabilities and continue to operate, the valuer shall use the hold value.

In the cases referred to in paragraph 1 of this item, the valuer may, based on their professional judgment:

- change the assumptions or expectations compared to those prevailing at the valuation date, taking into account the movements of the relevant cash flows over a longer historical period and the period for which the asset or liability is expected to be held or the bank's operations to be continued or
- use additional or alternative valuation methodologies that the valuer considers appropriate and in accordance with the provisions of this Decision, in particular with regard to the estimation of equity value of new shares, after the conversion of the relevant capital instruments and eligible liabilities.

26. If the resolution activities referred to in item 19of this Decision envisage the sale or transfer of assets and liabilities, the valuer shall use the disposal value for these assets and liabilities, taking into account the expected disposal period, i.e. transfer of the bank's assets and liabilities.

The approach referred to in paragraph 1 of this item shall be used in cases of application of the sale of business tool, bridge bank and asset separation tool.

In the cases referred to in paragraph 1 of this item, the valuer may determine the disposal value by reducing the amount of observable market prices to take into account the accelerated sale or transfer. In absence of a liquid market for the relevant asset, the valuer shall determine the disposal value based on the observable prices on markets where similar assets are traded or based on relevant models that take into account the observable market prices, appropriately adjusted for the absence of a liquid market.

For the purposes of determining the disposal value and disposal period, the valuer shall particularly take into account:

- the disposal value and disposal period for transactions with similar characteristics of assets and liabilities, adequately adjusted to reflect differences in the business model and in the financial structure of the parties involved in those transactions;
- the advantages or disadvantages of a particular transaction that are specific to the counterparties in the transaction or to a group of market participants;
- the special characteristics of the assets or parts that may be significant only to a potential purchaser or to a group of market participants;
- the likely impact of expected sales on the bank's franchise value.

When applying the sale of business tool and the bridge bank, the valuer may take into account the expectations for the franchise value in the event of renewal of assets, refinancing of a portfolio or the continuation, i.e. re-operation of parts of the bank or the bank as a whole.

If the valuer assesses that there is no realistic prospect for the disposal of the bank's assets and liabilities or for the disposal of the bank, they shall not determine the disposal value, but shall estimate the cash flows on the basis of real prospects for the bank's ability to continue operating.

The provision of paragraph 6 of this item shall not apply to the asset separation tool or sale of business tool.

27. If the resolution activities referred to in item 19of this Decision envisage conversion of the relevant capital instruments and eligible liabilities into shares, the valuer shall determine their value by applying the equity value of new shares after the write-down or conversion, as compensation to the holders of the converted capital instruments or other creditors. This valuation shall be the basis for determining the conversion rates referred to in Article 39 of the Law.

28. For groups of assets and liabilities or parts of the bank that are intended to be separated, the valuer shall take into account the costs and benefits associated with the management of those assets, liabilities or parts.

29. For the assets and liabilities of the bank that are likely to be included in the bankruptcy estate after the opening of the bankruptcy proceedings, the valuer may take into account the disposal value and the disposal period that have previously been observed for assets with similar characteristics and conditions. When determining the expected cash flows, the illiquidity, the absence of reliable data for the determination of the value and the need to apply valuation methodologies that are based on assumptions for which appropriate market data are lacking, shall be taken into account.

VI. PROVISIONAL VALUATION

30. The requirements for valuation 2 shall apply accordingly to the provisional valuation, to the extent applicable.

31. When carrying out the provisional valuation, the valuer shall pay particular attention to positions with a high level of uncertainty, in accordance with items 15and 16of this Decision.

The additional losses that the valuer shall determine when carrying out the provisional valuation shall correspond to the level of uncertainty associated with the positions referred to in paragraph 1 of this Article, taking into account the factors referred to in item 17of this Decision.

32. For the purposes of item 30of this Decision, the valuer may determine additional losses based on losses estimated for a part of the bank's assets. If possible, the valuer may also estimate additional losses based on average losses of other banks with similar business models, subject to relevant adjustments to the differences in the business model and financial structure.

