

STOPANSKA BANKA AD – SKOPJE

ANNUAL REPORT

2021

Skopje, April 2022

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Review of 2021 Activities

The Covid 19 Pandemic second year in a row is still present in the everyday' life highly impacting the health of the population, economic and social life. The world globally has faced with something new and unpredictable, with high level of uncertainty for the duration and the consequences. The banking sector showed high level of capacity for dealing with the crisis, undertaking measures and activities for amortizing the shocks, thus supporting the clients and securing the business continuity in the new environment. However, the new operating conditions imposed increased costs for operation and adjustment of the business model of all economic entities, including the banks.

With the undertaken measures for coping with the crises, the last year resulted in the increase of the GDP to app.4% that also statistically present the recovery of the economy. But, the new challenges that occur especially in the second half of the year such as the uncertainty related with the continuation of the EU integration processes, the increase of the prices of energy and raw materials, high level of the inflation that overall attributed to the higher production costs of the businesses, decrease the overall profitability and purchasing power of the population. This is expected to spill over to the regular servicing of the lending obligations toward the banks.

In the mentioned circumstances, the Bank management and all employees were actively engaged in providing the business continuity of the whole Bank's infrastructure, the clients' needs, the economy and the society as the whole. The main focus was put in the improvement of the digital infrastructure, which in the given period is more than necessary way of communication, and not just now but for future perspective as well. The Bank remains committed and closely connected with its clients, always trying to predict and asses their needs by offering reasonable and sustainable solutions and financial advices. The Bank continues to monitor the development of the crisis and undertake whatever measures needed.

As one of the systemically important banks, Stopanska Banka continued with successful results in 2021, similar as the previous years. The profit before tax amounts 2.729 million denars, which is 25% higher than previous year. The total assets of the Bank noted 8% increment and amounts 114.103 million denars. With total capital and reserves of 19.792 million denars, Stopanska Banka remains the highest capitalized bank with capital adequacy ratio of 16.5%.

Financial Highlights

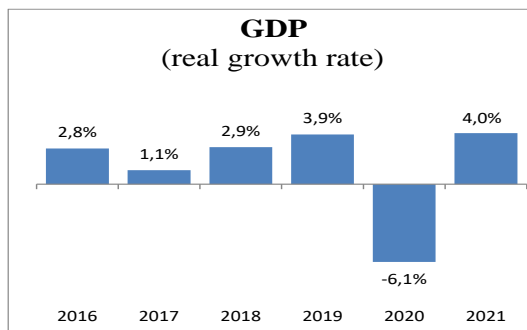
in eur million	2020	2021	Change %
Income Statement indicators			
Net Interest Income	60.2	62.4	3.7%
Net Commissions Income	12.0	13.5	12.5%
Total Income	79.6	85.2	7.0%
Operating expenses	-28.6	-29.4	2.8%
Net Operating Income	50.9	55.7	9.4%
Impairment losses	-15.6	-11.5	-26.8%
Pre Tax Profit	35.3	44.3	25.5%
Net Profit	32.1	40.0	24.6%
Balance Sheet indicators			
	2020	2021	change %
Total Assets	1,718.3	1,851.5	7.8%
Equity	281.7	321.2	14.0%
Regulatory capital	225.4	241.8	7.3%
Loans to customers (net)	1,150.8	1,266.3	10.0%
Total loans (gross)	1,195.9	1,309.4	9.5%
Retail loans	801.3	850.2	6.1%
Corporate Loans	394.6	459.2	16.4%
Provisions	45.0	43.2	-4.0%
Total Deposits	1,404.1	1,455.1	3.6%
Retail deposits	1,071.8	1,077.4	0.5%
Corporate Deposits	332.3	377.7	13.7%
Financial ratios			
	2020	2021	change (bp)
Net Interest Margin	4.2%	4.1%	-15.6
Cost income ratio	35.9%	34.5%	-142.3
ROA	1.9%	2.2%	31.9
ROE	12.1%	13.3%	115.1
Loans to Deposits ratio (gross)	85.2%	90.0%	481.5
Capital Adequacy ratio	16.8%	16.5%	-34.4
Operational Indicators			
	2020	2021	Change
Number of Units	64	64	0
Number of Personnel (eop)	1008	983	-25

