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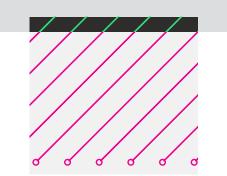




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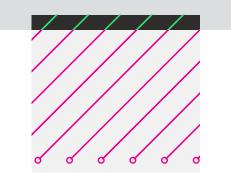
The Covid 19 pandemic has marked 2020 with huge impact on the health of the population, distorted the financial flows, decreased the economic activities and led to contraction of the global economic system. The focus of all relevant economic stakeholders was put on preserving the global health and enabling the working conditions to adjust to the new conditions. The banks in the country actively supported the measures undertaken by the Government, providing priority to the most affected part of the population and to companies enabling the whole banking infrastructure at service.

Stopanska Banka AD Skopje actively participated in all measures not only initiated by the Government but by the Central Bank as well, such as enabling postponement of the repayment of loan obligations known as "covid moratoria measures". In addition, the Bank realized many donations to the public health institutions. The Management of the Bank is involved and actively supports all necessary measures thus enabling continuity and excellence in providing banking services.

Implementation of the Bank's strategy within a well-defined and implemented risk, capital and liquidity management framework continued to gain positive momentum despite the pandemic during 2020. The Bank strives to offer its clients a unique bank experience and aims to achieve sustainable and profitable growth. The corporate sustainability for the Bank means the ability to live up to the expectations of all its stakeholders and to meet its 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 that demonstrate 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 35.3 million which is lower than the profit in the previous year by 18%, as a result of the pandemic and the reduced volume in almost all segments of banking operations.

The Bank's total assets reached EUR 1,718.3 million; RoA equaled 1.9%, while RoE reached 12.1%, indicating self-growing potentials for the business and stable returns for shareholders. With the capital strength, which ensured capital adequacy ratio of 16.8%, SB confirms to be one of the most stable and trustworthy financial partners in the country.

# FINANCIAL HIGHLIGHTS





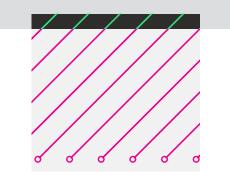


in eur million	2019	2020	Change %
Income Statement indicators			
Net Interest Income	58,7	60,2	2,6 %
Net Commissions Income	13,4	12,0	-10,4 %
Trading income/(losses), net	1,5	1,6	6,7 %
Other operating income	8,6	5,7	-33,7 %
Total Income	82,2	79,6	-3,2 %
Operating expenses	-28,4	-28,6	0,7 %
Net Operating Income	53,8	50,9	-5,4 %
Impairment losses	-10,8	-15,7	45,4 %
Pre Tax Profit	43,0	35,3	-17,9 %
Income tax	-4,5	-3,2	-28,9 %
Net Profit	38,6	32, 1	-16,8 %
Balance Sheet indicators	2019	2020	change %
Cash and similar items	359,3	285,3	-20,6 %
Securities	141,4	238,5	68,7 %
Total Loans (gross)	1.121,8	1.195,9	<b>6,6</b> %
Retail loans	769,3	801,3	4,2 %
Corporate loans	352,5	394,6	11,9 %
Provisions	40,3	45,0	11,7 %
Other assets	39,1	43,6	11,5 %
Total Assets	1.621,3	1.718,3	6,0 %
Total Deposits	1.347,6	1.404,1	4,2 %
Retail deposits	1.027,9	1.071,8	4,3 %
Corporate deposits	319,7	332,3	3,9 %
Other liabilities	25,6	32,5	27,0 %
Equity	248,2	281,7	13,5 %
Total liabilities, equity and reserves	1.621,3	1.718,3	6,0 %

Financial ratios	2019	2020	change (bp)
Net Interest Margin	4,4 %	4,2 %	-21,9
Cost income ratio	34,6 %	36,0 %	143,2
ROA	2,5 %	1,9 %	-57,3
ROE	16,8 %	12,1 %	-472,6
Loans to Deposits ratio (gross)	83,2 %	85,2 %	192,8
Capital Adequacy ratio	16,3 %	16,8 %	58,1
Operational Indicators	2019	2020	Change
Number of Units	65	64	-1
Number of Personnel (eop)	1.021	1.020	-1

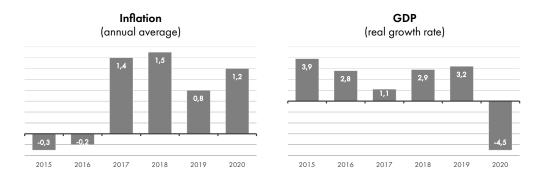
**Note:** All figures in this report referring to Stopanska Banka AD Skopje are based on the Financial Statements prepared in accordance with accounting regulations applied in the country and the regulation of NBRNM

# ECONOMIC ENVIRONMENT



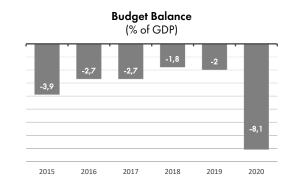


In 2020 the world faced the severe coronavirus pandemic. Enormous challenges emerged threatening lives and livelihoods. Major disruptions in healthcare and economic activity brought devastating consequences for people, businesses, financial institutions and societies as a whole. The global uncertainty will continue in the following year although the vaccination process has started in many countries.



In these unprecedented times, the domestic economy has also felt the consequences of the global health and economic crisis. **The latest available data show that the Gross Domestic Product (GDP) in 2020 recorded an annual decline of 4.5%.** Only public consumption increased, while all other expenditure components were negative. The projections for the year ahead are positive, assumed that the situation with the COVID-19 pandemic will take a favourable turn.

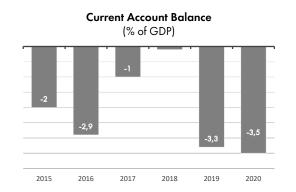
In environment of negative output gap, the Consumer Price Index (CPI) in 2020 increased by 1.2%, mostly driven by higher electricity and food prices. The gradual economic recovery is not expected to create greater pressures by demand and therefore the inflation should remain moderate on the medium term. The risks are mainly related to import food and energy prices.



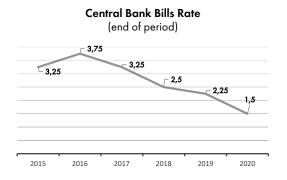
The **fiscal deficit** at the end of 2020 reached a record-high EUR 873.1 million or 8.1% of GDP, marking a significant jump from 2.0% in the previous year. It supported largely the four packages of economic measures for citizens and businesses affected by COVID-19. Revenues shrank by 6.9%, while expenditures amplified by 12.0% compared to 2019. Current spending increased by EUR 452.0 million or 14.0%. In 2021 the budget deficit is expected to narrow to 4.9% of GDP. As of end of 2020 the public debt exceeded the psychological boundary of 60% of GDP, and amounted EUR 6,483.3 million (60.2% of GDP), showing an upsurge of EUR 942.4 million compared to 2019. The biggest increase was evident in the second quarter with the issue of the 7th Eurobond in amount of EUR 700 million (6 years maturity and 3.675% interest rate) and the IMF loan in amount of EUR 176.5 million, both with an aim to provide liquidity in conditions of COVID-19 pandemic crisis.



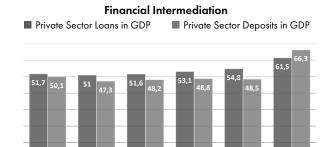




The external position in 2020 remained steady resulting with current account deficit of EUR 373 million or 3.5% of GDP, slightly higher than 2019. Private transfers significantly decreased by EUR 411.3 million or 23.9%, but they still covered 95.3% of the trade deficit since the latter also decreased by 15.0%. With regards to the financial account, foreign direct investment amounted EUR 239.8 million, 39.9% lower than the previous year. The adequate level of gross foreign reserves (EUR 3,359.9 million or 5.3-month import coverage) enabled sufficient buffers against potential unforseen shocks.