For the purposes of paragraph 1 of this item, the National Bank may use the data from completed previous bank resolution procedures or historical market data relating to assets with similar characteristics.

33. The requirements referred to in item 14 of this Decision shall apply accordingly to the provisional valuation report, whereby the valuer shall mandatorily indicate the amount of

additional losses with appropriate justification, taking into account the provisions of items 31and 32of this Decision.

VII. MANNER OF CARRYING OUT VALUATION 3

34. For the purposes of valuation 3, the valuer shall prepare a list of all identifiable and contingent assets of the bank for which the existence of adequate cash flows is demonstrated or for which such cash flows are expected.

The valuer shall have access to the list of all identifiable and contingent liabilities of the bank, classified in accordance with their priority levels under the Banking Law. The valuer shall have the right to use outsourcing services for the appropriate ranking of liabilities in order of priority.

The valuer shall identify and separately present the encumbered assets and claims secured by those assets.

Valuation of the losses that shareholders, creditors and the Deposit Protection Fund would have incurred in the event of initiation a bankruptcy proceeding against the bank

35. In order to determine the losses for the purposes of Article 61 paragraph 3 item 1) of the Law, the valuation shall be based on information about the facts and circumstances that existed and could reasonably be expected to have been known to the valuer at the resolution date, which would have had an impact on the valuation of the bank's assets and liabilities at that date.

36. For the purposes of item 35of this Decision, the valuer shall determine the amount of expected cash flows that each shareholder or creditor would have received if bankruptcy proceeding was initiated against the bank, i.e. it is assumed that the bank would have generated cash flows only based on the monetization of the assets included in the bankruptcy estate.

The expected cash flows referred to in paragraph 1 of this item shall be discounted at the rate or rates that take into account the expected timing of those cash flows, the prevailing circumstances as of the resolution date, the risk-free interest rates, the risk premium for financial instruments with similar characteristics issued by banks with similar business models, the market conditions and/or the discount rates applied by potential acquirers and other similar characteristics of the cash flows whose value is being estimated.

37. The valuer shall take into account the following elements in the determination of the expected cash flows under item 36of this Decision:

- the regulations governing bankruptcy proceedings and practices in the Republic of North Macedonia or in the relevant country, which may have an impact on factors such as the expected disposal period or the recovery rates of the bank's assets in the event of conducting bankruptcy proceedings;
- the costs for conducting the bankruptcy procedure that can be foreseen, including its financing costs and
- information on past bankruptcy proceedings against banks, if available and relevant.

38. For assets traded in an active market, the valuer shall use the market price observed in a given period, except when specific circumstances (e.g. concentration, saturation and depth of the market) hamper the possibility of selling the bank's assets.

39. For assets not traded in an active market, the valuer shall take into account at least the following information when determining the amount and period of occurrence of their cash flows:

- prices observed in active markets for assets that have similar characteristics;
- prices observed in transactions involving the sale of assets with similar characteristics and conditions in previous bankruptcy proceedings or other similar proceedings;
- prices observed in transactions involving the sale of the business or the transfer to a bridge bank or to an asset management vehicle, within the framework of resolution activities for banks with similar characteristics as the bank under resolution;
- the likelihood of the assets generating net cash inflows in the bankruptcy proceedings;
- the expected market conditions within the period of liquidation of assets within the bankruptcy proceedings, taking into account the market depth and the ability for selling the appropriate volume of assets through it and
- the length of the disposal period of the assets within the bankruptcy procedure, taking into account the requirements of the regulations governing the bankruptcy procedure, including the expected length of the process of liquidation of assets or the characteristics of those assets.

40. The valuer shall determine whether the bank's financial condition could affect the expected cash flows in bankruptcy proceeding, including through restrictions on the bankruptcy trustee’s ability to negotiate the terms of sale of the bank's assets with potential purchasers.

41. If applicable and in accordance with the regulations governing the bankruptcy procedure, the cash flows shall reflect the contractual, legal or other rights of creditors or the regular practices applied within the bankruptcy proceedings. In doing so, the expected cash flows shall be allocated to shareholders and creditors in accordance with their priority levels, under with the Banking Law.