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

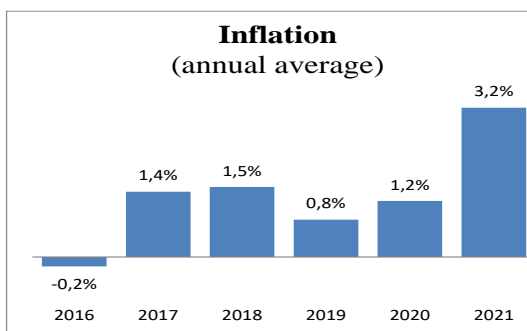
Economic Environment

The COVID-19 pandemic continued to persecute the world in 2021. The effects of the vaccination process were not as strong as expected since new variants of the virus emerged. On a positive note, new lockdowns were avoided which enabled gradual recovery of the global economy. However, the disrupted supply chains resulted in significantly higher prices worldwide, especially in the energy and food component. Having in mind the current political tensions, the uncertainty is about to continue.

After a 6.1% decline in 2020, the domestic economy showed signs of recovery with an increase of 4.0% in 2021, mostly driven by private consumption and investment. Diaspora travel boosted remittances, contributing to higher demand. The largest GDP rebound was evident in the second quarter (13.4%), not forgetting the lower comparative basis. However, the current global political instability is not giving a positive outlook for 2022.

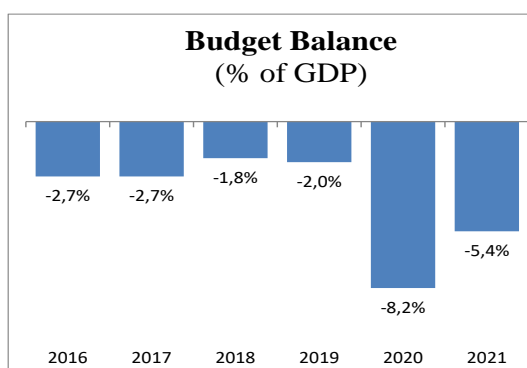


The disrupted global supply chains and the mismatch of supply and demand caused by the pandemic, resulted in high inflation worldwide that hasn't been recorded in the last two decades. Many countries registered inflation rates of above 5% mostly driven by energy and food prices. **The average CPI in the domestic economy for 2021 increased by 3.2%, having in mind that the annual rate was 4.9%.**

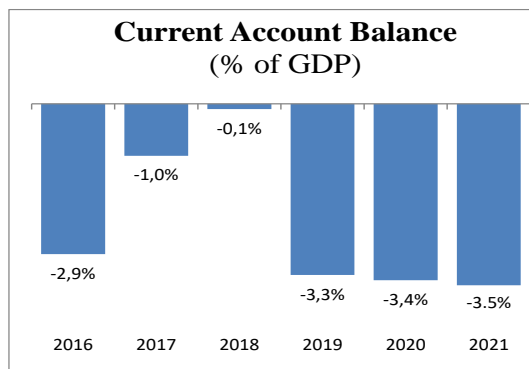


Considering the ongoing political tensions globally, the upward risks are in place.