Amid the turmoil caused by the coronavirus pandemic, the monetary policy in 2020 kept its relaxed character. The NBRNM reduced the key interest rate on CB bills in three occasions to a historic low of 1.5% and also responded to the crisis with series of liquidity-enhancing measures such as easing of the reserve requirement base. In view of the favorable inflation outlook and the NBRNM's strong FX reserve position, stronger imbalances are not expected in 2021. However, the accommodative monetary policy stance should enable appropriate reaction in case such imbalances es occur.



2017

2016

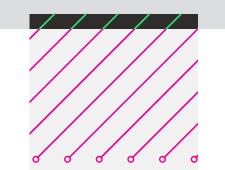
2015

In this specific environment, the banking system succeeded to remain well capitalized, liquid and profitable. At the end of the year, the total deposit growth reached 5.9% on annual level. Therefore, corporate deposits recorded a stronger growth of 10.1%, while retail deposits increased by 4.6%. The credit growth at the end of 2020 stood at 4.7%. The retail loans grew by 8.0%, while corporate loans were higher by 1.1%. NPE levels continued to decline reaching a level of 3.3%. In such environment, at the end of the year, the loans to deposits ratio was 82.1%. The capital adequacy ratio of the banking sector as of 31.12.2020 was 16.7%. The profitability ratios ROA and ROE were similar to the ones from the previous year, reaching 1.3% and 11.3% respectively. Overall, the banking system continues to be healthy; however risks need to be closely monitored.

2018

2019

# BASIC MACROECONOMIC INDICATORS



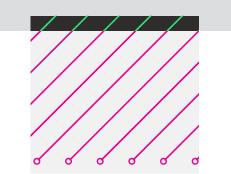




	2016	2017	2018	2019	2020
Output					
Gross Domestic Product (real growth rate)	2.8	1.1	2.9	3.2	-4.5
Industrial Production (annual growth rate)	3.4	0.2	5.4	3.7	-9.5
Prices, wages and productivity					
CPI (annual average)	-0.2	1.4	1.5	0.8	1.2
CPI (year-end)	-0.2	2.4	0.9	0.4	2.3
PPI (annu al average)	-0.1	0.5	-0.3	0.9	0.8
PPI (year-end)	-0.6	1.4	-0.8	1.1	1.8
Real wages (annual growth rate)	2.2	1.2	4.4	3.1	6.5
Government finance					
General government balance (% of GDP)	-2.7	-2.7	-1.8	-2.0	-8.1
External sector					
Current account balance (% of GDP)	-2.9	-1.0	-0.1	-3.3	-3.5
Export of goods and services (in million eur)	4,919	5,509	6,463	6,958	6,258
Import of goods and services (in million eur)	6,391	6,921	7,828	8,578	7,635
Export of goods and services (annual growth rate)	11.2	12.0	17.3	7.7	-10.1
Import of goods and services (annual growth rate)	8.4	8.3	13.1	9.6	-11.0
Gross external debt (in million eur)	7,217	7,372	7,844	8,154	8,630
Foreign reserves (in million eur)	2,613	2,336	2,867	3,263	3,360
Exchange rate MKD/EUR (average)	61.60	61.60	61.51	61.52	61.69
Monetary agregates					
M1 growth (dec./dec.)	9.9	10.7	18.7	17.2	16.4
M2 growth (dec./dec.)	6.1	4.1	11.8	9.9	11.2
M2 den ar growth (dec/dec.)	5.2	5.4	14.5	12.7	10.6
M4 growth (dec./dec.)	6.1	5.3	11.8	9.3	6.9
M4 den ar growth (dec/dec.)	5.0	6.4	14.0	11.4	5.5
Credit to private sector (dec/dec.)	1.0	5.7	7.3	6.0	4.7
Interest rates					
Money market interest rate (annual average)	1.14	1.10	1.07	1.10	1.07
CB bills rate (annual average)	3.73	3.30	2.92	2.29	1.64
Money market interest rate (end ofperiod)	1.04	1.10	1.09	1.13	1.10
CB bills rate (end of period)	3.75	3.25	2.50	2.25	1.50
Capital markets					
Macedonian StockExchange index-MBI (growth rate-eop)	16.5	18.9	36.6	34.0	1.2

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

# BANKING SECTOR & SB



DUE TO THE COVID-19 PANDEMIC, CERTAIN RESTRICTIONS WERE IMPOSED IN TERMS OF ALLOWING PHYSICAL PRESENCE AT BANK'S BRANCHES ON BOTH CLIENTS AND OUR EMPLOYEES.









FACED BY NEW AND RATHER UNCONVENTIONAL MANNERS OF COOPERATION AND ENGAGING WITH CLIENTS, OUR EMPLOYEES HAVE DEMONSTRATED HIGH LEVELS OF PROFESSIONALISM, PREPAREDNESS AND HAVE UNSELFISHLY COMPLETED ALL PROFESSIONAL TASKS AND DUTIES WHILST TAKING CARE OF THEIR HEALTH, THE HEALTH OF THEIR FAMILIES, THEIR COWORKERS, AND OF COURSE, THEIR CLIENTS.



# **THANK YOU!**







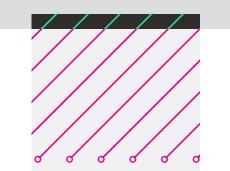
#### (in mil mkd)

Position/Indicator	<b>Banking sector</b>	SB	Market share
Total assets	585.500	106.028	18 %
Total loans	353.502	72.697	21 %
Total deposits	430.870	85.372	20 %
Loans growth-retail	6,8 %	2,7 %	
Loans growth-corporate	0,9 %	12,1 %	
Deposits growth	6,2 %	5,4 %	
ROA	1,3 %	1,9 %	
ROE	11,3 %	12,1 %	
C:I	48,2 %	36,0 %	
NIM	2,7 %	4,2 %	
NPE	3,4 %	3,7 %	
CAR	16,7 %	16,8 %	

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

Stopanska Banka AD Skopje accounts for 18% of the total banking sector assets and for 1/5th of both deposits and loans. In 2020, the realized growth rate of loans was 5.8% and 5.4% of deposits. During 2020, the performance of the Bank was in many aspects higher compared to the total banking sector as shown above. Namely, ROA 1.9% vs. 1.3%, ROE 12.1% vs. 11.3%, NIM 4.2% vs. 2.7% and the cost-to income ratio well below the banking sector with remarkable 36.0% vs. 48.2%. The capital adequacy ratio was 16.8%, slightly higher than the banking sector.

# FINANCIAL PERFORMANCE





STOPANSKA BANKA AD - SKOPJE member of NBG group

The most important aspects of the financial performance of the Bank have as follows:

### **INTEREST INCOME**

During 2020, the interest income from the retail loans amounted EUR 49.3 million, having the biggest participation within the total interest income of 73.6%. At the same time, the interest income from corporate and other activities (investments in securities, interbank placements and other) amounted EUR 17.7 million i.e. decreased by 11.5% compared to the previous year. In the environment of the continuing trend of interest rates decline, the total interest income amounted EUR 67.0 million.

#### in EUR million

	2019	2020	% change
Interest income	68,4	67,0	-2,0 %
Retail Ioans	48,3	49,3	2,1 %
Corporate loans	13,1	12,6	-3,8 %
Other	6,9	5,1	-26,1 %

# INTEREST EXPENSE

Due to decreased trend of the interest rates and even negative ones existing in the EU area, the Bank realized decrease in the interest expenses on average by app. 30%.

