

**STOPANSKA BANKA AD – SKOPJE**

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**ANNUAL REPORT**

**2019**

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**Skopje, April 2020**

## Table of contents:

<b>Financial Highlights .....</b>	<b>1</b>
<b>Economic Environment .....</b>	<b>2</b>
<b>Basic Macroeconomic Indicators .....</b>	<b>4</b>
<b>Banking sector &amp; SB .....</b>	<b>5</b>
<b>Review of 2019 Activities .....</b>	<b>5</b>
Financial Performance.....	5
Assets and Liabilities.....	8
<b>Retail Banking .....</b>	<b>9</b>
<b>Corporate Banking.....</b>	<b>13</b>
<b>Risk Management.....</b>	<b>13</b>
Credit Risk Management.....	13
Liquidity Risk Management.....	13
Interest Rate Risk Management .....	13
Foreign Exchange Risk Management.....	13
Operational Risk Management.....	20
<b>Capital Adequacy, Internal Capital Adequacy Assessment Process and Stress Test .....</b>	<b>21</b>
<b>Compliance, Anti-Money Laundering and Combat Terrorist Financing Activities.....</b>	<b>22</b>
<b>Personal Data Protection .....</b>	<b>23</b>
<b>Corporate Governance Report 2019.....</b>	<b>25</b>

## Financial Highlights

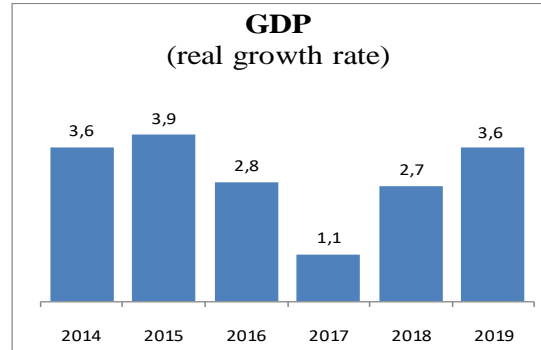
in eur million	2018	2019	change %
<b>Income Statement indicators</b>			
Net Interest Income	62,2	58,7	-5,6%
Net Commissions Income	12,1	13,4	10,7%
Total Income	85,2	82,2	-3,5%
Operating expenses	-28,5	-28,4	-0,4%
Personnel Expenses	-14,1	-13,8	-2,1%
Net Operating Income	56,6	53,8	-4,9%
Impairment losses	-8,6	-12,4	44,2%
Pre Tax Profit	49,9	43,0	-13,8%
<b>Net Profit</b>	<b>44,7</b>	<b>38,6</b>	<b>-13,6%</b>
<b>Balance Sheet indicators</b>			
<b>Total Assets</b>	<b>1.472,3</b>	<b>1.621,3</b>	<b>10,1%</b>
<b>Equity</b>	<b>210,3</b>	<b>248,2</b>	<b>18,0%</b>
Regulatory capital	194,8	208,9	7,2%
Loans to customers (net)	1.035,3	1.081,5	4,5%
<b>Total loans (gross)</b>	<b>1.087,0</b>	<b>1.121,8</b>	<b>3,2%</b>
Retail loans	733,9	769,3	4,8%
Corporate Loans	353,1	352,5	-0,2%
Provisions	51,8	40,3	-22,2%
<b>Total Deposits</b>	<b>1.235,9</b>	<b>1.347,6</b>	<b>9,0%</b>
Retail deposits	968,0	1.027,9	6,2%
Corporate Deposits	267,9	319,7	19,3%
<b>Financial ratios</b>			
Net Interest Margin	5,0%	4,4%	-54,5
Cost income ratio	33,5%	34,5%	109,9
ROA	3,1%	2,5%	-61,2
ROE	20,7%	16,8%	-385,7
Loans to Deposits ratio (gross)	88,0%	83,2%	-470,8
Capital Adequacy ratio	16,30%	16,30%	0,0
<b>Operational Indicators</b>			
Number of Units	66	65	-1
Number of Personnel (eop)	1047	1021	-26

Note: All figures in this report referring to Stopanska Banka AD Skopje are based on the Financial Statements prepared in accordance with accounting regulations applied in the country and the regulation of NBRNM

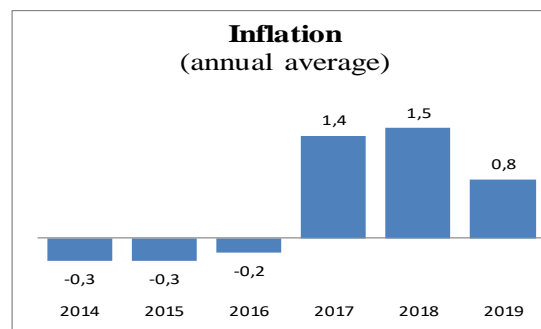
## Economic Environment

Throughout 2019 the domestic economy was operating in a relatively stable political and macroeconomic environment. Rising investments and consumption brought stronger economic growth compared to the previous three years. This was encompassed by stable financial system and conducive external environment. However, a slowdown is expected in 2020 mostly induced by the corona crisis.

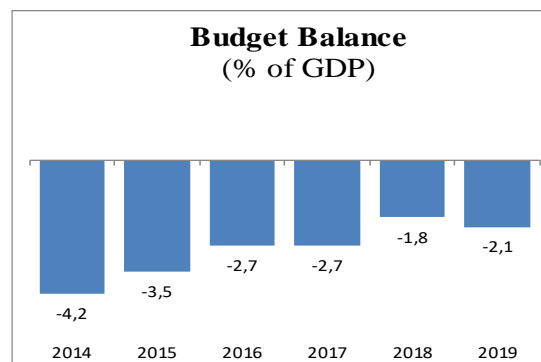
The latest available data from the State Statistical Office show that the Gross Domestic Product (GDP) in 2019 recorded an annual increase of 3.6%. Main contributors to the growth were investment and private consumption, the latter induced by rising wages, pensions and household lending. Herein, cautiousness is needed since increasing wages beyond productivity is putting pressure on the cost competitiveness of the economy. Furthermore, the upcoming parliamentary elections as well as the coronavirus are expected to narrow the growth potential for 2020.



In environment of negative output gap, the Consumer Price Index (CPI) in 2019 increased by 0.8% - somewhat below the projections, mostly driven by higher food prices. In the following period the inflation is expected to be well contained at around 2% with still present uncertainties about the movements of primary commodities prices on the world markets.

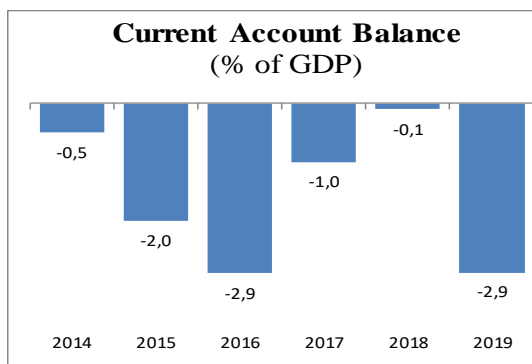


Despite rise in tax and contribution rates, fiscal deficit widened in 2019 reaching the level of EUR 221.6 million or 2.1% of GDP. Government revenues increased by 8.2% y-o-y on the back of the higher rates for social contributions and personal income tax, as well as higher excises for tobacco and fuels. However, spending went up by 8.7% due to rising pensions, wages, subsidies and health spending. Capital expenditures, although rising, are still significantly under-executed. The public debt in the past year recorded an increase of EUR 338.8 million reaching the level of EUR 5.540,9 million or 48.9% of GDP. These movements are mostly in line with the objectives towards fiscal consolidation.



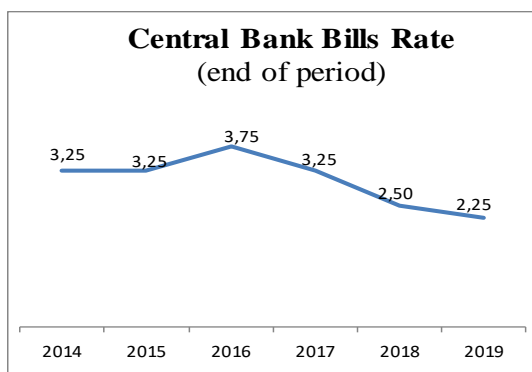
**The external position in 2019 remained relatively stable.**

The current account deficit showed widening compared to the previous two years reaching EUR 313.6 million or 2.9% of GDP, mainly stemming from the increased imports in the last quarter of the year. However, private transfers covered 106% of the trade deficit. With regards to the financial account, foreign direct investment amounted to EUR 326.3 million. The adequate level of gross foreign reserves (4.6-months import coverage) enabled sufficient buffers against potential unforeseen shocks.



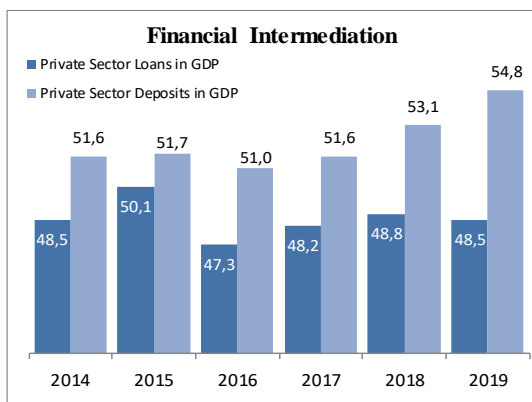
**The monetary policy easing continued in 2019.**

In conditions of moderate inflation, negative output gap, continued solid deposit growth and favorable developments in the foreign exchange market, in March 2019 the NBRNM has lowered the key interest rate on CB bills by 25 bps to a historic low of 2.25%. The absence of pressures in the external sector, the stable perceptions of the domestic entities and the absence of price pressures have created additional room for further relaxation of the monetary policy in 2020.



**The banking system remains well capitalized, liquid and profitable.**

At the end of the year, total deposit growth reached 9.5% on annual level, compared to 10.5% in the previous year. Herein, corporate deposits recorded a stronger growth of 14.6%, while retail deposits increased by 7.9%. The credit growth at the end of 2019 stood at 6% compared to 7.3% in 2018. The retail loans grew by 10.5%, while corporate loans were higher by 1.9%. NPE levels continued to decline reaching a level of 4.6%. In such environment, the loans to deposits ratio at the end of the year was 83.1%. The capital adequacy ratio on 31.12.2019 reached 16.3%. The profitability ratios ROA and ROE were somewhat lower compared to 2018 reaching 1.3% and 11.7% respectively. Overall, the banking system continues to be healthy, however risks need to be closely monitored. In addition, an ongoing bank merger between two subsidiaries of euro area banks will help consolidate the relatively overcrowded banking system and improve efficiency.