Valuation of the losses of bank’s shareholders and creditors in resolution

42. In order to determine losses for the purposes of Article 61 paragraph 3 item 2 of the Law, the valuation shall be based on the available information on the facts and circumstances that existed on the actual treatment date or dates of the shareholders and creditors of the bank.

The valuer may not discount the proceeds if he/she considers that there will be no significant differences in the undiscounted proceeds. In this case, the undiscounted proceeds at the date of the application of the resolution activity can be directly compared to the discounted amount of hypothetical proceeds that shareholders and creditors would have received, if the bank had entered in bankruptcy proceeding at the resolution date.

43. The valuer shall determine all outstanding claims of the shareholders and creditors of the bank after the write-down or conversion of the relevant capital instruments and eligible liabilities and after the application of resolution activities and shall allocate those claims to the

legal entities and natural persons who were bank’s shareholders and creditors at the resolution date.

The valuer shall determine the actual treatment of shareholders and creditors in the bank resolution procedure in accordance with items 4, 45and 46of this Decision, except in cases where legal entities and natural persons who were the bank’s shareholders and creditors have received cash compensation at the resolution date.

44. If the legal entities and natural persons who were bank’s shareholders and creditors at the resolution date have received compensation in the form of shares, the valuer shall determine their actual treatment by estimating the overall value of those shares based on their market price.

45. If the legal entities and natural persons who were bank’s shareholders and creditors at the resolution date have received compensation in the form of debt instruments, the valuer shall determine their actual treatment by estimating their value taking into account the changes in contractual cash flows that result from the write-down or conversion of the relevant capital instruments and eligible liabilities or the application of other resolution actions, as well as taking into account the changes in the relevant discount rate.

46. For any outstanding claim of the bank's shareholders and creditors, the valuer may take into account the prices in active markets for the same or instruments with similar characteristics issued by another bank under resolution or by other banks with similar characteristics, taking into account the provisions of items 44and 45of this Decision.

Report on Valuation 3

47. The valuer shall prepare and submit to the National Bank a report on valuation 3 which shall contain the following elements:

- a summary of the valuation indicating the amounts referred to in Article 61 paragraph 3 of the Law, the valuation date, an explanation of the best point estimate of assets and liabilities, as well as an explanation of the positions with a high level of uncertainty, in accordance with items 15, 16and 17of this Decision;
- an explanation of the key valuation methodologies, assumptions and elements that the valuer has taken into account when determining the losses that shareholders and creditors would have incurred in the event of bankruptcy proceedings and when determining the losses that shareholders and creditors incur in the resolution procedure;
- the sensitivity of valuation 3 to the selected methodologies and assumptions from indent 2 of this item;
- an explanation, where possible, of the differences between valuation 3 and other valuations carried out for the resolution purposes, as well as from other valuations carried out for accounting or supervisory purposes;
- any additional information that the valuer shall consider useful to the National Bank in achieving the resolution objectives.

VIII. INDEPENDENT VALUER

48. The independence requirements that the audit company, authorized auditor or valuer must meet in relation to the bank, the National Bank and any relevant public authority shall refer to:

- possessing the necessary qualifications, experience, ability, knowledge and resources to effectively carry out the valuation, completely independently of the bank, the National Bank or any public authority in accordance with items 52and 53of this Decision;
- the existence of structural separation from the bank, the National Bank or any public authority, in accordance with item 54of this Decision and
- the absence of a significant common interest or conflict of interest within the meaning of items 55, 56, 57and 58of this Decision.

The cooperation of the independent valuer with the National Bank referred to in item 19 paragraph 2 of this Decision shall not be considered a violation of the independence requirements referred to in paragraph 1 of this item.

49. In exceptional cases, the National Bank may establish additional criteria that the valuer shall meet in order to be selected to carry out the valuation.

50. Given the time constraints when initiating a bank resolution procedure, the National Bank may identify potential independent valuers in advance, taking into account only the conditions of item 48 paragraph 1 indent 1 of this Decision.