#### in EUR million

	2019	2020	% change
Interest expenses	9,7	6,8	-29,9 %
Retail deposits	7,4	5,2	-29,7 %
Corporate deposits	1,0	0,6	-40,0 %
Other liabilities	1,3	1,1	-15,4 %

# NET INTEREST INCOME

Net interest income amounted EUR 60.2 million and increased by 2.6% mainly due to lowered interest expenses partly as a result of lowered interest rates at the repricing of the deposits and partly due to change of the maturity structure of the deposits and shift in shorter term tenors. The trend of dropping interest rates is noticeable in the interest income, where even with increased loan balances, the Bank realized decreased interest income by 2%.

#### in EUR million

	2019	2020	% change
Net Interest income	58,7	60,2	2,6 %
Interest income	68,4	67,0	-2,0 %
Interest expenses	9,7	6,8	-29,9 %

### FEE AND COMMISSIONS INCOME

In 2020, net fees and commission income reached EUR 12.0 million. Within this, the most significant part (42.5% of the Bank's total fee and commission income) relates to fees from transfer of funds in amount of EUR 5.1 million, recording a decrease of 5.6% compared to the same period last year. Taking into account that transactional business due to Covid 19 pandemic in the country had decreased by between 20%-25%, this trend shows that the Bank has managed to maintain its services at better levels. The net income from lending activities is the second largest fee item, which at the end of 2020 amounted EUR 3.8 million accounting for 31.7% of the total fee and commission income.

#### in EUR million

	2019	2020	% change
Net fees and commissions income	13,4	12,0	-10,4 %
loans	5,0	3,8	-24,0 %
letters of guarantee	0,6	0,7	16,7 %
transfer of funds	5,4	5,1	-5,6 %
others	2,4	2,4	0,0 %

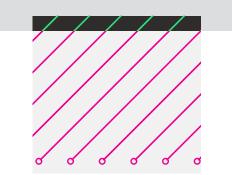




# **OPERATING EXPENSE**

During 2020, 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 EUR 28.6 million and has remained on the same level as last year despite rising costs related with the pandemic. Because of its effective cost containment policy in place, the Bank succeeded to maintain the relatively low cost to income ratio of 36.0%, far below the banking sector average.

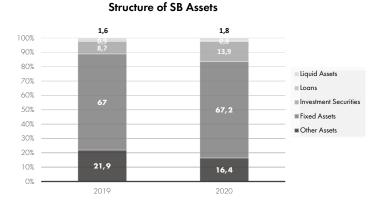
# ASSETS AND LIABILITIES





# ASSETS

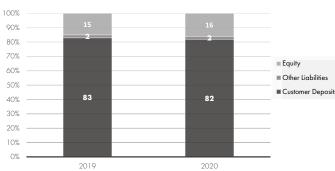
The Bank's total assets at the end of 2020 amounted EUR 1,718.3 million, which is EUR 97.0 million or 6.0% higher in comparison to 2019. The Bank continued to enhance its prudent approach with balanced growth, adequate liquidity and strong capital base. In this aspect, the average liquidity ratio up to 180 days reached 1.30. The credit activities by the end of 2020 for the total loan portfolio reached EUR 1,195.9 million, out of which EUR 394.6 million were extended to corporate customers, while retail exposures amounted EUR 801.3 million.



# DEPOSITS AND EQUITY

he Bank's deposit base increased by 4.2% or EUR 56.5 million. Deposits continue to be the main funding source of the Bank, amounting EUR 1,404.1 million and as a result, at the end of 2020, the loans to deposits ratio reach 85.2% on gross basis, still sufficient to enable Bank's strong credit potential. Furthermore, the Bank managed to maintain balanced position in the maturity structure in the year under review thus indicating stable sources of funds for the Bank's further credit expansion.



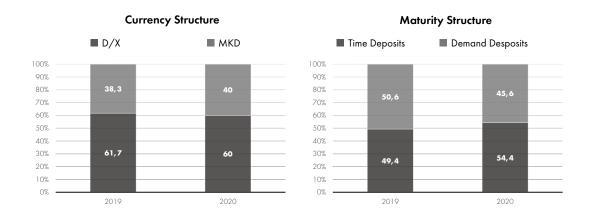


Structure of SB Liabilities

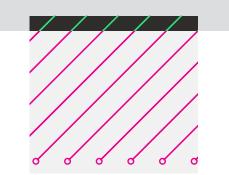
The currency composition of the deposits' base indicates stable share of domestic currency denom-

Bank's equity amounted EUR 281.7 million at the end of 2020 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.

inated deposits of 60.0% (61.7% in 2019).



# RETAIL BANKING



MODERNIZATION OF BANK'S BRANCHES IS TAKING PLACE AT A REGULAR PACE AND WE ARE PROUD OF OUR TEAM AS DESPITE THE PANDEMIC, THEY HAVE MANAGED TO ENSURE THAT OUR EMPLOYEES AT BANK'S OFFICES HAVE A SECOND HOME FEATURING A MODERN LOOK AND INCREASED FUNCTIONALITY IN OFFERING DAY-TO-DAY SERVICES TO CLIENTS.

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2020 was inevitably marred by the COVID-19 pandemic which had a severe impact on socio economic life. With the restrains in movement of people and goods, reduced investment activities, as well as Government's response and new imposed regulation, retail-banking segment was significantly affected.

As of the beginning of March banks had to adapt on reduced working hours for the branches as quarantines were in force, even for several days at a time. Restrictions in terms of the number of persons that can be served at the same time were in place during the entire period, with mandatory masks and distancing.

At the beginning of April 2020, following the Government decision, retail clients were collectively offered to postpone their loan repayments for a period of 6 months, after that extended for additional 6 months for selected / most affected retail clients, until the end of March 2021. This postponement of repayments significantly shrank the potential pool of lending clients for the banks.

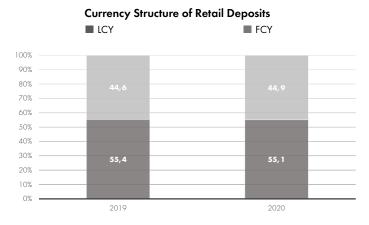
In addition, for several months during 2020, the banking system, especially systemic banks such as STB, was placed in the service of the Government aid to affected citizens, enabling disbursement of one-off financial aid via payment cards and bank accounts to over 500,000 citizens.

### **RETAIL DEPOSITS**

The retail deposit base grew by 4.3% during 2020 reaching the 1.07 billion mark continuing to reflect the trust that the customer base has in the Bank.

The sight vs. time deposit ratio is balanced, continuing the trend from previous years, as client's preferred to have liquid funds during this uncertain period.

Another continuing trend was the growth of local currency deposits following a history of stability of the local currency even besides the constant shrinking difference in interest rate.



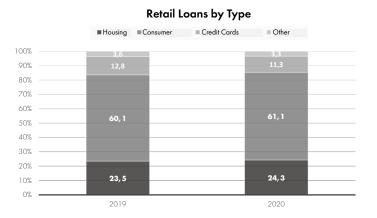
### **RETAIL LENDING**

Promotional activities for lending products were halted with the abrupt beginning of the pandemic and afterwards, by the government-organized postponed repayment for retail lending products, which affected bulk of the Bank portfolio in the first 6 months and less so during the second postponed repayment period offered from September 2020 to March 2021.

The uncertain year resulted in reduced activity by retail clients overall, so the Bank adjusted with longer-lasting promotional offers as the usual peak timings were shifted and distributed across the year.







The Housing loan portfolio noted an increase of 6.4% compared to 2019 providing the solution to clients investing in real estate for their first home or secondary real estate. Besides secondary sales of existing property, new construction continues to be performed mostly in Skopje and the Bank further expands the list of construction companies for cooperation.

The Bank also continued supporting the Government's project "Kupi kukja, kupi stan" subsidizing clients purchasing their first home.