## Basic Macroeconomic Indicators

	2015	2016	2017	2018	2019
<b>Output</b>					
Gross Domestic Product (real growth rate)	3.9	2.8	1.1	2.7	3.6
Industrial Production (annual growth rate)	4.9	3.4	0.2	5.4	3.7
<b>Prices, wages and productivity</b>					
CPI (annual average)	-0.3	-0.2	1.4	1.5	0.8
CPI (year-end)	-0.3	-0.2	2.4	0.9	0.4
PPI (annual average)	-3.9	-0.1	0.5	-0.3	0.9
PPI (year-end)	-0.8	-0.6	1.4	-0.8	1.1
Real wages (annual growth rate)	2.7	2.2	1.2	4.4	3.1
<b>Government finance</b>					
General government balance (% of GDP)	-3.5	-2.7	-2.7	-1.8	-2.1
<b>External sector</b>					
Current account balance (% of GDP)	-2.0	-2.9	-1.0	-0.1	-2.9
Export of goods and services (in million eur)	4,425	4,919	5,509	6,452	6,951
Import of goods and services (in million eur)	5,899	6,391	6,921	7,825	8,578
Export of goods and services (annual growth rate)	8.2	11.2	12.0	17.1	7.7
Import of goods and services (annual growth rate)	6.1	8.4	8.3	13.1	9.6
Gross external debt (in million eur)	6,291	7,217	7,372	7,844	8,191
Foreign reserves (in million eur)	2,262	2,613	2,336	2,867	3,263
Exchange rate MKD/EUR (average)	61.6	61.6	61.6	61.51	61.52
<b>Monetary aggregates</b>					
M1 growth (dec./dec.)	18.4	9.9	10.7	18.7	17.2
M2 growth (dec./dec.)	7.6	6.1	4.1	11.8	9.9
M2 denar growth (dec./dec.)	8.5	5.2	5.4	14.5	12.7
M4 growth (dec./dec.)	6.8	6.1	5.3	11.8	9.3
M4 denar growth (dec./dec.)	7.2	5.0	6.4	14.0	11.4
Credit to private sector (dec./dec.)	9.5	1.0	5.7	7.3	6.0
<b>Interest rates</b>					
Money market interest rate (annual average)	1.12	1.14	1.10	1.07	1.10
CB bills rate (annual average)	3.25	3.73	3.30	2.92	2.29
Money market interest rate (end of period)	1.20	1.04	1.10	1.09	1.13
CB bills rate (end of period)	3.25	3.75	3.25	2.50	2.25
<b>Capital markets</b>					
Macedonian Stock Exchange index-MBI (growth rate-eop)	-0.6	16.5	18.9	36.6	34.0

Source: Ministry of Finance, State Statistical Office, National Bank of RNM

## Banking sector & SB

(in mil mkd)

<b>Position/Indicator</b>	<b>Banking sector</b>	<b>SB</b>	<b>Market share</b>
Total assets	550,315.1	99,687.5	18.1%
Total loans	339,698.7	68,974.7	20.3%
Total deposits	405,586.7	82,857.5	20.4%
Loans growth	6.1%	3.2%	
Deposits growth	9.2%	9.0%	
ROAA	1.3%	2.5%	
ROAE	11.7%	16.8%	
C:I	50.1%	34.6%	
NPE	4.8%	4.3%	
CAR	16.3%	16.3%	

Source: The data and reports for the banking sector from the NBRNM Supervision

Stopanska Banka AD Skopje accounts 18.1% of the total banking sector assets and 1/5<sup>th</sup> of both deposits and loans. In 2019, the realized growth rate of loans was 3.2% and 9% of deposits. During 2019, the performance of the Bank was in many aspects higher compared to the total banking sector as shown above. Namely, ROAA 2.5% vs. 1.3%, ROAE 16.8% vs. 11.7%, NPE 4.3% vs. 4.8%, and the cost-to income ratio well below the banking sector with remarkable 34.6% vs. 50.1%. The capital adequacy ratio was the same as the banking sector 16.3%.

## Review of 2019 Activities

### Financial Performance

*Implementation of the Bank's strategy within a well defined and implemented risk, capital and liquidity management framework continued to gain positive momentum during 2019. The bank strives to offer its clients a unique bank experience and aim to achieve sustainable and profitable growth. The corporate sustainability for the Bank means the ability to live up to the expectations of all our stakeholders and to meet our obligations, not just today but also in the future. For that reason, the Bank constantly pursue a balance between healthy profitability and meeting the needs of its customers, supporting their business needs, being a reliable partner and at the same time showing awareness towards society by encouraging responsible behavior.*

Given the current economic climate and challenging market conditions, SB succeeded in delivering once again notable results, testing the new threshold that demonstrate again the resilience of its business model and successful management with all business aspects of operations in both- regular and extraordinary economic circumstances. Its powerful brand name remained symbol for extraordinary services, trust and safety. Consequently, at the end of the year, the Bank recorded profit before taxes of EUR 43.0 million which is on the same level with the corresponding 2018 figure, if it is excluded the impact of released impairment in 2018 for a settled status of a big debtor.

The Bank's total assets reached EUR 1,621.3 million; RoA equaled 2.5%, while RoE reached 16.8%, far above the banking sector average, indicating self-growing potentials for the business and stable returns for shareholders. With the capital strength, which ensured capital adequacy ratio of 16.3%, SB confirms to be one of the most trustworthy financial partners in the country.

### ***Interest income***

During 2019, the interest income from the retail loans amounted to EUR 48.3 million, having the biggest participation within the total interest income of 70.6%. In the same time, the interest income from corporate and other activities (investments in securities, interbank placements and other) amounted to EUR 20.1 million i.e. decreased by 15.9% compared to the previous year. In the environment of the continuing trend of interest rates decline, the total interest income amounted to EUR 68.4million.

*in EUR million*

	<b>2018</b>	<b>2019</b>	<b>% change</b>
<b>Interest income</b>	<b>73,3</b>	<b>68,4</b>	<b>-6,7%</b>
Retail loans	49,4	48,3	-2,2%
Corporate loans	14,8	13,1	-11,5%
Other	9,1	7,0	-23,1%

### ***Interest expense***

The Bank's interest expense decreased by 12.6% compared to 2018 out of which the interest expense related to retail deposits was lower by 15.9%.

*in EUR million*

	<b>2018</b>	<b>2019</b>	<b>% change</b>
<b>Interest expenses</b>	<b>11,1</b>	<b>9,7</b>	<b>-12,6%</b>
Retail deposits	8,8	7,4	-15,9%
Corporate deposits	1,0	1,0	0,0%
Other liabilities	1,3	1,3	0,0%



### *Net Interest Income*

Besides the increased total loans in 2019, the interest income decreased by 6.7% compared to 2018, partially offset by decreased interest expense, which affected the decrease of the net interest income by 5.6%.

*in EUR million*

	<b>2018</b>	<b>2019</b>	<b>% change</b>
<b>Net Interest income</b>	<b>62,2</b>	<b>58,7</b>	<b>-5,6%</b>
Interest income	73,3	68,4	-6,7%
Interest expenses	11,1	9,7	-12,6%

### *Fee and Commissions Income*

In 2019 net fees and commission income reached EUR 13.4 million. Within this, the most significant part (40.1% of the Bank's total fee and commission income) relates to fees from transfer of funds in amount of EUR 5.4 million, recording additional amount of EUR 0.7 million compared to 2018 or an increase of 13.4%. The net income from lending activities is the second largest fee item, which at the end of 2019 amounted to EUR 5.0 million representing 37.5% of the total fee and commission income.

*in EUR million*

	<b>2018</b>	<b>2019</b>	<b>% change</b>
<b>Net fees and commissions income</b>	<b>12,1</b>	<b>13,4</b>	<b>11,2%</b>
loans	5,0	5,0	1,2%
letters of guarantee	0,7	0,6	-4,3%
transfer of funds	4,7	5,4	13,4%
Others	1,7	2,4	40,8%

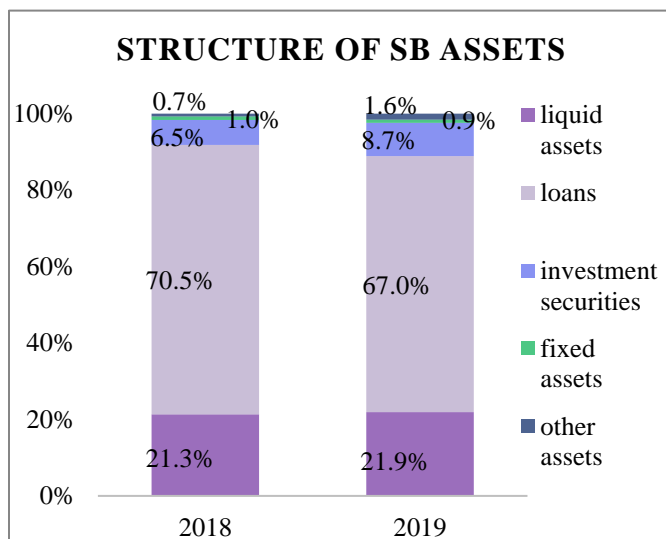
### *Operating expense*

During 2019, the Bank continued to pursue operational excellence in both cost efficiency and risk management, resulting in keeping the costs in line with the budgeted figure and maintaining excellent credit quality results. The total operating expense amounted to EUR 28.4 million representing a slight decrease of 0.4% compared with the corresponding 2018 figure. Because of its effective cost containment policy in place, the Bank succeeded to maintain the relatively low cost to income ratio of 34.5%, far below the banking sector average.

## Assets and Liabilities

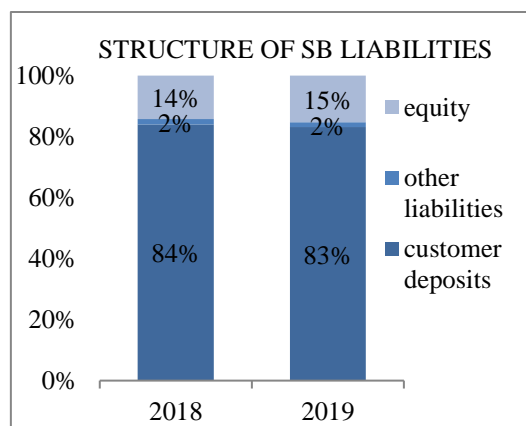
### Assets

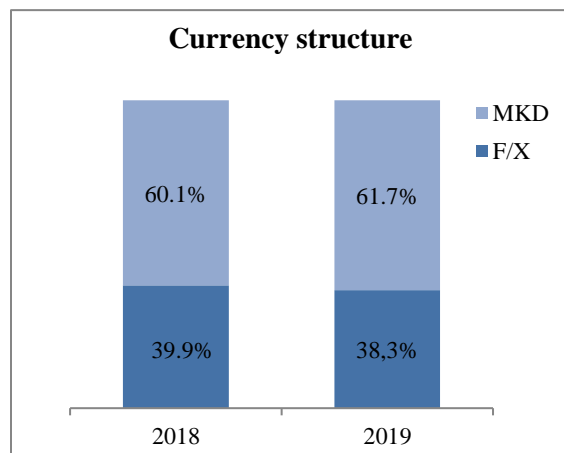
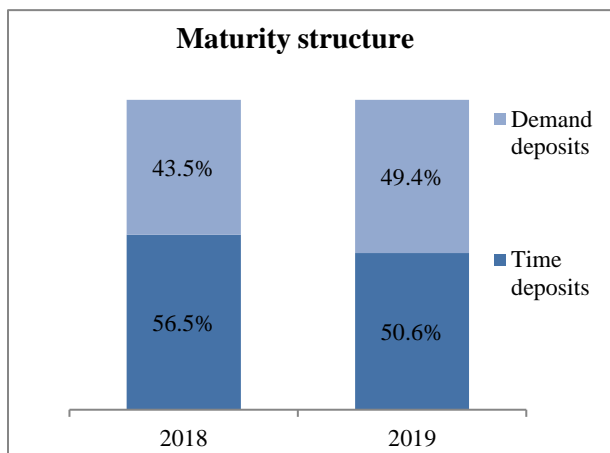
The Bank's total assets at the end of 2019 amounted to EUR 1,621.3 million, which is EUR 149.0 million or 10.1% above 2018. The Bank continued to enhance its' prudence with the balance growth, adequate liquidity and strong capital base. In this aspect, the liquidity ratio up to 180 days reached 1.33. The credit activities by the end of 2019 for the total loan portfolio reached EUR 1,121.8 million, out of which EUR 352.5 million were extended to corporate customers, while retail exposures amounted to EUR 769.3 million.



### Deposits and Equity

The Bank's deposit base increased by 9.0% or EUR 111.7million. Deposits continue to be the main funding source of the Bank, amounting to EUR 1,347.6million and as a result, at the end of 2019, the loans to deposits ratio reach 83.2% on gross basis, still sufficient to enable the Bank's strong credit potential. Furthermore, the Bank maintained the balanced position in the maturity structure in the year under review thus indicating stable sources of funds for the Bank's further credit expansion.





The currency composition of the deposits' base indicates stable share of domestic currency denominated deposits of 61.7% (60.1% in 2018).