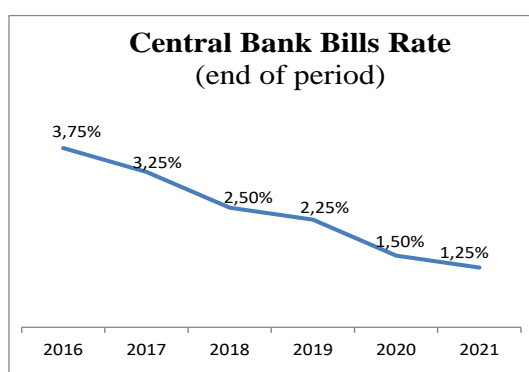
The **fiscal balance** has improved in 2021 due to a rebound in revenues. The sizeable support to the economy in the wake of the pandemic, brought a deficit of 8.2% of GDP in 2020. Driven by a strong revenue performance (15.3% increase), the budget deficit in 2021 has narrowed to 5.4% of GDP. As of end of 2021 the **public debt** amounted to EUR 7,135.3 million or 60.9% of GDP. In March, Republic of North Macedonia has issued the eight Eurobond so far in amount of EUR 700 million with a 7-year maturity period and at historically lowest interest rate of 1.625%. Its aim was to refinance the third Eurobond issued in 2014, amounting to EUR 500 million. In line with the Public Debt Management Strategy, it remains the endeavor to reduce the public debt well below the Maastricht criterion of 60% until 2026.



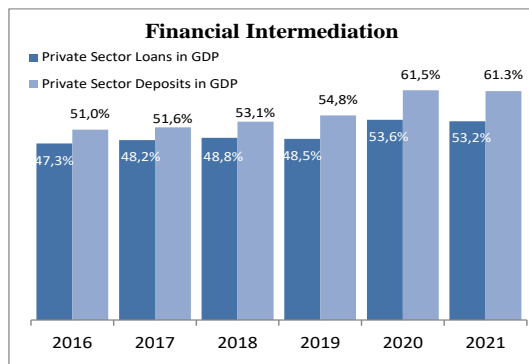
The external position in 2021 remained steady resulting with current account deficit of EUR 415.7 million or 3.5% of GDP, slightly higher than 2020. Private transfers significantly rebounded reaching EUR 1,889.9 million, which is 43.9% higher than the previous year, covering 100.8% of the trade deficit. With regards to the financial account, foreign direct investment also expanded reaching EUR 512 million, compared to EUR 201.4 million in 2020. The adequate level of gross foreign reserves (EUR 3,643.3 million or 4.5-months import coverage) enabled sufficient buffers against potential unforeseen shocks.



According to the NBRNM, the current monetary policy stance is appropriate as it supports solid credit growth and inflation is in line with the euro area. Foreign reserves are at a comfortable level and foreign currency liquidity in the banking system remains suitable. In March 2021, the Central bank reduced the key interest rate on CB bills to a historic low of 1.25%. However, given the uncertainty regarding the future path of inflation and the tensions in Ukraine, the NBRNM states that it will continue to closely monitor developments and potential risks, emphasizing its readiness to act as needed to support the currency peg.



During the corona-crisis the banking system succeeded to remain well capitalized, liquid and profitable. It showed an ability to support the economy in complex conditions and further meet the requirements of its clients. At the end of 2021, total deposit growth reached 7.8% on annual level. Herein, corporate deposits recorded a stronger growth of 11.6%, while retail deposits increased by 7.1%. The credit growth at the end of the year reached 8.3%. The retail loans grew by 7.8%, while corporate loans were higher by 8.7%. NPE level continued its downward trend reaching 3.2% as of 31.12.2021. The loans to deposits ratio at the end of the year stood at 82.6%. The capital adequacy ratio of the banking sector as of 31.12.2021 was 17.3%. The profitability ratios ROA and ROE were somewhat higher than the previous year, reaching 1.5% and 12.9% respectively. Overall, the banking system continues to be healthy, however risks need to be closely monitored.