Consumer loans during 2020 grew by 4.8% compared to 2019, and in majority of the cases they were bundled with insurance products as a novelty approach introduced late 2019. As consumer loan represent the majority of the portfolio, they were most impacted by the postponed repayment offers, as well as the by the postponed need for consumption, typical for pandemic period.

The Cards portfolio, largest in the country, is continuing to generate higher card transactional volumes, especially considering debit cards, since during the pandemic many clients were encouraged to shift from cash to card payments. The growth of debit cards transactions continued this year as well, and was sufficient to offset severely impacted transactional volume of the credit cards, resulting with cumulative annual growth of 14% in POS volume for both SB debit and credit cards.

### BANCASSURANCE

In its first year after initial introduction, SB Bancassurance business continued to grow, despite the impact of Covid19 pandemic, providing SB with important no-risk fee income. Its growth continued to be based on sales of SB lending products bundled with insurance products. During 2020, Stopanska Banka continued on the right path with strong growth of insurance sales. In 2020, life and non-life insurance had equal share, contributing in overall SB bancassurance volume.

# CONTACT CENTER AND IBANK SERVICES

The shorter working hours and the significant crowds in front of the Bank's branches naturally drew more clients online and towards its Contact Center which had to be displaced to several locations in order to allow for full operation capacity under the limitations of staff per square meter.

The back office activities were also impacted as staff was working in rotations and working from home, thus changing the pace and format of the established activities.

The 24/7 Contact Centre of Stopanska Banka continued providing 24/7 customer support, thus turning into a key communication channel with clients this year. During 2020, the Contact Center processed more than 640,000 client's interactions which is almost 30% increase, and it was effectively utilized for client data update, postponed repayment offer, government financial aid, and of course for cross sale of SB retail banking products.

2020 marked the highest increase in users of our digital and direct banking platforms available under the i-bank brand. The fact that the Bank had a large customer base with digital credentials, allowed them to activate and start using the services on regular basis. Therefore, in 2020, we evidence 32% increase in number of active digital banking clients (with at least one transaction during the month) and 20% annual increase in the number of digital banking transactions by individuals.

# SBB SEGMENT

The challenges the global economy faced during 2020, as a result of the COVID-19 pandemic, were also present among the SBB clients. Through its SBB segment, the Bank significantly contributed to the support of the small businesses facing disrupted business operations, by offering them finan-

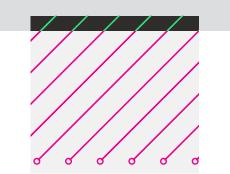




cial advice and programs for handling the challenges these companies faced during the pandemic crisis. Of course, the Bank continued to support small businesses through its customized financial products and services, as well as to provide qualitative customer service, which contributed to the continuing growth, as well as maintaining high quality of the SBB portfolio.

The integrated approach for this segment in areas outside lending, that is, increasing deposit balances, encouraging payment operations, payrolls processing, POS acquiring etc, has multiple positive benefits for the SBB segment and also for the overall retail segment results.

# *CORPORATE BANKING*







In a challenging year marked by the Covid-19 crisis, with significant negative impact on the overall economic activities, Stopanska Banka successfully implemented its new corporate banking strategy and significantly exceeded its market competitors, with the Corporate lending growing by 11.9%. By that, the Bank increased its market share in corporate lending for 1.4 p.p., reaching 14.4% at the end of 2020.

Confronted with the Covid-19 crisis at the beginning of the year, the Bank had to undertake prompt initiatives and to adjust to the new circumstances, primarily striving towards supporting the clients' businesses during the crisis as never seen before. In this regard and in line with the regulatory framework, the Bank performed a detailed assessment of every corporate client. Based on that, for each corporate client affected by the crisis, the Bank designed an individual business solution, thus supporting the businesses and protecting the quality of Bank's credit portfolio.

In parallel to and despite the uncertainties of the Covid-19 crisis environment, the Bank intensively continued delivering credit support to the corporate clients, fulfilling one of its main roles of providing financial support of the economy.

The Bank's brand and reputation, as well as its full dedication to timely and comprehensive banking support of its corporate clients are constant and consistent drivers in the corporate portfolio management, especially in challenging times of crisis. It comes as imperative, that the Bank shall continue its strategy of being a trustworthy partner of the businesses, always providing a long-term value.

# RISK MANAGEMENT



FACED WITH A MAJOR CHALLENGE OF THIS SORT, OUR FIRST INSTINCT WAS TO COME UP WITH WAYS TO HELP OUR COMMUNITY COPE WITH THE PANDEMIC AS SOON AS POSSIBLE. WE HAVE COL-LECTED VALUABLE DONATIONS CON-TAINING MEDICAL EQUIPMENT AS AN EFFORT TO GIVE IMPETUS TO THE BIGGEST HEROES OF OUR TIME - HEALTH PRO-FESSIONALS - IN DEALING WITH THE CONSEQUENCES OF THE PANDEMIC.





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Donations made to the Ministry of Health, to the Health Center Skopje, to the University Clinic For Infectious Diseases and to 9 hospitals in other cities.



As one of the country's largest financial institutions, offering banking services, Stopanska Banka AD Skopje is exposed to a variety of risks. 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 prudent management of risk supported by strong risk culture, as well as through abundant liquidity and a strong capital base.

Effective risk management requires Bank-wide risk governance. SB's risk and control structure is based on the 'three lines of defense' governance model, introduced in 2019. Each line has a specific role and defined responsibilities, with the execution of tasks being distinct from the control of these same tasks. The three lines work closely together to identify, assess, and mitigate risks. 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 risk management function of SB supports the Board of Directors in formulating the risk appetite, strategies, policies and limits. It provides review, oversight and support functions throughout SB on risk-related items. SB's main financial risks relate to the exposure to credit risk, funding and liquidity risk and market risk. In the complex current business conditions SB is also exposed to non-financial risks such as operational, IT and compliance risks.

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.

SB has a framework of risk management policies, procedures, and minimum standards in place to create consistency throughout the organization, and to define requirements that are binding to all business units. Senior management is responsible for the implementation of and adherence to policies, procedures and standards. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in requirements, markets, products and practices. The Covid-19 pandemic threw the world economy into turmoil. The global economy shrank in 2020 as demand and supply, trade, and finance were severely disrupted. In line with the global trends, the pandemics had a material impact on the local economy and the creditworthiness of the Bank's customers, through disrupted business activities of the corporate and small banking business clients, as well as increased unemployment and reduced income affecting the retail portfolio. Certain industry segments were most significantly affected as a result of the introduced restrictive measures, such as HoReCa (Hotel, Restaurant and Café), Transportation and Tourism.

The Covid-19 pandemic crisis introduced the need to intensely monitor developments relating to credit and liquidity risks. The Bank also performed several types of stress tests and sectoral reviews to assess the potential impact on its financial position, which helped SB to get further insights into the potential impact and to define appropriate mitigating actions.

It has remained an objective of the Bank, even in these challenging times, to strive towards continuous improvement of the risk management framework in line with the coming regulatory requirements and international standards, the best practices and the changing market conditions. The Risk culture is an important integral component of risk management and the Bank has an active approach of increasing the risk awareness and strengthening the risk culture on all levels of operations, though adequate trainings and workshops.



#### **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 a 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 combined 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 Framework of the Bank.

In 2020, the Bank has faced the challenge to assess the impact that Covid-19 pandemics has on the operations of legal entities, as well as on the creditworthiness of employed private individuals, in order to undertake suitable decision for mitigating the consequences of Covid-19 epidemic, fully in line with the amended regulatory framework.

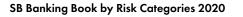
In line with the international best practices, following the enhanced impairment methodology and process as well as amended decision on the methodology for credit risk management and special provisions for mitigating the consequences of Covid-19, the Bank provides adequate level of provisions for potential credit losses which were significantly increased in 2020 due to the Covid-19 situation.