The Bank equity amounted to EUR 248.2 million at the end of 2019 and as such, it is still the highest within the banking sector in the country, ensuring sufficient capital adequacy and quality source of long-term funding.

## Retail Banking

2019 marked the 75<sup>th</sup> anniversary of the creation of Stopanska banka, as the first national bank and a brand that remains recognized for its wide presence, continuous development and cooperation with retail and corporate clients. The positive political developments within the year impacted the economy and resulted in bigger appetites among retail customers and the Bank appropriately responded maintaining the market position across the retail product offer.

The banking market is facing a grown competition, making the fight for customer acquisition extremely important. The similarity of the product offers, the almost insignificant pricing comparison leaves the banks to compete between each other based on service quality, reliability and customer appreciation.

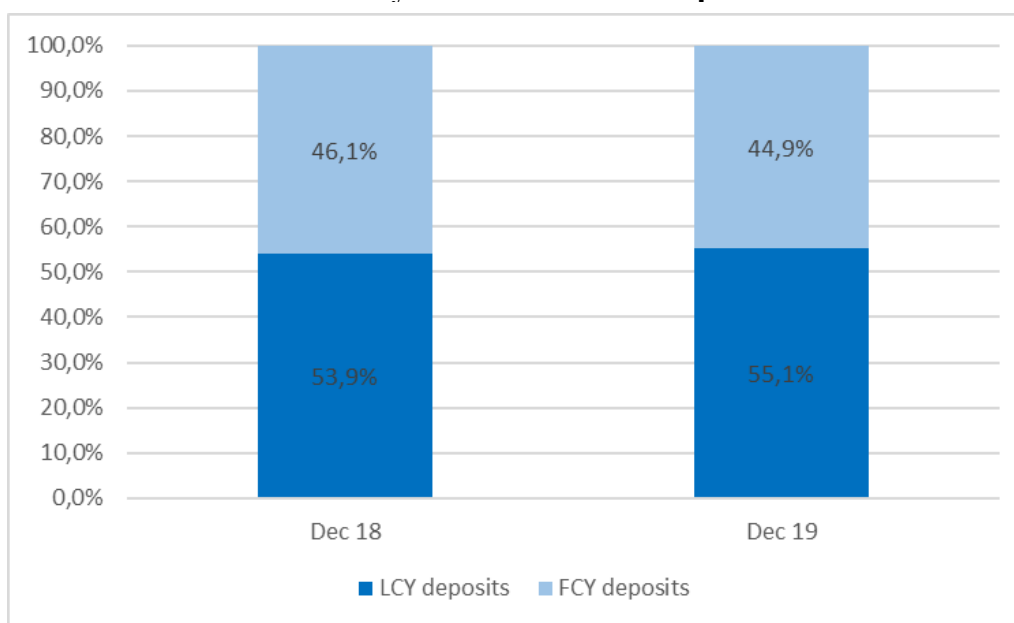
2019 began with the promotion of a new portfolio of bundled bancassurance products and also sales of stand-alone insurance products through the Banks' existing channels and concluded with the introduction of several novelties within the existing digital platforms – new ATMs, software token etc.

### ***Retail deposits***

The retail deposit base grew by 6.2% during 2019 surpassing 1 billion of EUR that is recognition of stability, reliability and soundness of the Bank.

The **sight vs. time deposit ratio** improves in a favor of sight deposit that is in line with the overall market trend deriving from downward interest rates levels and client's preferences to have liquid funds. Currency breakdown of deposits remains balanced and stable as previously, with the local currency deposits slightly overpassing balances of deposits in foreign currency, resulting from the historical stability of the local currency and immaterial difference in interest rates for LCY deposits which enables balanced access to FX and MKD lending products for the clients.

**Currency structure of retail deposits**

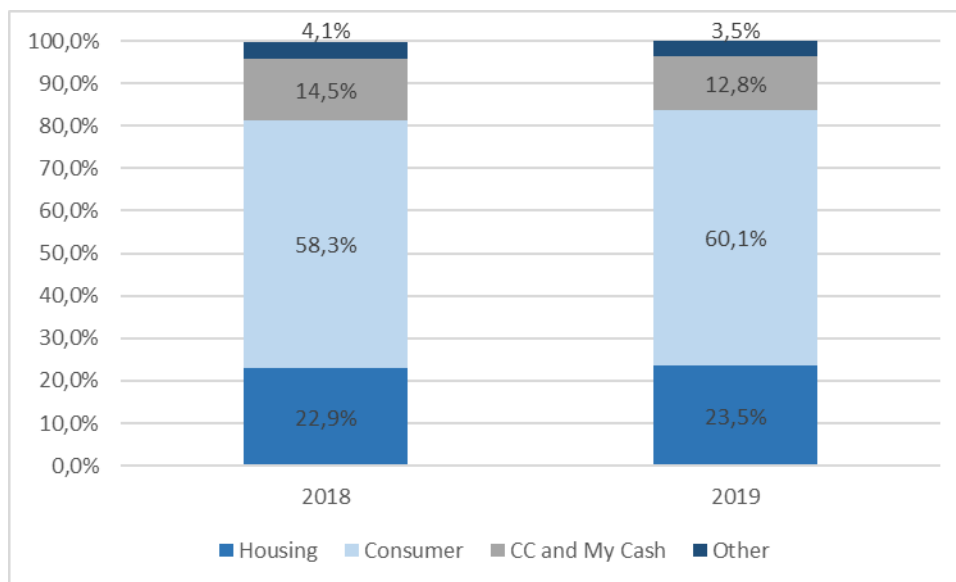


### ***Retail lending***

Retail lending targets extensively the loyal client base of well-proven clients with good credit history facilitating different economic profiles of customers with different needs. Expansion of the product portfolio meant added value offers, creation of more bancassurance bundled offers and customer incentive programs.

The Bank followed the prudent risk policies with controlled risk approach, aiming to have a stable and profitable lending portfolio by keeping the competitive pricing and at the same time optimizing the costs.

### Retail loans by type



The **Housing loan** portfolio noted an increase of 7.6% compared to 2018 and continues to support the clients looking to invest in real estate, facilitating their investment, no matter whether the real estate is in construction or completed. The market activity contributed new construction projects in progress, especially in Skopje, providing room for development and growth.

**Consumer loans** being the main pillar of the Bank's lending portfolio during 2019 grew by 8.0% compared to 2018, covering most diverse client needs and customer profiles, extending from low to high ticket loans, at the same providing client incentive and preferential offers with added value for the loyal customers.

Within the **credit cards** portfolio, SB managed to maintain dominant market position during 2019, as the Bank was continuously active with credit card activation and utilization programs of the portfolio from one side, and customer retention from other side. Total number of SB credit and debit cards in circulation reaches 470 000, evidencing growth of card transactional volumes, compared with the previous year:

- 17% annual growth in volume of POS transactions
- 4% annual growth in volume of ATM transactions

Stopanska Banka ATM Network continues to be one of the largest ATM network with competitive set of additional (non-cash) ATM functionalities, such as: mobile Top-ups, cashless transfers, Utility Payments, PIN change and card activation. New ATMs with contactless and touch feature were introduced at the end of 2019 with the plan for further modernization of the network.

### ***Bancassurance***

The introduction of SB Bancassurance in 2019 had important contribution in enriching the insurance market offering, increasing population awareness of the insurance products and their useful bundling with banking products. In this respect, SB Bancassurance continued to add additional value on the market, aiming to increase the insurance market reach to clients that, so far, had little or no awareness for using various insurance products.

Leveraging big experience in Retail, Stopanska provided comprehensive bundled offering of retail banking products, combined with insurance products, creating unique value on the market that was recognized from the bank's clients. In addition, it created perception and awareness of a financial center for all financial products and services on the market.

In 2019, sales of insurance products (life or non-life) bundled with SB installment loans represented 87% of the new sales volume, over 63.000 insurance contracts with gross written premium of over EUR 1,2M.

### ***Contact Center and iBank services***

The **24/7 contact centre** of Stopanska Banka remains to be well recognized for its excellence in operations and clients satisfaction, providing non-stop customer care and annually expanding its scope with new services. Through 2019, the Contact Centre processed more than 490.000 client's interactions, while being effectively utilized for cross sale of SB retail banking products.

The **digital and direct banking platforms** available under the i-bank brand of Stopanska banka continue to grow as part of overall digitalization of the banking services. The Bank concluded the year with introduction of software token for online transactions via all platforms (m-banking, e-banking and phone banking), 24/7 functionality for peer-to per transactions, digital banking update of customer data and possibility to set limits for volume of digital banking transactions.

During 2019, Stopanska Banka active digital banking users were increased by 10%, evidencing growth in all services except phone banking. Same as in 2018, m-banking transactions continued to grow with the highest pace, evidencing 43% annual growth rate, showing clear customer orientation towards mobile banking.

- SB legal entities evidence 11.9% annual growth of digital banking transactions, which represents 58% of total transactions by the legal entities;
- SB individual clients evidenced 11.7% annual growth of digital banking transactions.

## ***SBB Segment***

The Small Banking Business segment has become an important driving force and its growth of 13% is based on the Banks' penetration on the market and overall improved positioning. The Bank supports small businesses not only with customized financial products and services but also with high quality relationship management. Close and valuable interactions with clients have become one of the key driving forces for maintaining growth as well as preserve high quality structure of the portfolio in SBB segment.

Integrated approach towards this segment, in the areas different than pure lending activities i.e. boosting deposit and lending balances, encouraging payment operations transactions, processing salaries, POS acquiring etc., has multiple benefits for the segment itself as well as continuous contribution to the retail business.

## **Corporate Banking**

*In continuation of the established trend in the previous years, 2019 was another successful year. The Bank continues to be a stable and trustworthy partner of the companies and the population. In this frame, the corporate banking function remains dedicated to the efforts for full support of the business growth of the companies and the economy as a whole and focused on understanding and fulfilling the needs of the clients, supporting the perspective corporate projects and business deals.*

Through monitoring of the economic trends and the best international standards, as well as through comprehensive understanding of the companies' requests, the Bank successfully maintained the level of the corporate portfolio within 2019. Furthermore, the Bank successfully achieved its goal for maintaining and further improving the corporate portfolio's quality, through dedicated and consistent implementation of its prudent credit policies.

The Bank remains committed to the permanent improvement of the offering of modern banking solutions, including factoring, through which on top of the financing of assigned receivables, the Bank offers the possibility for debtors' credit risk assessment, collection of claims, as well as advanced solutions for administration and management of receivables.

The Bank's brand, its reputation and established trust, are constant drivers in the management of the corporate clients' portfolio. The high quality service, as well as maintaining the customer satisfaction, loyalty and trust at the highest level, remain the corporate function's top priorities, thus creating a solid basis for keeping the trend of providing long-term value for the clients and shareholders.

## **Risk Management**

*As one of the country's largest financial institutions, offering banking services, Stopanska Banka AD Skopje is exposed to a variety of risks. The Risk Management function of the Bank manages these risks through a comprehensive risk management framework that integrates risk management into daily business activities and strategic planning. The main objective of the Risk Management function of the Bank is to protect the interest of its customers and shareholders through a comprehensive risk management framework supported by strong risk culture, as well as abundant liquidity and a strong capital base.*

Without taking risks, profitable banking activities are impossible, which is why the Bank accepts a certain degree of risk as defined in the Bank's Risk Appetite Framework (RAF). Every day, on more levels of the Bank, informed risk decisions are taken while engaging with (new) customers, granting credit and providing other services. The Bank designs risk and control processes in order to efficiently manage the material risks.

The Bank's internal risk governance was enhanced throughout 2019, with the objective to ensure transparent and consistent lines of responsibility across the different Bank levels. Clarity of roles is ensured through three lines of responsibility. First and foremost, the business (including support functions) has ownership of the risks, which it manages and takes responsibility for (first line). The Bank's risk management framework is provided by the Risk Management and Compliance function (second line). Both functions challenge risk taking and monitor the risk profile. Internal Audit (third line) provides independent assurance, advice, and insights on the quality and effectiveness of internal control, risk management, compliance, and governance of the Bank.