Basic Macroeconomic Indicators

	2017	2018	2019	2020	2021
Output					
Gross Domestic Product (real growth rate)	1,1	2,9	3,9	-6,1	4,0
Industrial Production (annual growth rate)	0,2	5,4	3,7	-9,5	1,4
Prices, wages and productivity					
CPI (annual average)	1,4	1,5	0,8	1,2	3,2
CPI (year-end)	2,4	0,9	0,4	2,3	4,9
PPI (annual average)	0,5	-0,3	0,9	0,8	8,5
PPI (year-end)	1,4	-0,8	1,1	1,8	15,0
Real wages (annual growth rate)	1,2	4,4	3,1	6,5	2,3
Government finance					
General government balance (% of GDP)	-2,7	-1,8	-2,0	-8,2	-5,4
External sector					
Current account balance (% of GDP)	-1,0	-0,1	-3,3	-3,4	-3,5
Export of goods and services (in million eur)	5.509	6.463	6.972	6.264	7.738
Import of goods and services (in million eur)	6.921	7.828	8.585	7.642	9.613
Export of goods and services (annual growth rate)	12,0	17,3	7,9	-10,2	23,5
Import of goods and services (annual growth rate)	8,3	13,1	9,7	-11,0	25,8
Gross external debt (in million eur)	7.372	7.844	8.154	8.536	9.547
Foreign reserves (in million eur)	2.336	2.867	3.263	3.360	3.643
Exchange rate MKD/EUR (average)	61,60	61,51	61,52	61,69	61,63
Monetary aggregates					
M1 growth (dec./dec.)	10,7	18,7	17,2	16,4	8,7
M2 growth (dec./dec.)	4,1	11,8	9,9	11,2	10,3
M2 denar growth (dec./dec.)	5,4	14,5	12,7	10,6	5,5
M4 growth (dec./dec.)	5,3	11,8	9,3	6,9	7,0
M4 denar growth (dec./dec.)	6,4	14,0	11,4	5,5	1,7
Credit to private sector (dec./dec.)	5,7	7,3	6,0	4,7	8,3
Interest rates					
Money market interest rate (annual average)	1,10	1,07	1,10	1,07	1,02
CB bills rate (annual average)	3,30	2,92	2,29	1,64	1,29
Money market interest rate (end of period)	1,10	1,09	1,13	1,10	1,09
CB bills rate (end of period)	3,25	2,50	2,25	1,50	1,25
Capital markets					
Macedonian Stock Exchange index-MBI (growth rate-eop)	18,9	36,6	34,0	1,2	30,8

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

Banking sector & SB

(in mil mkd)

Position/Indicator	Banking sector	SB	Market share
Total assets	638,665.8	114,102.7	17.9%
Total loans	383,626.7	78,315.2	20.4%
Total deposits	468,844.2	86,860.5	18.5%
Loans growth-retail	8.2%	6.4%	
Loans growth-corporate	9.0%	16.5%	
Deposits growth	8.8%	3.4%	
ROA	1.5%	2.2%	
ROE	12.9%	13.3%	
C:I	47.4%	34.5%	
NIM	2.6%	4.1%	
NPE	3.2%	3.9%	
CAR	17.3%	16.5%	

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

Stopanska Banka AD Skopje accounts 18% of the total banking sector assets and almost 1/5th of both deposits and loans. In 2021, the realized growth rate of loans was 8.9% and 3.4% of deposits. During 2021, the performance of the Bank was in many aspects higher compared to the total banking sector as shown above. Namely, ROA 2.2% vs. 1.5%, ROE 13.3% vs. 12.9%, NIM 4.1% vs. 2.6% and the cost-to income ratio well below the banking sector with remarkable 34.5% vs. 47.4%. The capital adequacy ratio was 16.5%.

Financial Performance

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

Interest income

During 2021, the interest income from the retail loans amounted to EUR 48.7 million, having the biggest participation within the total interest income of 72.9%. In the same time, the interest income from corporate and other activities (investments in securities, interbank placements and other) amounted to EUR 18.1 million i.e. increased by 2.8% compared to the previous year. In the environment of the continuing trend of interest rates decline, the total interest income amounted to EUR 66.8 million.

in EUR million

	2020	2021	% change
Interest income	67.0	66.8	-0.3%
Retail loans	49.3	48.7	-1.2%
Corporate loans	12.6	13.3	5.6%
Other	5.0	4.8	-4.0%