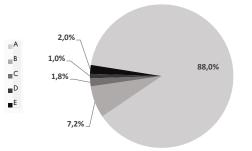
Despite the impact that the pandemic had on both the global and the local economy, throughout 2020, the Bank continued the current prudent credit policy and a balanced growth of the credit

portfolio that suits its strategy and reputation. All its credit risk objectives, tools and a clear governance structure of the risk management process are 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, alongside with maintaining a low and controlled NPE ratio is one of the Bank's main strategic objectives, which the Bank managed to achieve in 2020, despite decreased economic activity in domestic economy, caused by the Covid-19 pandemic.





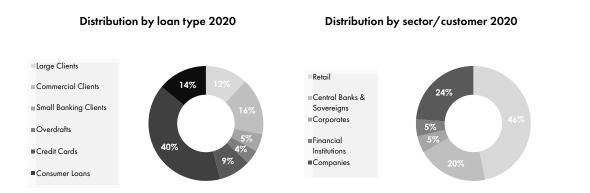
According to the NBRNM Methodology, each credit risk exposure is classified in one of the five risk categories (A, B, C, D and E). The exposure within the best credit risk category i.e. "A" credit risk category has decreased from 91.3% in 2019 down to 88.1% in 2020, mostly due to exposure classified in "B" category, that increased from 3.5% in 2019 to 7.2% in 2020. The presented shift from risk category "A" to "B" is a result of the prudent classification approach of the Bank, in light of the COVID 19 pandemic. High-risk debt exposures classified in "D" and "E" categories are lower by 0.2 percentage points in comparison with 2019 and compose 3.0% 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

Liquidity risk shall denote the risk of loss due to bank's inability to provide enough funds for settlement of its liabilities at their maturity, or it can provide the necessary funds at very higher costs. During 2020, SB maintained relatively high level of liquid assets, ensuring smooth execution of all banking activities and at the same time meeting regulatory requirements. The high liquid assets are maintained in tenors, currency and interest rate structure in line with the asset & liability needs and they are consisted of: cash, mandatory reserves, interbank placements and securities.

Stopanska Banka is a self-funded bank and the liquidity originates primarily from the deposit base, which is the main source of financing of the banking activities and the credit growth. The liquidity



management is done on a daily basis; however the Bank prepares liquidity forecasts under different scenarios. 2020 being a Covid pandemic year, triggered some fears of the clients at the beginning of the health crisis, but this was successfully managed by the Bank, showing its resistance towards the liquidity shocks. In this respect, the Bank has prepared several liquidity stress-test scenarios, including very conservative assumptions as well, and all of them showed ability and capacity the Bank to combat the crisis. The liquidity infrastructure already set in place consisted of policies, procedures and coordinated actions between the first & second lines of defense which helped the Bank end 2020 with higher liquid assets compared to previous 2019, and at the same time realizing loan growth.

Internal control of liquidity risk management is an integral part of the overall internal control system. Apart from the Covid stress tests, SB also tests the liquidity using stress scenarios, at least once every year, in order to determine the influence of various risk factors (internal and external) on Bank's liquidity, to prepare the Bank for operations in emergency, to assess the possibilities for Bank's growth, or to allocate the best source of financing the new activities/products.





#### - Regulatory obligations

The average fulfillment of the MKD reserve requirement was 100.2%. The liquidity ratios were maintained above the prescribed minimum thresholds (of 1.0), i.e. as of 31.12.2020 they were 1.63 for the 30-day rate and 1.30 for the 180-day rate.

Concentration level on transaction accounts and sight deposits of SB's twenty highest depositors as of 31.12.2020 was 13.43%, representing low level of concentration and good diversification.

The open currency position was within the prescribed regulatory limit of +/-30% vs. own funds.

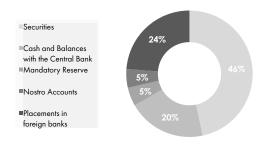
### ¬ Structure of liquid assets

The Bank maintains optimal structure of the liquid assets in line with the liquidity needs and broader asset & liability needs.

During 2020 the average liquidity structure was the following:

- Cash and Central Bank balances: 5% of the total liquid assets
- Mandatory reserve: 26% of the total liquid assets
- Interbank placements: 18% of the total liquid assets
- Securities: 51% of the total liquid assets

Liquid Assets



### The overall high liquid assets amount app. 30 % of the total assets.

### ¬ Financial market operations

The Bank is one of the market makers supporting foreign exchange operations. It actively supports corporate, retail clients, institutions and banks. What was remarkable for 2020 is the fact that the participation of the retail clients increased in comparison to previous years, under worsened global economic conditions, when the normal flows of goods and services was harmed. Trough coordinated actions with NBRNM, being the main provider of foreign currency cash, the Bank has satisfied all clients' demand at lower margin compared to the competition and to the previous years.

The total turnover on FX market amounted EUR 851 million, with biggest participation in EUR (85%) and USD (12%).

### Interest Rate Risk Management

Interest rate risk is the possibility that changes in interest rates could adversely affect the value of a financial instrument, a portfolio or the Bank overall. SB Interest rate risk management process reflects the Bank's risk appetite, business activities and the overall operating environment and market conditions, considering the potential changes of interest rates and their impact on Bank's earnings and economic value of equity.

The Bank analyses the sensitivity of its net interest income and equity value to changes in interest rates. This sensitivity arises from differences in maturity dates and interest rate repricing gaps in the various balance sheet items. The assessment of the interest rate risk is conducted through monitoring of exposures arising from the banking book activities, taking into consideration the fact that there is no rate sensitive trading portfolio in SB balance sheet.

The main objective of the Bank's interest rate risk management framework is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by appropriate modeling of the structure of rate sensitive balance sheet positions and off-balance sheet items. SB constantly manages the IRRBB exposure through establishing of appropriate structure of the rate sensitive positions, with purpose to highly correlate the asset and liability rate sensitive positions, re-sulting with insignificant repricing/maturity gap and with that, low level of interest rate risk exposure.

At the end of 2020, the ratio of total net weighted position to the regulatory capital was well below the regulatory maximum of 20% and resulted with insignificant exposure to IRRBB.





#### Foreign Exchange Risk Management

As part of its day-to-day market risk management, the Bank also takes care of currency risk management, i.e. open foreign exchange position. The currency risk represents the risk of loss due to a change in the cross-currency exchange rates and/or change of the value of the Denar relative to the value of other foreign currencies. The primary objective of managing Bank's currency exposure structure is to reduce the impact of exchange rate fluctuations.

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 through 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. The bank maintains the aggregate foreign exchange position within the prescribed limits in the relative regulatory framework i.e. no more than 30% of the banks' own funds.

In 2020, 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). This framework is aimed at keeping operational risks within the moderate/low risk profile and minimizes the operational losses.

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

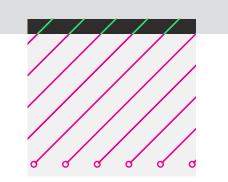
- Promote a Bank wide operational risk awareness and risk culture further contributing to process efficiency and control effectiveness
- Establish a set of fundamental standards for operational risk management across the Bank leading to the avoidance of unexpected and catastrophic losses and minimization 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

Throughout 2020, SB upgraded its Operational Risk Management Framework (ORMF), consistent with best practices, as well as internal governance policies, and compliant with all regulatory requirements, aiming at facilitating a more informed risk decision-making process, resulting in the optimum handling of operational risk. The following ORM Policies were developed within the established Framework:

- Internal Events Management Policy (IEM Policy)
- Key Risk Indicators Policy (KRI Policy)
- Risk and Control Self-Assessment Policy (RCSA Policy)
- Scenario Analysis Policy (SA Policy)

Also, as an addition to the operational risk policy governance, four new Guidelines were implemented, for each component separately.