The primary role of the independent Risk Management function of the Bank is to properly and timely identify, measure and manage risks in normal and stressed economic conditions, and to oversee whether the business activities are consistent with the Bank's strategy and risk appetite. In order to maintain an adequate risk profile, the Bank uses tools such as prudent risk criteria, risk assessments, rating and scoring models which are constantly reviewed, validated and enhanced towards the banking industry best practices. The Bank continuously performs various stress tests exercises that confirmed its liquidity and capital resilience to unfavorable market conditions of shock scenarios.

The Bank is dedicated to continuous improvement and enhancement of the risk management framework through evaluation and adaptation to the latest developments and/or regulatory requirements. In addition to the Recovery Plan introduced in 2018, during 2019 the Bank developed and introduced a comprehensive Risk Appetite Framework that constitutes of qualitative statements and quantitative indicators for each material Risk Type to which the Bank is exposed to. The risk indicators are monitored on continuous basis to ensure that the Bank remains within Risk Appetite levels and a detailed escalation process is followed to the



adequate management level in cases of an identified breach. In line with the regulatory standards and the NBRNM respective regulation, SB introduced the NPE and Forbearance policy in July 2019.

The Risk culture is an important integral component of risk management. Senior management is the starting point for setting the bank's core values and risk culture, communicated throughout all levels of the organization.

### ***Credit Risk Management***

Being one of the most relevant risks the Bank is exposed to, the credit risk is the risk of economic losses the bank suffers if a counterparty cannot fulfil its contractual or other financial obligations arising from a credit contract. Therefore, it is crucial for the Bank to rely on thorough knowledge and understanding of the customer's business, sector, management, goals, financials, opportunities and challenges in order to undertake an informed decision.

For that purpose, SB credit policies of prudent lending include a detailed risk assessment prior to any credit decision and common set of minimum standards for credit limit evaluation, approval, renewal and monitoring of credit exposures. The performed credit assessments are supported by risk rating systems and statistical scoring models that, based on various quantitative and qualitative data inputs, provide quantification of the credit risk levels. Finally, Authorized Credit Approval Committees with experienced and professional members are established for the approval and renewal of the credit facilities.

After credit relationship is established, SB applies an intensive monitoring process that allows early identification of any deterioration of the risk profile of a customer or group of customers. The monitoring process consists of regular credit reviews throughout the life cycle of the product facility, internal risk classification and Early Warning Systems, system for assessment of Significant Increase of Credit Risk (SICR) and Unlikeness To Pay (UTP), that all together aim to ensure timely undertaking of necessary actions in order to minimize the credit loss. The credit exposure is also continuously monitored against the established concentration limits based of sector, collateral type, geographical, obligor rating, etc. in line with Risk Appetite of the Bank.

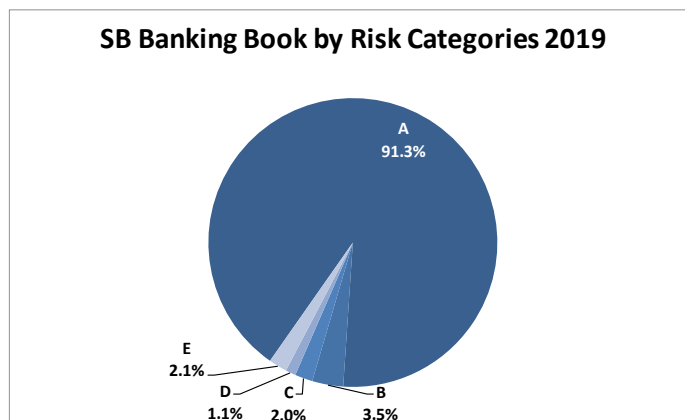
In line with the international best practices and following the enhanced impairment methodology and process, the Bank provides adequate level of provisions for potential credit losses at any time.

Throughout 2019, the Bank continued the current prudent credit policy and a balanced growth of the credit portfolio that suits its strategy and reputation. All its credit risk objectives, tools and a clear governance structure of the risk management process is incorporated in the Bank's

Credit Policies and the Risk Appetite Framework of the Bank, approved by the Supervisory Board of the Bank.

### *Quality of Credit Portfolio*

Within the implemented solid credit risk management framework, SB managed to maintain a sound and well-diversified credit portfolio. Growth of the credit portfolio, along with maintaining a low and controlled NPE ratio is one of the Bank's main strategic objectives, which the Bank managed to achieve in 2019.

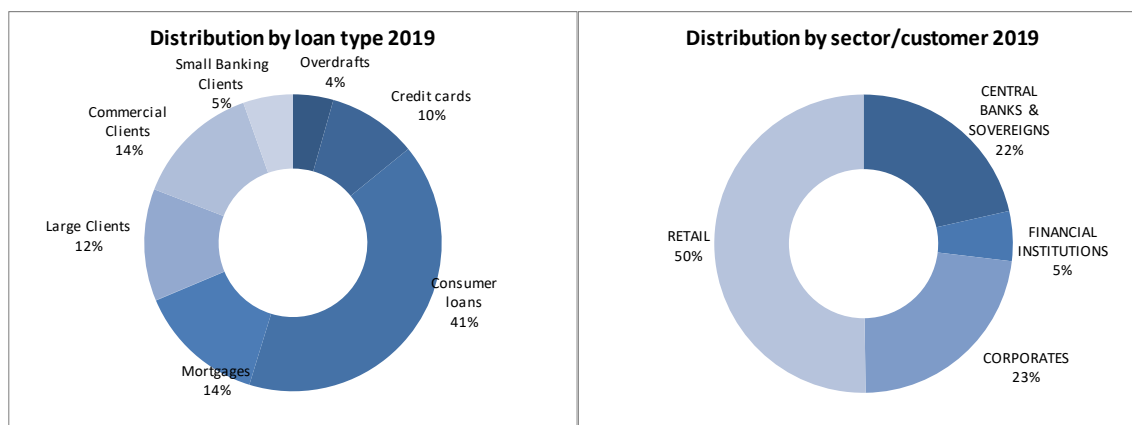


According to the NBRNM Methodology, each credit risk exposure is classified in one of the five risk categories (A, B, C, D and E). The exposure within the best credit risk category i.e. “A” credit risk category has increased from 90,2% in 2018 up to 91,3% in 2019, while high-risk debt classified in “D” and “E” categories are lower by 0.3 percentage points in comparison with 2018 and compose 3.2% of the Bank's loan portfolio.

### *Concentration Structure*

Credit concentration risk is a risk of loss due to insufficient diversification of risks within a portfolio caused by relatively large concentrations of exposures to positively and highly correlated counterparties. To avoid excessive credit risk concentrations, SB aims to diversify the credit risk and establishes limits towards single clients and groups of related clients (obligor concentration), exposure within certain industry sector (industry concentration), type of collateral, geographical area, etc. The set limits are reviewed at least on annual basis as part of the credit risk policies and procedures.

SB monitors the credit exposure against the set of concentration limits on regular basis, supporting the conclusions by adequate corrective actions.



### ***Liquidity Risk Management***

During 2019, SB maintained its relatively high level of liquid assets, ensuring smooth execution of all banking activities and at the same time meeting regulatory requirements. Depending on the term and currency of the available liquidity, the Bank uses instruments such as: deposits with the NBRNM, securities, interbank placements and for the first time this year invested in eurobonds, which in addition to satisfying the liquidity aspect contributed to the balancing of the open foreign exchange position.

The Bank's liquid assets primarily arise from the higher deposit base, which is the main source of financing of the banking activities and the credit growth. Above all, liquidity management includes providing funds in an amount and currency structure appropriate to the due liabilities.

### **Regulatory obligations**

In its daily liquidity risk management, the Bank monitors the fulfillment of reserve requirements, liquidity ratios, open foreign exchange position, internal liquidity rates as well as internal limits for acceptable risk level.

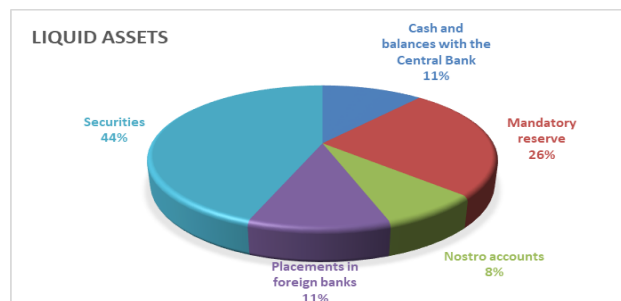
The average fulfillment of the MKD reserve requirement reached 100.1%. Within this obligation, the Bank regularly monitored and adjusted the amount of necessary funds for the reserve guarantee fund intended for insurance against possible liquidity difficulties in the settlement of small interbank payments. The foreign currency reserve requirement was maintained in accordance with the prescribed methodology and the required rates of allocation from foreign currency deposits, including the part for executing the foreign currency payment operations in euros through the account in NBRNM.

The liquidity ratios were maintained above the prescribed minimum thresholds (of 1.0), i.e. on 31.12.2019 they were 1.71 for the 30-day rate and 1.33 for the 180-day rate.

The open currency position was monitored on a daily basis, and its movement was within the permissible regulatory thresholds of +/-30% vs. the regulatory capital.

### Structure of liquid assets

In determining the structure of placements of liquid assets, the Bank takes into account: the available surplus from previous period, sources of funds, maturity and currency structure, interest rates, as well as the alternative possibilities for early withdrawal of funds in case of need.



For the purpose of assessing liquidity under normal as well as deteriorating conditions due to a variety of external influences, the Bank has prepared procedures that include early warning and escalation indicators of short- and long-term emergencies.

Within the framework of regular stress tests as well as in the scenarios and options of the Recovery Plan, Stopanska Banka AD - Skopje devotes special focus and attention to the management and maintenance of liquidity, while determining the adequate amounts of liquid assets and tolerance levels/thresholds for liquidity risk.

### F/X market

A special segment in the liquidity management organizational segment is the foreign exchange market, which includes foreign currency purchase and sale transactions for the needs of the clients as well as for the needs of the Bank, for liquidity and currency risk management. Stopanska Banka is one of the first market makers, with long-standing clients providing their needs through the branch network as well as through the electronic platform through which they directly communicate with the dealers on the foreign exchange market.

The realized turnover on the foreign exchange market in the course of 2019 amounted to EUR 941 million, most of which related to transactions between the Bank and its clients. From the aspect of the currency structure, most of the transactions were euro-denominated. The Bank was also active in the segment of interbank transactions with realized turnover in the amount of EUR 77 million.

### Brokerage and custodian services

During 2019, compared to the previous year, the Bank recorded reduction of the turnover of securities traded on the Macedonian Stock Exchange by 25%, as a result of the decrease of the

turnover on the Macedonian Stock Exchange by 26% in 2019. Thereby, the stock turnover decreased by 22%, analogous to the total drop in the stock exchange turnover. The number of purchase orders fell by 3%, while the number of sales orders fell by 33% due to the retention of the interest for buying at similar levels as last year, and the decrease in the interest for selling amid high dividend yields and the upward trend in stock prices in 2019. The realized earnings from customer orders decreased by 29%, as a result of the drop in the stock market turnover.

In the securities holding segment, the Bank provides custodial services to several foreign institutional investors, which maintain their portfolio at a relatively stable level over the past years. Revenue from custodial services dropped by 14% compared to last year due to the fact that foreign institutional investors mostly sold shares of their portfolios in relation to the purchase of new securities in 2019.

### ***Interest Rate Risk Management***

The Bank has established a Methodology for determining the interest rates, according which there are fixed and variable interest rates in use. The variable interest rates, depending on the currency, are associated with a reference - independent market interest rate, which provides greater transparency as well as variability of interest rates in line with market movements. For the purposes of compliance and management of the interest rate gap, the Bank conducts regular tests of interest rate risk exposure and, in accordance with the results, establishes its long-term policy in terms of selecting fixed or variable interest rate products.