51. The National Bank shall conclude an agreement with the valuer for the performance of the valuation, which shall, inter alia, prescribe the subject of the valuation, the deadline for submitting the valuation report referred to in items 14, 33and/or 47of this Decision, the confidentiality obligations and other elements.

Qualifications, experience, ability, knowledge and resources

52. The independent valuer shall possess qualifications, experience, ability and knowledge regarding all matters that are significant for carrying out the valuation, which shall include:
- to possess or have access to adequate human and technical resources to carry out the valuation. The assessment of the adequacy of resources shall take into account the nature, size and complexity of the valuation to be carried out;
- in carrying out the valuation, not to seek or receive instructions or directions from the bank, the National Bank and any public authority, nor to seek or accept financial or other benefits from the bank, the National Bank and any public authority.

The restriction from paragraph 1, indent 2 of this item shall not apply to:
- obtaining instructions, directions, premises, technical equipment or other forms of support, which the National Bank considers necessary for achieving the objectives of the valuation,
- the payment of the independent valuer's fees and expenses related to carrying out the valuation.

53. The independent valuer shall respect the obligation of confidentiality of the information used in the valuation, in accordance with the Law.

Structural separation

54. The independent valuer shall be considered structurally separated from the bank, the National Bank or any public authority in the following cases:

- the independent valuer who is a natural person shall not be employed by the bank, the National Bank or any public authority or shall not be a contracting party of the bank, the National Bank or any public authority;
- the independent valuer which is a legal entity, shall not be a member of the same group as the bank or any public authority, if applicable.

Significant common interest or conflict of interest

55. The independent valuer shall not have any actual or potential significant interest that is common to or in conflict with the interests of the bank, the National Bank or any public authority.

The actual or potential interest referred to in paragraph 1 of this item shall be considered significant if the National Bank assesses that it could influence or is reasonably considered to influence the judgment of the independent valuer when carrying out the valuation.

56. For the purposes of item 55of this Decision, the following matters shall be relevant:

56.1. The interests of at least the following persons:
- the members of the Supervisory and Management Board of the bank;
- legal entities and natural persons that have control or qualified holding in the bank;
- creditors that the National Bank has assessed to be significant, based on the information at its disposal, and
- each member of the group of which a bank forms part.

56.2. At least the following circumstances:
- the provision of services by the independent valuer, including the services performed for the bank and for the persons referred to in sub-item 56.1of this item, and in particular the relationship between these services and the elements that are significant for the valuation;
- the personal and financial relationships between the independent valuer and the bank and/or the persons referred to in sub-item 56.1of this item;
- the investments or other significant financial interests of the independent valuer;
- where the independent valuer is a legal entity, any separation that is established to reduce threats to the valuer's independence (e.g. self-assessment, personal interest, advocacy, familiarity, trust or intimidation), including arrangements to separate the persons who may be involved in the valuation from other persons employed at the valuer.

57. In addition to the cases referred to in item 56this Decision, the independent valuer shall be considered to have an actual or potential significant interest that is common or in conflict with the interests of the bank, if within a period of one year prior to the date on which the fulfillment of the independence requirements is assessed, the audit company or the authorized auditor has audited the annual financial statements and the bank’s operations, in accordance with the Banking Law.

58. Any person whose independence is being assessed or who has been selected as an independent valuer shall:
- apply policies and procedures to identify the actual or potential interest that may be considered significant in accordance with item 55of this Decision, taking into account the applicable ethic codes and professional standards;

- immediately notify the National Bank of all actual or potential interests that the independent valuer considers significant in the assessment of the National Bank in accordance with item 55of this Decision;
- take appropriate actions to ensure that employees or other persons involved in carrying out the valuation do not have a significant interest in accordance with item 55of this Decision.

IX. CLOSING PROVISIONS

59. This Decision shall enter into force on the eighth day following that of its publication in the Official Gazette of the Republic of North Macedonia, and shall apply from 13 October 2025.

D. No. 02-10864/6
27 March 2025
Skopje

Governor and Chairman
of the Council of the National Bank
of the Republic of North Macedonia
Anita Angelovska-Bezhoska