The overall focus of the 2020 ORM process was on further strengthening the Operational risk management function within entire Bank, raising the OR culture and awareness on OR issues and enhancing monitoring of operational risk exposure, accomplished through intensive proactive role by Risk Management Division, with particular intention, operational risk exposure to be eliminated or mitigated in line with Bank's risk appetite and business goals.



# CAPITAL ADEQUACY, INTERNAL CAPITAL **ADEQUACY** ASSESSMENT PROCESS **& STRESS TEST**

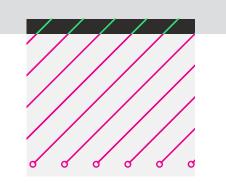




Maintaining a strong capital base as a precondition for business growth and absorbing all possible risks is a priority and main focus of the Bank. The total regulatory capital of the Bank as of 31.12.2020 amounted EUR 225.4 million, out of which the Tier 1 capital amounted EUR 223.9 million and the Tier 2 capital amounted EUR 1.5 million, which resulted in a capital adequacy ratio of 16.8% as of 31.12.2020.

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 updated 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 2020, the Bank conducted various stress test scenarios, including a scenario specific to the COVID 19 adverse conditions, 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 2020, the Compliance Division (CD) undertook vast number of activities for monitoring 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:

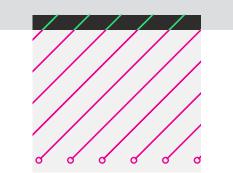
- establishing efficient internal procedures and organizational structures for identifying, monitoring and managing the possible risks related to SB's compliance with current regulations;
- continuous training of Bank employees;
- regular, at least monthly and semi-annually, reporting to the Board of 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 2020, the CD realized series of activities for implementation of measures and activities prescribed in the AML and the 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 2020 the number of staff employed in CD was maintained accordingly in accordance with the requirements of the Law.

Compliance Division continues to carry out its regular activities in order to sustain and boost 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







The 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 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
- kept securely and only for the time period provided for the fulfillment of the purposes of collection and processing.

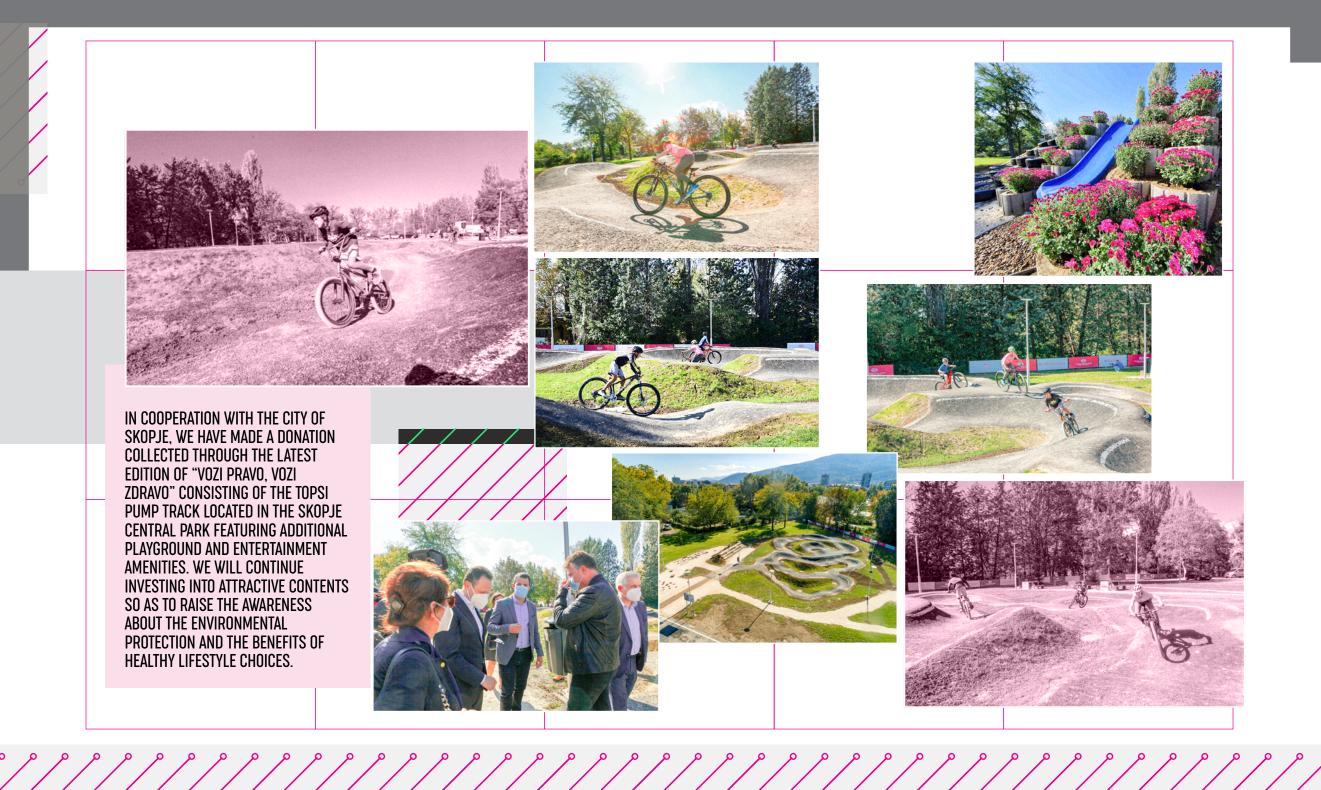
Accordingly, the Bank has introduced procedures and implemented systems, which enable the controlled flow of information. In addition, the Bank has adopted a new Personal Data Protection Policy that is aligned with the EU GDPR.

SB employees fully understand that they are bound to 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.

Having in mind that the new Law on Personal Data Protection was adopted on February 16, 2020 and enters into force in August 2021, the Bank initiated a set of activities in order to fully align with the new regulatory requirements and with the highest standards in data protection.

## *CORPORATE GOVERNANCE REPORT 2020*









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 of the Bank that supports the full implementation of its business plan with operational excellence and integrity.

Given the global Covid-19 virus pandemic and its impact on the overall social and economic life, the Bank was primarily focused on managing the crisis while providing the necessary financial support to citizens and companies. Above all, the focus was on the implementation of all measures for protection of the health of the employees and clients of SB, as well as on ensuring business continuity as necessary preconditions for achieving its business strategy.

#### Shareholders Assembly

#### Supervisory Board

- Audit Committee
- Risk Management Committee
- Remuneration Committe
- Credit Committees

#### **Board of Directors**

- Executive Committee
- Other internal comissions

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.

## SB BODIES

#### 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 of four years, appointed by the Shareholders Assembly. The composition of the Supervisory Board in 2020 is as follows:<sup>1</sup>

- 1. Marinis Stratopoulos, Chairman, CEO of NBG Cyprus Ltd.;
- 2. Ioannis Kagioulis, member, Head of International Corporate Credit Division, National Bank of Greece S.A. Athens;
- 3. Dimitra Gkountoufa, member, Director in CEO Office, National Bank of Greece S.A. Athens;
- 4. Vladimir Filipovski, independent member, Professor, Faculty of Economics at University "St. Cyril and Methodius" Skopje;
- 5. Sasho Kjosev, independent member, Professor, Faculty of Economics at University "St. Cyril and Methodius" Skopje; and
- 6. Anastasios Lizos, member.

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;
- 1 Mr. C. Christodoulou, Chief Financial Officer and member of the Executive Committee of NBG Group was appointed as new member of the Supervisory Board on the Shareholders Assembly held on 04.03.2020. The Governor of the National Bank approved the appointment on 23.03.2021.