SB process of interest rate risk management reflects the Bank's risk strategy and appetite, business activities, overall operating environment and market conditions, taking into account the possible changes in interest rates and their impact on the profit and the economic value of the Bank's share capital. The interest rate risk is assessed by monitoring the exposures arising from the banking book, taking into account the fact that there is no trading portfolio sensitive to interest rates in SB balance sheet.

The Bank has established an interest rate risk management framework in order to minimize the effects of negative changes in interest rates movements and to ensure timely identification, measurement, monitoring and mitigation of interest rate risk exposures. The framework covers risk factors and their assessment, measurement methodologies, stress testing methodology, interest rate risk in the banking book (IRRBB) metrics and limits in order to ensure that this risk is appropriately measured, monitored and controlled.

SB continually manages the interest rate risk exposures in the banking book (IRRBB) by establishing an appropriate structure of interest rate sensitive positions, so that those assets and liabilities sensitive to interest rate changes are strongly correlated which results in a negligible

gap between the revaluation and the maturity, and thus in low level of exposure to interest rate risk.

### ***Foreign Exchange Risk Management***

As part of its day-to-day liquidity management, the Bank also takes care of currency risk management, i.e. open foreign exchange position. The primary objective of managing the Bank's currency exposure structure is to reduce the impact of exchange rate fluctuations.

The Bank's core mechanism to manage foreign exchange risk is the application of Bank's Risk Strategy and Currency risk management framework, in order to be ensured that the currency risk exposure is within the approved risk limits and in line with the Bank's risk appetite.

The system for identification, measuring, monitoring and controlling the currency risk or f/x risk encompasses all activities and transactions of the Bank that include on-balance and off-balance positions, registered in foreign currencies and in MKD indexed with f/x clause. SB balance sheet structure consists of assets and liabilities in different currencies, but dominantly in MKD and EUR currency.

SB manages the currency risk by use of hedging instruments and monitoring the open foreign exchange position on a real-time basis, ensuring compliance with the regulatory and internal limits of exposure in main currencies separately, as well as on aggregate level and thus, SB calculates the open foreign exchange position for every foreign currency present in its balance sheet.

In 2019, the currency risk management process was implemented within the established limits and frameworks.

### ***Operational Risk Management***

With the aim to consistently manage and prevent operational risks that result from inadequate or failed systems, internal processes, human errors or external events, SB has incorporated a comprehensive Operational risk management framework (ORMF).

The SB has a firm-wide and high quality ORMF in order to:

- Promote a Bank wide operational risk awareness and risk culture further contributing to process efficiency and control effectiveness
- Establish a set of fundamental standards for operational risk management across the Bank leading to the avoidance of unexpected and catastrophic losses and minimization of expected losses
- Ensure that business objectives are pursued in a risk-controlled manner

- Ensure the cost-effectiveness of operations by reducing extensive overlaps and avoiding excessive or obsolete controls
- Ensure consistency with relevant best practices and compliance with regulatory (quantitative and qualitative) requirements
- Improve regulatory capital consumption, regarding operational risk

The SB Operational Risk Management governance model is based on the “three lines of defense model”, which has been designed to effectively manage operational risk (OR). Operational Risk Management process (ORM process) is strongly embedded in daily business processes of the Bank.

Throughout 2019, additional improvements were carried out through different initiatives such as data quality enrichment, incorporation of Risk Appetite metrics and improvements in the process of determining, identifying and evaluating critical controls together with a greater integration of operational risk within the Bank’s strategic planning. In addition, considerable effort was put in raising the OR culture and awareness on OR issues within the Bank.

The effective operational risk management (ORM) in SB is facilitated through utilization of the NBG Group software solution for operational risk management (IBM Open Pages GRC platform), that enables efficient management of the operational risk (OR), comprehensive overview of the Bank's OR exposure, high quality monitoring and recording process of the realized losses, efficient monitoring of the Key Risk Indicators and effective action plan initiation and follow-up. The SB’s ORMF provides a structured approach for managing operational risk. It applies consistent standards and techniques for evaluating operational risks.

The main fundamental components of Stopanska Banka ORMF are: Key Risk Indicators (KRIs) values, Risk and Controls Self-assessment (RCSA) process, Loss data collection (LDC) process and Action Plans (AP). During 2019, all of the main ORMF fundamental components were fully implemented in accordance with the internal acts and in full compliance with regulatory standards. Consequently, ORM process was accomplished with high expertise, avoiding the negative effects on the financial results and capital position and ensured that the ORMF is effective, appropriate and implemented with integrity.

### ***Capital Adequacy, Internal Capital Adequacy Assessment Process and Stress Test***

Maintaining a strong capital base as a precondition for business growth and absorbing all possible risks is a priority and main focus of the Bank. The total regulatory capital of the Bank as at 31.12.2019 amounted to EUR 209 million, out of which the Tier 1 capital amounted to EUR 207.5 million and the Tier 2 capital amounted to EUR 1.5 million, which resulted in a capital adequacy ratio of 16.3% as of 31.12.2019.

As a part of the prudently established risk management framework, the Bank regularly performs the Internal Capital Adequacy Assessment Process (ICAAP) and assesses the resilience of its capital adequacy by conducting stress testing, by taking into account the up-dated circumstances and risks prevailing and the moment of stress-testing and forecasting the expected ones. The Bank's ICAAP ascertains that SB's capital is sufficient to cover all the material risks to which it is exposed to, and that the identified excess of capital is more than sufficient to cover all other risks that cannot be adequately quantified but to which the Bank is exposed to in the regular business activities. As prescribed, the stress test exercises are also an integral part of the risk management framework, especially needed to provide estimates and trigger attention of the size of financial losses and its impact on the overall business, including the capital adequacy. During 2019, the Bank conducted various stress test scenarios to test itself on the sensitivity to a predetermined set of extreme but plausible shocks. The stress tests included effects from various scenarios concerning the credit risk, interest rate risk in the banking book, liquidity risk, currency risk and operational risk, as well as scenarios that involved combination of all risks.

The stress test results proved the Bank can cope and is resilient even under very pessimistic assumptions. Such resilience mainly reflects the prudent risk management, well-established business model, strategy, systems and procedures that enables self-generating strong capital base and high liquidity position, as a strong shield against all possible risks and shocks.

## **Compliance, Anti-Money Laundering and Combat Terrorist Financing activities**

During 2019, Compliance Division (CD) undertook vast number of activities for monitoring of the implementation of all relevant novelties in the domestic and international regulations related to banking operations by continuous implementation of efficient system for controlling SB activities that comply with the applicable domestic and international regulations. Such activities included:

- establishing efficient internal procedures and organizational structures for identifying, monitoring and managing the possible risks related to SB's compliance with current regulations;
- continuous training of Bank employees;
- regular, at least monthly and semi-annually, reporting to the Board of Directors and Supervisory Board;
- continuous cooperation with the relevant external institutions in accordance with the Banking Law;
- regular reporting to the US IRS in accordance with the FATCA law etc.,



thus ensuring good reputation and credibility of SB before its shareholders, clients, investors, regulatory and supervisory authorities and other relevant stakeholders as well as developing Compliance Culture among all SB employees.

Considering Anti-Money Laundering (AML) and Combat Terrorist Financing (CTF) Activities, during 2019, CD realized series of activities for implementation of measures and activities prescribed in the AML and CTF Law (Law), as well as for improvement and further upgrade of internal systems and processes used by the CD on a daily basis. Moreover, in 2019 the number of staff employed in CD was maintained accordingly in accordance with the requirements from the Law.

Compliance Division continues to carry out its regular activities in order to sustain and bolster overall Compliance Culture within SB as well as to achieve overall compliance of Bank's operations with the relevant regulations as its main objective.

## **Personal Data Protection**

Privacy and the confidentiality of its clients is of utmost importance for Stopanska Banka, having in mind the nature of the banking business and the data that the banks are collecting for their daily operations. The Bank has two Officers for Personal Data Protection and the whole team comprising legal and IT experts that are helping them the said personal data to be:

- collected in an ethical and lawful manner,
- collected for specific, explicit and legal purposes, and

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- collected in an ethical and lawful manner,
- collected for specific, explicit and legal purposes, and
- kept securely and only for the time period provided for the fulfillment of the purposes of collection and processing.

Accordingly, the Bank has introduced procedures and implemented systems which enable the controlled flow of information. In addition, the Bank has adopted a new Personal Data Protection Policy that is aligned with the EU GDPR.

- SB employees fully understand that they shall observe secrecy and protect confidentiality of all data or information related to the Bank and its customers against intentional or unintentional disclosure to unauthorized individuals even following the termination of their access to such information and/or the termination

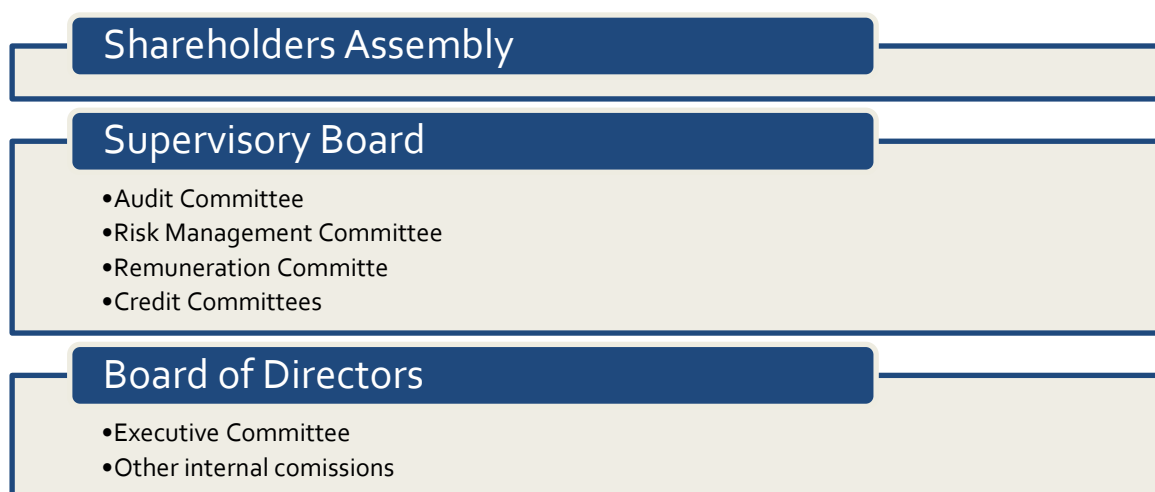
of their employment contract with the Bank kept securely and only for the time period provided for the fulfillment of the purposes of collection and processing.

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## CORPORATE GOVERNANCE REPORT 2019

Stopanska Banka AD – Skopje is one of the largest, most profitable and sound systemic banks in the country with highly sophisticated and effective system of corporate governance established by following the best practices, NBG Group standards, the relevant regulation and the strategic needs of the Bank and its stakeholders. Responsible corporate governance is the highest priority for the Bank that supports the full implementation of its business plan with operational excellence and integrity.



The following Report is presented to the shareholders of SB and the public in accordance with the Decision on good corporate governance rules for banks (Official Gazette of RM n. 24/2018 and Official Gazette of NRM 113/19).

### 1. SB Bodies

#### 1.1. SUPERVISORY BOARD

The Supervisory Board of Stopanska Banka AD – Skopje consists of 7 members, out of which 2 are independent ones, with the term of office determined to four years, appointed by the Shareholders Assembly. The composition of the Supervisory Board in 2019 is as follows:

1. Marinis Stratopoulos, **Chairman of the Supervisory Board of SB**, General Manager of International Activities, National Bank of Greece S.A. Athens;

2. Dimitrios Christopoulos, **Deputy Chairman of the Supervisory Board of SB**, Advisor in International Activities, National Bank of Greece S.A. Athens;<sup>1</sup>
3. Anastasios Lizos, **member of the Supervisory Board of SB**, Head of Sector of International Activities, National Bank of Greece S.A. Athens;
4. Ioannis Kagioulis, **member of the Supervisory Board of SB**, Head of International Corporate Credit Division, National Bank of Greece S.A. Athens;
5. Dimitra Gkountoufa, **member of the Supervisory Board of SB**, Director in CEO Office, National Bank of Greece S.A. Athens;
6. Vladimir Filipovski, **independent member of the Supervisory Board of SB**, Professor, Faculty of Economics at University “St. Cyril and Methodius” Skopje; and
7. Sasho Kjosev, **independent member of the Supervisory Board of SB**, Professor, Faculty of Economics at University “St. Cyril and Methodius” Skopje.<sup>2</sup>

The latest self-assessment of the Supervisory Board confirms that the current composition of the Supervisory Board is such that its members have the collective and individual knowledge, skills and specialized experience as well as the integrity and reputation appropriate for a systemic bank as SB. In addition, all members of the Supervisory Board allocate appropriate time and focus on their supervisory and strategic responsibilities.

All **criteria for independence are followed** and **no conflict of interest** was reported by any member of the Supervisory Board during the reporting period.

**The responsibilities** of the Supervisory Board are determined in article 89 of the Law on Banks and the same are incorporated in the SB Statute, as follows:

1. adopts the SB business policy and development plan and follows its implementation;
2. appoints and dismisses members of the SB Board of Directors;
3. appoints and dismisses members of the SB Risk Management Committee;
4. appoints and dismisses members of the Audit Committee;
5. adopts SB financial plan/ Budget;

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<sup>1</sup>On 30.01.2020 Mr. D. Christopoulos submitted his resignation as member of the Supervisory Board of Stopanska Banka. On his position the Shareholders Assembly on its meeting held on 04.03.2020 appointed Mr. C. Christodoulou, Chief Financial Officer and member of the Executive Committee of NBG Group.

<sup>2</sup>Besides his participation in the Supervisory Board and Remuneration Committee of Stopanska Banka, Prof. Kjosev is founder, President and Chairman of the Board of Directors of the NGO Balkan Economic Forum (on voluntary basis).

6. organizes the Internal Audit Division, appoints and dismisses Internal Audit Division Manager and follows hers/his operations;
7. approves the annual plan of the Internal Audit Division;
8. adopts the information security policy;
9. adopts SB risk management policies;
10. adopts conflict of interest policy that identifies the potential conflict of interest and the measures and activities for its avoidance;
11. in accordance with the business plan, development plan, the financial plan / Budget and the policy for avoiding conflict of interest, adopts the remuneration policy;
12. adopts and implements the policy for selection, monitoring the operation and dismissal of members of Supervisory Board, Risk Management Committee, Audit Committee and Board of Directors;
13. reviews the reports on the activities of SB Board of Directors;
14. reviews the reports of SB Risk Management Committee;
15. reviews the reports of the Audit Committee;
16. reviews the reports of the Internal Audit Division;
17. reviews the reports of the Compliance Officer/Division;
18. approves the annual financial statement and the financial statements of SB,;
19. approves the exposure to individual entity exceeding 10% of SB own funds or EUR 10,000,001, with the exception of exposure based upon purchasing securities issued by the National Bank of the Republic of North Macedonia and Republic of North Macedonia;
20. approves the transactions with persons related to SB exceeding MKD 6,000,000;
21. approves the acquiring equity holdings and purchase of securities higher than 5% of SB own funds, other than purchase of securities issued by the National Bank of the Republic of North Macedonia and of Republic of North Macedonia;
22. approves the proposal of the Audit Committee for appointment of the external audit company, or the proposal for termination of the agreement with the external audit company and is responsible for ensuring that an appropriate audit is conducted;
23. adopts the Internal Audit Policy/Charter;
24. reviews the supervisory reports, other reports submitted by the National Bank, the Public Revenue Office and other competent bodies and proposes, i.e. undertakes measures and activities for addressing the identified non-compliances and weaknesses in SB operations;
25. approves the annual report on the SB operations and submits written opinion thereon to the SB Shareholders Assembly;
26. reviews the report of the external audit company and submits written opinion thereon to the Shareholders Assembly;
27. adopts SB Code of ethics;
28. adopts the Code of Corporate Governance; and

29. decides upon partial or full write off of credit exposure based on study for performed write off prepared by the competent Bank division
30. review the report on transactions with the entities related to the bank, as well as on the amount of approved loans and other forms of exposure to the persons with special rights and responsibilities in the bank, at least once quarterly; and
31. performs other duties in compliance with the applicable legislation and National Bank relevant decisions.

*\*\*\*More details are presented in the Annual Report on the Operations of Supervisory Board in 2019, submitted to the SB Shareholders Assembly.*

## **1.2. The Supervisory Board' Committees in the year under review**

The Supervisory Board has established committees with the aim to improve the efficiency of its work by dealing with complex matters in smaller groups and preparing them for the full Supervisory Board. Additionally, the Supervisory Board has delegated individual decision-making powers to the Committees, to the extent that this is legally permissible according to the relevant legislation and the internal regulations of the Bank.

There are no significant changes in the Supervisory Board's committees structure, i.e. the Supervisory Board of SB had three committees in the reporting period: Audit Committee, Risk Management Committee and Remuneration Committee.

### **A) AUDIT COMMITTEE**

The Audit Committee of Stopanska Banka AD – Skopje consists of five members, appointed by the Supervisory Board, with two years term of office. Majority of the members (3) are members of the Supervisory Board, while the remaining two members are independent out of which one member is authorized auditor. The composition of the Audit Committee in 2019 was as follows:

1. Antonio Veljanov, Chairman of the Audit Committee (independent member and chartered auditor);<sup>3</sup>
2. Anastasios Lizos, Deputy Chairman of the Audit Committee (representative of the Supervisory Board);
3. Dimitra Gkountoufa, member (representative of the Supervisory Board);
4. Dimitrios Christopoulos, member (representative of the Supervisory Board); and

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<sup>3</sup>Mr. Antonio Veljanov is also member of the Institute of Chartered Auditors of Republic of N. Macedonia, on voluntary basis.

5. Jadranka Mrshikj, member (independent member).<sup>4</sup>

The Audit Committee responsibilities are defined strictly in the Law on Banks, which are transposed in the SB Statute. In brief, the Audit Committee is responsible to oversee the integrity of the accounting and financial reporting, to oversee the internal control systems and other similar activities that provide support to the Supervisory Board in its control function. More precisely, *among other items*, during 2019 the Audit Committee:

- reviewed the (quarterly) reports of the Internal Audit Division and its other reporting and planning documents, including the Internal Audit Division Charter,
- reviewed the (monthly) reports of the Risk Management Committee,
- reviewed the (quarterly) review of the financial statements for consolidation purposes,
- approved the decision for determining proposal for election of external audit company, and
- reviewed the Compliance Reports and plans before submitting to Supervisory Board.

In conclusion, the Audit Committee followed its Annual Plan for operations and executed its duties in full compliance with the relevant legislation and corporate governance standards.

## **B) RISK MANAGEMENT COMMITTEE**

The Risk Management Committee of Stopanska Banka AD – Skopje is consisted of 8 members, appointed and/or dismissed by the Supervisory Board. The term of office of the Risk Management Committee members is two years. As at 31 December 2019, the members of the Risk Management Committee are as follows:

1. Diomidis Nikolettopoulos – Chief Executive Officer and Chairman of the Board of Directors, Chairman;
2. Toni Stojanovski - Chief Risk Officer and member of the Board of Directors, member;
3. \_\_\_\_\_ - Chief Corporate Officer and member of the Board of Directors, member;
4. Milica Chaparovska-Jovanovska – Chief Retail Officer and member of the Board of Directors, member;
5. Mirjana Trajanovska – Senior Manager for Treasury and Finance, member;<sup>5</sup>
6. Vlado Treneski –Senior Manager of Corporate Banking Division, member;<sup>6</sup>

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<sup>4</sup> Ms. Jadranka Mrshikj is also member of the Board of Directors of the European Movement in RM, on voluntary non-remunerative basis.

<sup>5</sup>Ms. M. Trajanovska is also Chairman of the Supervisory Board of the Clearing House KIBS AD Skopje.

<sup>6</sup>Mr. V. Treneski is also independent non-executive member of the Board of Directors of Euroins AD Skopje.

7. Mirko Avramovski - Manager of Collection Division, member;
8. Vesna Nencheva - Manager of Risk Management and Corporate Credit Division, member.

Members of the Risk Management Committee, in addition to the requirements stipulated with the Banking Law, have minimum three-year experience in the area of finance or banking. The responsibilities of RMC are as follows:

1. permanently monitors and assesses the risk level of SB, and identifies the acceptable level of exposure to risks in order to minimize the losses as a result of the SB risk exposure;
2. establishes risk management policies and monitors their implementation;
3. follows the regulations of the National Bank pertaining to the risk management and SB compliance with such regulations;
4. assesses SB risk management systems;
5. determines short and long-term strategies for managing certain types of risks SB is exposed to;
6. analyses the reports on SB risk exposure developed by SB risk assessment units and proposes risk hedging strategies, measures and instruments;
7. monitors the efficiency of the internal control systems in the risk management;
8. analyses the risk management effects on SB performances;
9. analyses the effects of the proposed risk management strategies, as well as the proposed risk hedging strategies, measures and instruments;
10. assesses whether the pricing of the bank's products and services is aligned with the level of undertaken risks and in accordance with the business policy and the development plan of the bank;
11. informs, at least once per quarter, the SB Supervisory Board, on the changes in SB risk positions, the changes in the risk management strategies, the risk management effects on SB performances as well as the undertaken measures and instruments for hedging risks and the effects thereof; and
12. approves any exposure to an entity exceeding 10% and up to 20% of SB's own funds.

### **C) REMUNERATION COMMITTEE**

Since November 2013, the Remuneration Committee is assisting the Supervisory Board in implementation of the Remuneration Policy of SB.

In accordance with the Remuneration Policy of SB, the committee is composed of three Supervisory Board members, majority of whom should be the independent ones, including its



Chairman, appointed by the Supervisory Board. Thus, during 2019, members of the Remuneration Committee are as follows:

1. Vladimir Filipovski, independent member of the Supervisory Board, Chairman;
2. Sasho Kjosev, independent member of the Supervisory Board, member; and
3. Anastasios Lizos, member of the Supervisory Board, member.

The term of office of the members of the Remuneration Committee is one year, with an unlimited right for re-appointment of the members as long as they are members of the Supervisory Board. The Remuneration Committee's responsibilities are regulated in the Remuneration Policy of Stopanska Banka and the Rules of Operations of the Remuneration Committee, following the relevant provisions of the Central Bank's Decision on good corporate governance rules in banks. In brief, RC assists the Supervisory Board in setting and following the remuneration policy and practices of the Bank.

During 2019, the Remuneration Committee held **two regular meetings**, as required by the local legislation and in accordance with its Rules of Operations and Remuneration Policy and on two occasions passed decisions with written statement. Following its Annual Operational Plan, the following main items were passed:

- Regularly followed the fulfilment of the Plan for implementation of the Remuneration Policy until its final completion. The Remedial Plan is responding to the Central Bank's audit recommendations concerning the remuneration policies of the Bank;
- Review and approval of the Remuneration Report for 2018, including the self-evaluation of the Remuneration Committee members;
- Regularly reviewed the staff cost and employer turnover trends of the Bank, ensuring that the management keep the staff cost and headcount within the Budget framework;
- Verified the proposal for variable remuneration rewarded to SB management and the employees for achieving excellent results;
- Reviewed and discussed the regular annual Internal Audit Report on implementation of the Remuneration Policy; and
- Reviewed its Rules of Procedure and the Remuneration Policy.