- 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;
- 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;
- 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;,
- 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 Bankof the Republic of North Macedonia and the 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 the 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. 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 writeoff 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 2020, submitted to the SB Shareholders Assembly.

#### 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 2020 was as follows:

- 1. Antonio Veljanov, Chairman of the Audit Committee (independent member and chartered auditor);<sup>2</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. Vladimir Filipovski, member (representative of the Supervisory Board); and
- 5. Zorica Bozinovska-Lazarevska, member (independent member)<sup>3</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 in charge of overseeing the integrity of the accounting and financial reporting, to overseeing 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 2020 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 (quarterly) 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,
- approved the Accounting Policy and the Risk Acceptance Procedure of SB, 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 9 members, appointed and/or dismissed by the Supervisory Board. The term of office of the Risk Management Committee members is two years. As of 31 December 2020, the members of the Risk Management Committee are as follows:

- 1. Diomidis Nikoletopoulos Chief Executive Officer and Chairman of the Board of Directors, Chairman;
- 2. Toni Stojanovski Chief Corporate Officer and member of the Board of Directors, member;
- 3. Bojan Stojanoski Chief Risk 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. Ilias Papadopoulos Chief Credit Officer, member;
- 6. Mirjana Trajanovska Senior Manager for Treasury and Finance, member;
- 7. Vlado Treneski Senior Manager of Corporate Banking Division, member;
- 8. Mirko Avramovski Manager of Collection Division, member;
- 9. Vesna Nencheva Manager of Risk Management Division, member.

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

- 1. permanently monitoring and assessing the risk level of SB, and identifying the acceptable level of exposure to risks in order to minimize the losses as a result of the SB risk exposure;
- 2. establishing risk management policies and monitoring the implementation thereof;
- 3. following the regulations of the National Bank pertaining to the risk management and SB compliance with such regulations;
- 4. assessing SB risk management systems;





- 5. determining short and long-term strategies for managing certain types of risks SB is exposed to;
- 6. analysing the reports on SB risk exposure developed by SB risk assessment units and proposing risk hedging strategies, measures and instruments;
- 7. monitoring the efficiency of the internal control systems in the risk management;
- 8. analysing the risk management effects on SB performances;
- 9. analysing the effects of the proposed risk management strategies, as well as the proposed risk hedging strategies, measures and instruments;
- assessing 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. providing information, at least once per quarter, to 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. approving 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 2020, 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 Re-

muneration Committee' 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 2020, 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 one occasion passed decisions with written statement. Following its Annual Operational Plan, the following main items were passed:

- Review and approval of the Remuneration Report for 2019, including the self-evaluation of the Remuneration Committee members and the Risk Management Committee Opinion on the Remuneration Policy;
- 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;
- Approved 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.

#### ¬ 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 19.03.2020, the Bank obtained an approval by the Governor of the Central Bank for the appointment of Mr. Bojan Stojanoski as new member of the Board of Directors.

Thus, the composition of the Board of Directors during 2020 was:

- 1. Diomidis Nikoletopoulos, Chief Executive Officer and Chairman of Board of Directors;
- 2. Toni Stojanovski, Chief Corporate Officer and member of the Board of Directors;
- 3. Milica Chaparovska-Jovanovska, Chief Retail Officer and member of the Board of Directors;
- 4. Bojan Stojanoski, Chief Risk Officer and member of the Board of Directors.

In addition to the requirements stipulated with the Banking Law, the members of the SB Board of Di-





rectors have strong record at SB and in the banking sector on senior positions and expert knowledge of the business and the banking regulation.

The Board of Directors responsibilities are as follows::

- managing SB;
- representing SB;
- enforcing the decisions of the Shareholders Assembly and the Supervisory Board of SB, i.e. makings sure that they are implemented;
- taking initiatives and giving proposals for promoting SB operations;
- appointing and dismissing persons with special rights and responsibilities pursuant to the provisions under the Banking Law and this Statute;
- drafting SB business policy and development plan;
- drafting SB financial plan / Budget;
- drafting SB information security policy;
- drafting an annual report on the SB operations and submits it to the Supervisory Board;
- drafting Bank's Code of Ethic;
- giving previous consent and submits proposals for partial or write off in full of claims to the Supervisory Board;
- passing decision on sale of claims; and
- performing other activities, in accordance with Law, the present 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 in addition to the Chief officers, 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), the Chief Credit Officer (Ilias Papadopoulos), assisted by Bank's Secretary.

#### ¬ CREDIT COMMITTEES

Other SB bodies, determined with the Statute, are Credit Committees with the following, structure, and authorities, as at December 31, 2020:

- 1. Executive Corporate Credit Committee (ECCC): it consists of 6 members as follows:
  - Diomidis Nikoletopoulos, 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 Corporate Officer of SB and member of the Board of Directors, member,
  - Bojan Stojanoski, Chief Risk Officer of SB and member of the Board of Directors, member,
  - Ilias Papadopoulos, Chief Credit Officer of SB, member, and
  - Ioannis Bourmpakis, 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. 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 5 members as follows:

- Diomidis Nikoletopoulos CEO and Chairman of the Board of Directors of SB, Chairman
- Bojan Stojanoski Chief Risk Officer of SB and member of the Board of Directors, member
- Toni Stojanovski, Chief Corporate Officer of SB and member of the Board of Directors, member
- Ilias Papadopoulos, Chief Credit Officer of SB, member
- 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 5 members as follows:
- Bojan Stojanoski Chief Risk Officer of SB and member of the Board of Directors, Chairman
- Toni Stojanovski, Chief Corporate Officer of SB and member of the Board of Directors, member
- Ilias Papadopoulos, Chief Credit Officer of SB, member
- 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 5 members, as follows:

- Bojan Stojanoski 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
- Ilias Papadopoulos Chief Credit Officer of SB, member
- Dejan Krstevski Manager of SBB Client Segment Business Department, member
- Vesna Nencheva either/or Emilija Stojanova Ivanovska Manager of Risk Management or Manager of Retail Credit Division, member

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

ВКОМП донесува одлука за кредитна изложеност кон поединечен субјект – правно The HSB-BCC 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 Ponjavic or Dragan Mihajlov -Manager or Deputy Manager of Product Management and Clients Segment Division, member
- Vesna Nencheva and/or Emilija Stojanova Ivanovska Manager of Risk Management Division, and/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 Ponjavic 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.

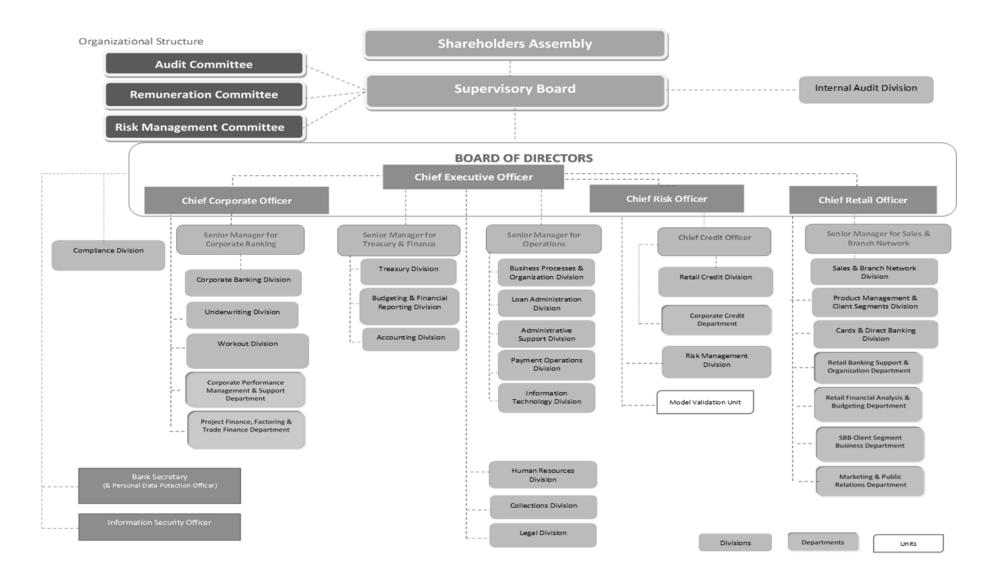
\*The Credit Committees operate in accordance with the relevant credit policy adopted by the Supervisory Board. Members of the Credit Committees are persons with special rights and responsibilities in SB, or other employees of SB, or other persons who are evaluated as sufficiently knowledgeable and experienced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





### **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. According to SB Statute, the organizational structure of the Bank is determined with a decision by the Supervisory Board, based on proposal by the management. The Bank is organized in 21 divisions and 64 branches. The Bank has no subsidiaries.