### **1.3. BOARD OF DIRECTORS**

The Board of Directors of Stopanska Banka AD – Skopje consists of four members, appointed and/or dismissed by the Supervisory Board, with term of office of four years. On 08<sup>th</sup> of January, 2019 Mr. T. Skordis submit his resignation of the position Chief Corporate Officer and member of the Board of Directors.

Thus, the composition of the Board of Directors during 2019 was:

1. Diomidis Nikolettopoulos, Chief Executive Officer and Chairman of Board of Directors;
2. Toni Stojanovski, Chief Risk Officer and member of the Board of Directors;<sup>7</sup>&
3. Milica Chaparovska-Jovanovska, Chief Retail Officer and member of the Board of Directors.

Members of the SB Board of Directors, in addition to the requirements stipulated with the Banking Law, have strong record at SB and in the banking sector on senior positions (~30years experience in the finance industry) and expert knowledge of the business and the banking regulation.

The Board of Directors responsibilities are as follows:

1. manages SB;
2. represents SB;
3. enforces the decisions of the Shareholders Assembly and the Supervisory Board of SB, i.e. makes sure that they are implemented;
4. takes initiatives and gives proposals for promoting SB operations;
5. appoints and dismisses the persons with special rights and responsibilities pursuant to the provisions under the Banking Law and this Statute;
6. prepares SB business policy and development plan;
7. prepares SB financial plan / Budget;
8. prepares SB information security policy;
9. prepares an annual report on the SB operations and submits it to the Supervisory Board;
10. prepares a Code of Ethic of the bank;
11. gives previous consent and submits proposals for partial or write off in full of claims to the Supervisory Board;
12. passes decision on sale of claims; and
13. performs other activities, in accordance with Law, this Statute and SB's enactments.

In order to assist the Board of Directors in executing the business plan of the Bank, SB have established Executive Committee that besides the Chief officers, it includes the Senior Manager for Treasury and Finance (Mirjana Trajanovska), the Senior Manager for Operations (Radmila Maksimovic), the Senior Manager for Corporate Banking (Vlado Treneski) and the Senior Manager for Sales and Branch Network (Tatjana Kalajdzieva), assisted by the Bank Secretary.

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<sup>7</sup>Mr. Stojanovski is member in the following organizations:

- Macedonian Stock Exchange, non-executive member of the Board of Directors;
- Banking Association, Deputy Chairman (on voluntary basis).

#### 1.4. CREDIT COMMITTEES

Other SB bodies, determined with the Statute, are Credit Committees with the following, structure, and authorities, as at December 31, 2019:

1. **Executive Corporate Credit Committee (ECCC)**: it consists of 5 members as follows:
  - Diomidis Nikolettopoulos, CEO and Chairman of the Board of Directors of SB, Chairman
  - Ioannis Kagioulis, NBG Group executive appointed by the NBG Group Chief Credit Officer, member
  - Toni Stojanovski, Chief Risk Officer of SB and member of the Board of Directors, member
  - Chief Corporate Officer of SB and member of the Board of Directors, member (vacant)
  - Elias Papadopoulos, Representative of NBG International Activities Sector, member.

The members are elected without limitation of the term of office.

The ECCC decides on credit exposure towards single subject - legal entity for financing in the amount from EUR 5.000.001 up to EUR 10.000.000. All financing that exceeds EUR 10.000.001 OR 10% of SB own funds shall be approved by SB Supervisory Board. ECCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

2. **Credit Committee (CC)**: it consists of 4 members as follows:
  - Diomidis Nikolettopoulos - CEO and Chairman of the Board of Directors of SB, Chairman
  - Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors, member
  - Chief Corporate Officer of SB and member of the Board of Directors, member (vacant)
  - Vladimir Treneski - Senior Manager of Corporate Banking of SB, member.

The members are elected without limitation of the term of office.

The CC, decides on credit exposure toward single subject - legal entity in the amount from EUR 2.000.001 up to EUR 5.000.000. CC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written

statement when needed with a quorum of all of its members and the decisions are passed unanimously.

3. **Commercial Clients Credit Committee (CCCC)**: it consists of 4 members as follows:

- Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors, Chairman
- Chief Corporate Officer of SB and member of the Board of Directors, member (vacant)
- Vladimir Treneski - Senior Manager of Corporate Banking , member
- Lidija Rumenovska Sazdova or Mihaela Atanasovska Stoicovska - Manager or Deputy Manager of Underwriting Division, member.

The members are elected without limitation of the term of office.

The CCCC decides on credit exposure toward single subject - legal entity up to EUR 2.000.000. CCCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

4. **Higher Small Banking Business Credit Committee (HSBBCC)**: it consists of 4 members, as follows:

- Toni Stojanovski - Chief Risk Officer of SB and member of the Board of Directors, Chairman
- Milica Chaparovska – Jovanovska - Chief Retail Officer of SB and member of the Board of Directors, member
- Dejan Krstevski - Manager of SBB Client Segment Business Department, member
- Vesna Nencheva or Emilija Stojanova - Ivanovska - Manager of Risk Management and Corporate Credit Division or Manager of Retail Credit Division, member

The members are elected without limitation of the term of office.

The HSBBCC decides on credit exposure toward single subject – legal entity from EUR 100.001 up to EUR 500.000 and toward single subject – individual from EUR 100.001. HSBBCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

5. **Small Banking Business Credit Committee (SBBCC)**: it consists of 4 members as follows:

- Milica Chaparovska - Jovanovska - Chief Retail Officer of SB and member of the Board of Directors, Chairman
- Dejan Krstevski - Manager of SBB Client Segment Business Department, member
- Barbara Brezovska - Ponjavich or Dragan Mihajlov -Manager or Deputy Manager of Product Management Division, member
- Vesna Nancheva or Emilija Stojanova - Ivanovska - Manager of Risk Management and Corporate Credit Division, or Manager of Retail Credit Division member.

The members are elected without limitation of the term of office.

The SBBCC decides on credit exposure toward single subject – legal entity in the amount up to EUR 100.000. SBBCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously.

Lower approval levels can be determined with decision of the Supervisory Board or by approval of the relevant credit policy.

6. **Retail Credit Committee (RCC)**:it consists of 5 members as follows:

- Milica Chaparovska - Jovanovska - Chief Retail Officer of SB and member of the Board of Directors, Chairman
- Barbara Brezovska – Ponjavich or Dragan Mihajlov -Manager or Deputy Manager of Product Management Division, member
- Emilija Stojanova - Ivanovska - Manager of Retail Credit Division of SB, member
- Tatjana Kalajdzieva - Senior Manager of Sales and Branch Network, member
- Violeta Zatenko - Manager of Retail Credit Department of SB, member.

The members are elected without limitation of the term of office.

The RCC decides on credit exposure toward single subject – individual in the amount up to EUR 100.000. RCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written

statement when needed with a quorum of all of its members and the decisions are passed unanimously;

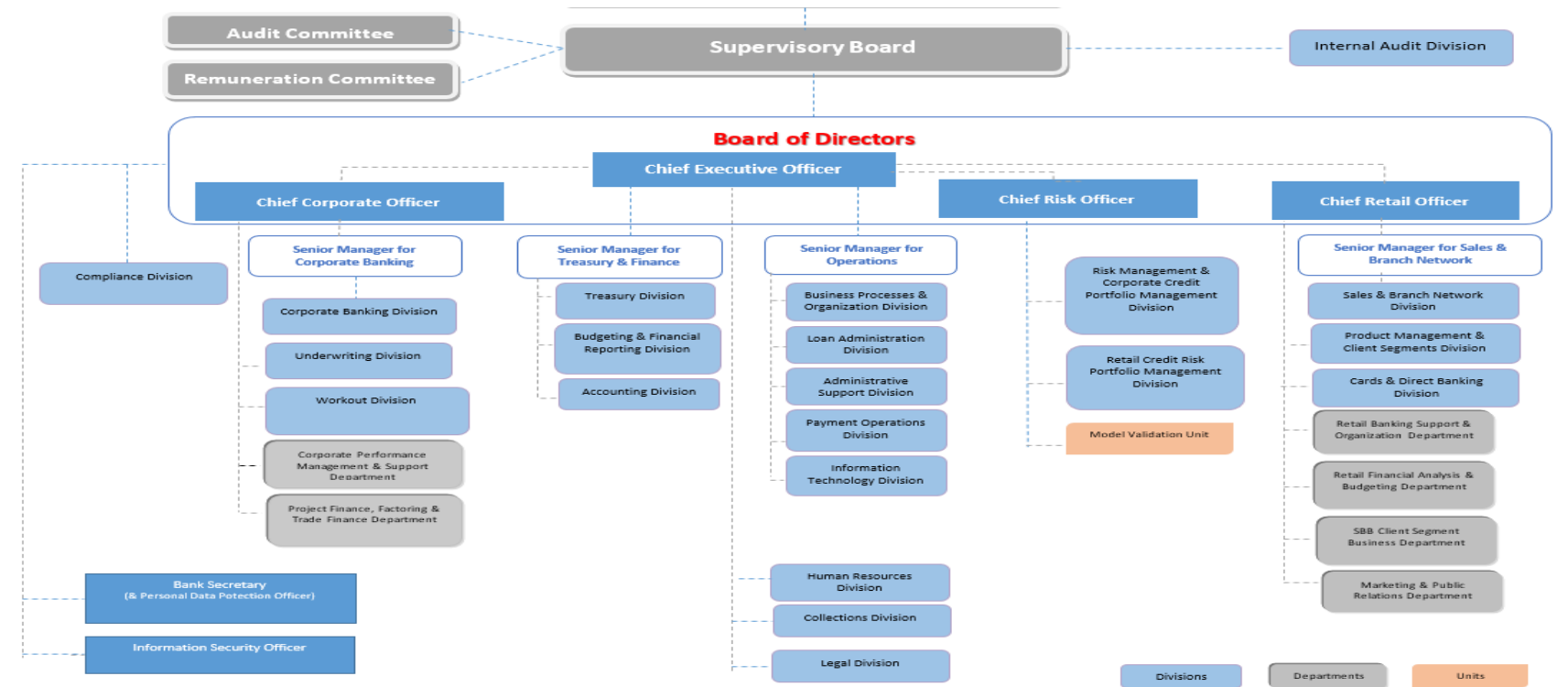
Lower approval levels can be determined with decision of the Supervisory Board or by approval of the relevant credit policy.

\*The Credit Committees operate in accordance with the relevant credit policy adopted by the Supervisory Board. Members of the Credit Committees are persons with special rights and responsibilities in SB, or other employees of SB, or other persons which are evaluated as sufficiently knowledgeable and experienced in the credit area in question.

## 2. Organizational Structure

The organizational structure of the Bank is following the best corporate governance standards and requirements and is tailored to optimize its business processes in order to be faster, cheaper and safer for all involved stakeholders. Although the organizational structure of the Bank is well-defined, still it is an ongoing process of development in order to find the best-fit for ourselves and our clients.

According to SB Statute, the organizational structure of the Bank is determined with a decision by the Supervisory Board, on proposal by the management. The Bank is organized in 20 divisions and 65 branches. The Bank has no subsidiaries.



### **3. Shareholder Structure**

During 2019 there are no significant changes in the shareholder structure: National Bank of Greece S.A. – Athens (NBG) owns 94.6% of the ordinary shares, while 5.4% of the shares are held by other minority shareholders. NBG are represented with 5 members in the Supervisory Board, while the other 2 members are independent.

As of 31 December 2019, the initial capital (basic capital) consisted of 17,460,180 ordinary shares at the nominal value of MKD 201.1 per share and 227,444 preferred shares at the nominal value of MKD 400.00 per share. The same are registered and lead by the Central Securities Depository of RM. The shares of the Bank quoted at the Official Market of the Macedonian Stock Exchange, sub segment Mandatory Listing, and the code under which they are quoted is: STB (common share) ISIN number MKSTBS101014 and STB (preferred share) ISIN number MKSTBS120014.

### **4. Dividend Disbursement & Dividend Policy**

After the acquisition of Stopanska Banka in year 2000, the primary objectives of the main shareholders were to restructure the Bank into stable, solid and reliable factor in the economy that will be pillar and counterparty of the clients. After long period of restructuring and cleaning the losses from the past, the Bank started creating profit, which was re-invested for growth in the years to come that secured its leading position today.

Stopanska Banka has issued two types of shares:

- Ordinary shares with right to vote: 17.460.180 with a nominal value of MKD 201.1;
- Priority shares without voting right: 227.444 with a nominal value MKD 400.

The right to dividend for the priority share is determined in the Decision on issuing shares of the Second issue AD No. 32/20.06.1991 and the Decision on issuing shares of the Fourth issue AD No. 102/30.05.1996. In accordance with these decisions adopted by the Shareholders Assembly the dividend on the priority shares is determined in the amount of the interest on retail MKD time deposits for a period of 1 (one) year, increased by the appropriate percentage point. In accordance with these decisions on issuance of the shares and the Law on Trade Companies, the priority shareholders has a right to guaranteed cumulative dividend, thus the Bank is in compliance with the same.

The Bank has stable and predictable dividend policy for the priority shares i.e. determinable fixed interest rate based on the defined market based interest rate that serve as a reference that provides to the shareholders information in advance for the dividend that they will receive.

Regarding the dividend policy related to the ordinary shares, the Bank is taking into account the capital and other regulatory requirements that should support the business needs and



growth aspects. After securing the mentioned priorities, whatever remains is subject to discretion of the shareholders based on a decision passed by the Shareholders Assembly.

## **5. Corporate Governance Code**

The Corporate Governance Code is prepared in accordance with the relevant regulatory requirements as well as the NBG standards that incorporate the best international practices. The Shareholders Assembly adopted the Code on the 20<sup>th</sup> meeting held on December 23, 2008 and since then it is regularly reviewed.

## **6. Conflict of Interest Policy**

The conflict resolution policy is determined in accordance with the Banking Law and SB Statute and stipulates that the persons with special rights and responsibilities shall give a written statement on the existence, if any, of a conflict of their personal interest with the interest of SB, every six months. The personal interest shall also include interests of the related parties connected thereto, as defined by the Banking Law. Conflict between the personal and the Bank's interest shall exist when financial, or any other type of business or family interests of the persons are concerned by the adoption of decisions, concluding agreements or performing other business activities. Financial, business and family interest shall imply generation of monetary or other type of benefit, directly or indirectly, by the persons. The persons shall not attend the discussion and adoption of decisions, conclude agreements, or perform other business activities if their objectivity is questionable due to the existence of a conflict between their personal interest and the interest of SB. Statement on existence of a conflict of interests shall also be given before the meeting for discussing and adopting decisions, concluding agreements, or performing other business activity. The written statement shall be submitted to SB Supervisory Board and Board of Directors, indicating the reason underlying the conflict between the personal and SB interest.

During 2019 no conflict of interest was reported by the members of the Supervisory Board, Board of Directors or by any other member of the bodies of SB.

## **7. Outsourced services**

Supervisory Board of Stopanska Banka adopts the Outsourcing Policy that is aligned with the NBG Group standards and the national legislation, including the relevant by-laws on the National Bank of Republic of N. Macedonia.

In accordance with the Outsourcing Policy, the Risk Management Committee reviewed the List of outsourced activities and determined the critical/important functions outsourced for

which special care is undertaken. More precisely, the following services are determined as critical/important functions:

- IT services (Hosting, maintenance and operational support of the core system T24, SAP, SWIFT, card management systems and other systems of SB, Software development in SAP and Software development in T24);
- Cash transport;
- Cards services (card processing center, e-commerce acquiring processor, personalization of cards, back-up access point, etc.);
- Early collection activities for retail claims; and
- Conduct of legal proceedings for collection of debts before the competent authorities.

## **8. Remuneration Disclosure for 2019**

On the 33<sup>rd</sup> Shareholders Assembly held on July 19, 2013, Stopanska Banka adopted the Remuneration Policy, which is aligned with the operational policy and business strategy of the Bank, its values, goals and long-term interests. The same incorporates measures to avoid or minimize conflicts of interest or any possible negative impact on the sound, prudent and good management of risks assumed by the Bank, discourages excessive risk-taking and contributes to safeguarding the capital position of the Bank.

Latest review and amendment of the Remuneration Policy is done by the Shareholders Assembly on 29.05.2019.

In accordance with the Law on Trade Companies and the Decision on good corporate governance rules in banks, below it is disclosed the remuneration in Stopanska Banka paid by groups.

### **I. Supervisory Board**

In accordance with the best practices, the Supervisory Board members are compensated only with fixed remuneration, approved by the Shareholders Assembly, in order to minimize any conflict of interest between the control and the management of the Bank.

#### *a) representatives of the shareholders*

In accordance with the decision by the NBG Board of Directors, no officers of NBG Group who participate in the Supervisory Board of SB as representatives of the shareholders receive any remuneration. The remuneration of the employees of NBG Group is considered as confidential and could not be disclosed in this Report.

*b) independent members*

The independent members are entitled on remuneration in amount of EUR 400 net on monthly basis for their participation in the Supervisory Board and amount of EUR 100 net (for the chairman) and EUR 50 net (for the members) per meeting for their participation in the Remuneration Committee.

On basis of salary and allowances as employed in the Faculty of Economics at University Cyril and Methodius – Skopje, prof. Filipovski receives MKD 1.976.197 gross (annually) while prof. Kjosev receives MKD 1.722.471 gross (annually).

## **II. Board of Directors**

In 2019, total gross amount of MKD 23.149.343 (salary of MKD 17.820.764 and rewards MKD 5.328.579) was paid to the members of the Board of Directors.

## **III. Officers with material impact on the risk profile and profitability of the Bank**

The employees included in the category “Officers with material impact on the risk profile and profitability of the Bank” are determined in the Remuneration Policy of SB. The category includes the management responsible for material business units, risk management and for the control functions in Stopanska Banka AD – Skopje. 23 employees are included in this category.

Total gross amount of MKD 53.624.503 (salary of MKD 47.433.316 and rewards MKD 6.191.187) was paid to the Officers with material impact on the risk profile.

## **IV. Other persons with special rights and responsibilities**

The employees included in the category “Other persons with special rights and responsibilities” are the division managers, deputy division managers and the managers for specific issues of Stopanska Banka AD – Skopje that are not covered in the prior category. 15 employees are included in this category.

Total gross amount of MKD 33.223.393 (salary of MKD 29.868.596 and rewards MKD 3.354.797) was paid to the other persons with special rights and responsibilities.

\*The total credit exposure to persons with special rights and responsibilities at end of 2019 amounts to MKD 87.345 thousands which represent 0.68% of the Bank's own funds (significantly below the regulatory limit of 3% of the Bank's own funds per person with special rights and responsibilities and the persons related to him/her).

## 9. Corporate Social Responsibility

Being driven by the significance that the Bank has had historically over the economic, social and cultural growth and development of the country, 2019 was again a year where Stopanska Banka supported the community, created added value together with the selected groups and remained at the forefront of CSR activities among large companies.

Stopanska banka AD – Skopje used the meaningful 75<sup>th</sup> anniversary year to capitalize on the corporate social responsibility roles in plays in the country by engaging the public into a race to gather kilometers ridden on bikes by community volunteers over a period of time (app.6 months) with the end goal of increasing awareness about hearth health which is improved with regular physical activities and at the same time donate a very significant medical equipment to the medical team at the National Children's' Cardiology Clinic.

The campaign **#VoziOdSrce** (Ride from the heart) united over 5000 participants, collected little over 1.000.000km on bike and ended with the donation of a state of the art Ultrasonography equipment. The campaign was active via a web-site and was promoted with traditional media, social media and influencers (people with merit in the biking community).

The remaining CSR activities during 2019 are listed below in more details:

- **Vozi pravo, vozi zdravo, Vol. 5** The fifth “Vozi pravo, vozi zdravo” event in Skopje was in the biggest form so far with over 8.000 participants and several thousand more guests at the finish line. The citizens of Skopje recognize the event, ask for it and propose manners for improvement. The magnitude of the event has extended over the hopes and ambitions of the initial event and the Bank together with the city of Skopje plans on continuing to build on this beautiful synergy of people, bikes, communities and companies. This year again, many companies joined the event with their own representation transforming the finish line area into a picnic area. The donation focuses on completion of the pump track area close to the City Park in Skopje;
- **We Dream, We Change – event for children with special needs.** This year, for the fourth edition of this special CSR event Stopanska banka extended the show to have 13 performances to provide a broader audience the chance to see the spectacle, learn about cohesion and inclusion and share that knowledge with the children. At the center of the project again we had the most popular kids music/theatre show 5+ incorporating within

each performance various children from the associations, thus including them as performers and presenting them in front of the public with a New Year theme. The project again is finalized with the donations that the Bank approved for selected associations for children with special needs, their projects and basic requirements for continuous operations and improving the services they are offering to the children;

- **Sponsorship of SB's employees for participation at the Annual Banking Sport games and the newly created STBSportCrew.** Each year's bankers from the Country gather for a week of sport tournaments. Stopanska Banka takes successful participation on these games for many years. This activity strengthens the team spirit among employees, the connection with the Bank and of course promotes across the employees the values of healthy life. The sponsorship covers for the transportation and accommodation costs, as well as for the training facilities of the teams during the year. This year, a team of 200 employees gathered to create a new STBSportCrew that participated in various numbers at the different sporting events: marathons, hikes, bike rides etc. This crew was supported with t-shirts, scarfs, participation fees and transportation.
- **Supporting the Microsoft Specialist Competition 2019.** Microsoft Specialist Competition is a qualification competition for the participants in the World competition for Microsoft. The national qualifications were held at the i-bank premises of the Bank for the fourth time. Again, all participants – finalists were awarded by the Bank with the transactional account with symbolic amount of 5.000 MKD and this year especially, the winner who was supported by the Bank to travel the final competition in New York, USA, in August 2019 returned with a silver medal which provided for bigger media attention to the event and the benefits it represents for the youth.
- **TOPSI Bus** –During the most polluted period of the year, the Bank by promoting its TOPSI brand, promoted the usage of public transport in a playful manner. By branding bus stations and several buses in Skopje, interaction with clients on the social media, the Bank provided over 200 bus tickets for its clients, advising them to use the public transport during the polluted period, thus, participating in the protection of the environment. This campaign has the aim of normalizing public transport as a modern way of transport which is a problem for Skopje where people are used to driving cars and the traffic is worse each year, as is the pollution. As the Bank promotes biking throughout the years, this public transport campaign is in line with the values the Bank stands for, especially for the young generations.
- **Donation of medical equipment to the main city hospital in Skopje** – As part of the annual S&D budget, the Bank is frequently asked to help out hospitals that have high frequency of patients and lack some basic, yet sophisticated equipment. The Bank provided the Internal Medicine ward at the Skopje city hospital with an Ultrasonography machine required to perform sensitive internal organ surgeries which they were unable to perform since the old equipment was out of order. These donations, performed

annually or biannually provide better healthcare for hundreds of patients around the country.

- Other smaller but significant **CSR activities of SB during 2019** are:
  - Sponsorship of **North Western Chamber of Commerce**
  - Annual sponsorship of the **Faculty of Economics** at the University of Ss. Cyril and Methodius
  - Traditional sponsor of **Strumica Carnival**
  - Traditional sponsor of **Ohrid Summer Festival**
  - Sponsorship of **D-festival, Dojran**
  - Sponsorship of **Galichnik Wedding**

In conclusion, the CSR strategy of the Bank aims to achieve excellence beyond the core business and thus develop internal potential, provide assistance to the community on delicate issues and support traditional events of cultural importance to various target groups. All of these activities complement our customer centricity and adding significantly to the image and the value of the company.

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