### SHAREHOLDER STRUCTURE

During 2020, there were 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 is represented with 5 members in the Supervisory Board, while the other 2 members are independent.

As of 31 December 2020, the initial capital (basic capital) consisted of 17,460, 180 ordinary shares at nominal value of MKD 201.1 per share and 227,444 preferred shares at the nominal value of MKD 400.00 per share. They 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 MKSTBS 101014 and STB (preferred cumulative share) ISIN number MKSTBS 120014.

## DIVIDEND DISBURSEMENT & DIVIDEND POLICY

After the acquisition of Stopanska Banka in 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 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 voting right: 17,460,180 with a nominal value of MKD 201.1;
- Priority shares without voting right: 227,444 with a nominal value of 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 abovementioned.

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.

Based on a recommendation of the National Bank due to the Covid-19 crisis, Stopanska Banka withdrew decisions on dividend disbursement for the common shareholders. In addition, the Bank redistributed part of the accumulated earnings into earnings restricted for distribution to the shareholders, in total amount of MKD 134, 163,690, ensuring sufficient capital adequacy ratio and capital support for realization of its Business Plan in the future.

Concerning the dividend for the priority shares, and following the Decisions on issuance of shares, the Shareholders Assembly approved disbursement of dividend for the priority shares in total amount of MKD 1,592,108 or gross dividend of MKD 7 per share.

## **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 20th meeting held on December 23, 2008 and since then it has been regularly reviewed.

In accordance with article 384-a of the Law on Trade Companies, the Board of Directors hereby issues its Statement on implementation of the Corporate Governance Code (that is published on SB website):

"The Board of Directors of Stopanska Banka is pleased to report that during 2020, the Bank has been in full compliance with its Corporate Governance Code, without any exceptions."





## CONFLICT OF INTEREST POLICY

The conflict resolution policy is drafted 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. 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 2020, 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.

## 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.

## **REMUNERATION DISCLOSURE FOR 2020**

On the 33rd 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 was 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 is disclosed the remuneration in Stopanska Banka paid by groups. There are no significant changes in the remuneration approach during 2020.

#### 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 shareholders

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

\*Mr. Lizos, representative of the shareholder no longer employed in NBG Group is remunerated in the same manner as the independent members below.





#### 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 1,816,449 gross (annually) while prof. Kjosev receives MKD 1,447,758 gross (annually).

#### II. Board of Directors

In 2020, total gross amount of MKD 28,587,220 (salary in the amount of MKD 24,241,706 and rewards in the amount of MKD 4,345,514) was paid to 4 members of the Board of Directors.

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

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 56,649,731 (salary in the amount of MKD 49,913,742 and rewards in the amount of MKD 6,735,989) was paid to the Officers with material impact on the risk profile.

IV. Other persons with special rights and responsibilities

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

Total gross amount of MKD 33,384,428 (salary in the amount of MKD 30,109,261 and rewards in the amount of MKD 3,275,167) was paid to the other persons with special rights and responsibilities.

\*The total credit exposure to persons with special rights and responsibilities at the end of 2020 amounted MKD 79,899 thousands which represents 0.57% 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).

## **CORPORATE SOCIAL RESPONSIBILITY**

Care and support for the community are integrated within Banks' mission, and over the years, they have served as basis for building meaningful and long-lasting relationship with the members of the community.

2020 was the year of significant changes and challenges for all of us. The year will be remembered by the global fight against the pandemic which inevitably brought on significant changes to the socioeconomic life. Changes in the habits and behavior of people have been reflected on the operations of companies, which unavoidably has caused for plans and expectations for the year to be changed. Priority was placed on maintaining the health systems, but also on economic stability, especially in areas which were most affected by the crisis.

In such environment, Stopanska banka AD – Skopje has never stopped providing its support, to both companies and individuals, as well as to the community with which the Bank is strongly connected. SB committed its operations foremost on providing favorable and safe working conditions, invested in protection of its employees from COVID-19 and cared for those who got infected. During 2020, majority of SB's CSR activities were focused on helping the health system in coping with the pandemic, by donating on several occasions valuable equipment required by the medical workers in constant fight for saving lives.

Because of the strict social distancing measures, there were no conditions to organize the recognizable massive events of the Bank i.e. "Vozi pravo, vozi zdravo", "Sonuvame.Menuvame" or any of the i-bank events. The entire budgets planned for these events were therefore diverted into helping the medical system. SB has donated respiratory machines, portable x-ray machine, surveillance and GPS system for the Emergency Unit, protection masks, face shields and gloves for 9 medical institutions in the country.

By supporting the community in these challenging times, SB also generated added brand value and remained at the forefront of CSR activities among the large companies.

The remaining CSR activities during 2020 are listed below in more details:

- Donation of medical equipment, such as: respiratory machines, portable x-ray machine navigation system for the COVID-19 fight to the Ministry of Health, Health Center Skopje and 9 other medical institutions across the country
- Donation of medical equipment incubators for the Department of Neonatology at the Uni-



versity Paediatric Disease Clinic in Skopje – The Red Cross of the Republic of North Macedonia, in celebration of its anniversary, 75 years of its existence in the country, organized numerous activities, including donation activity for the purpose of procuring incubators for the Department of Neonatology at the University Clinic for Children Diseases – Skopje, to which end the Bank donated particular amount

- TOPSI Pump track a bike park located at the Central City Park was open in October 2020. This track was a donation from the previous massive events VPVZ, intended as a biking playground for the young generations of the city of Skopje. Construction work began in 2019, however due to the pandemic the track was finished at a later stage.
- SB employees Since the beginning of the pandemic, SB scheduled and covered the costs for PCR tests for affected employees, thus ensuring business continuity and stopping the virus from spreading among the teams. Besides testing the Bank sent CARE packages, containing: fresh fruit and vegetables, boxes of vitamins, a book and flowers to employees in isolation due to positive PCR test, wishing them faster and easier COVID recovery
- Other CSR activities of SB during 2020 were as follows:
  - Reconstruction of the significantly damaged inclusive children playground in Krushevo, a small but important municipality. This donation is in line with the already recognizable affiliation of the Bank with the care for children with disabilities.
  - Donation of 7 bike repair stations in Skopje, Bitola, Tetovo, Strumica, Prilep, Kavadarci and Ohrid, making a total of 15 such stations donated by the Bank so far. This donation is in line with the 6 years-long investment in biking infrastructure and the campaigns the Bank has led for preserving the environment by choosing eco-friendly urban transport.
  - Sponsorship of North Western Chamber of Commerce

In conclusion, the CSR strategy of the Bank in 2020 was focused on supporting and contributing towards the fight against the pandemic and COVID-19 virus. However, it maintains its excellence beyond the core business and thus developed more client-friendly options for its products and services. All of these activities complemented our customer-centricity and added significantly to the image and the value of the company.



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