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. 35%.

in EUR million

	2020	2021	% change
Interest expenses	6.80	4.4	-35.3%
Retail deposits	5.20	3.3	-36.5%
Corporate deposits	0.60	0.3	-50.0%
Other liabilities	1.10	0.9	-18.2%

Net Interest Income

Net interest income amounted to EUR 62.4 million and increased by 3.7% 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 almost same interest income as last year.

in EUR million

	2020	2021	% change
Net Interest income	60.2	62.4	3.7%
Interest income	67.0	66.8	-0.3%
Interest expenses	6.8	4.4	-35.3%

Fee and Commissions Income

In 2021 net fees and commission income reached EUR 13.5 million. Within this, the most significant part (43.7% of the Bank's total fee and commission income) relates to fees from transfer of funds in amount of EUR 5.9 million, recording a decrease of 15.7% compared to the same period last year. The net income from lending activities is the second largest fee item, which

at the end of 2021 amounted to EUR 3.8 million representing 28.1% of the total fee and commission income.

in EUR million

	2020	2021	% change
Net fees and commissions income	12.0	13.5	12.5%
loans	3.8	3.8	0.0%
letters of guarantee	0.7	0.8	14.3%
transfer of funds	5.1	5.9	15.7%
others	2.4	3.0	25.0%

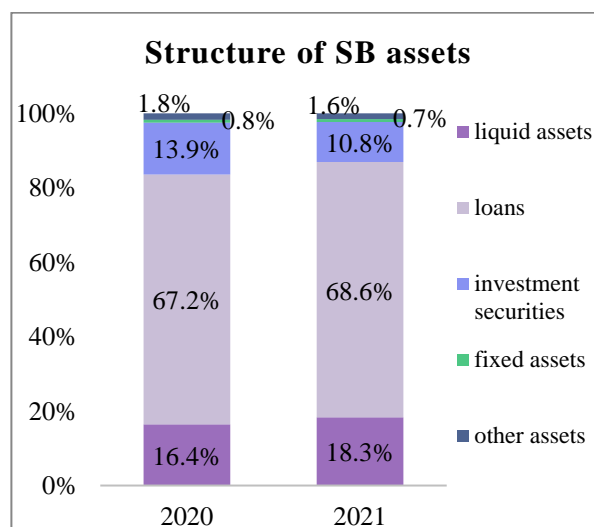
Operating expense

During 2021, the Bank continued to pursue operational excellence in both cost efficiency and risk management, resulting in keeping the costs in line with the budgeted figure and maintaining excellent credit quality results. The total operating expense amounted to EUR 29.4 million and has remained on the same level as last year. Because of its effective cost containment policy in place accompanied by the growing revenues, the Bank succeeded to maintain the relatively low cost to income ratio of 34.5%, far below the banking sector average.

Assets and Liabilities

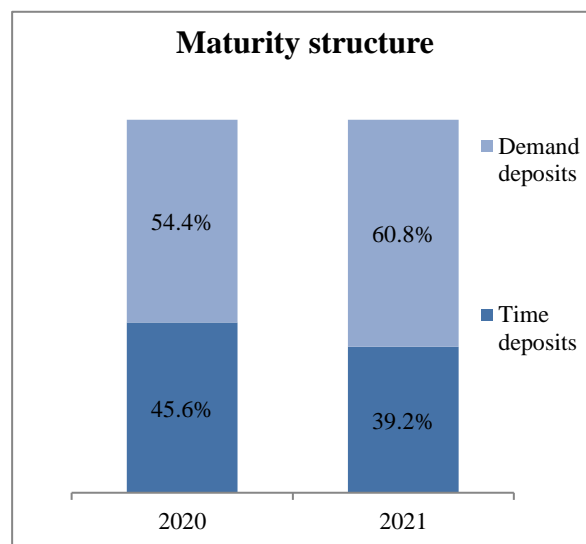
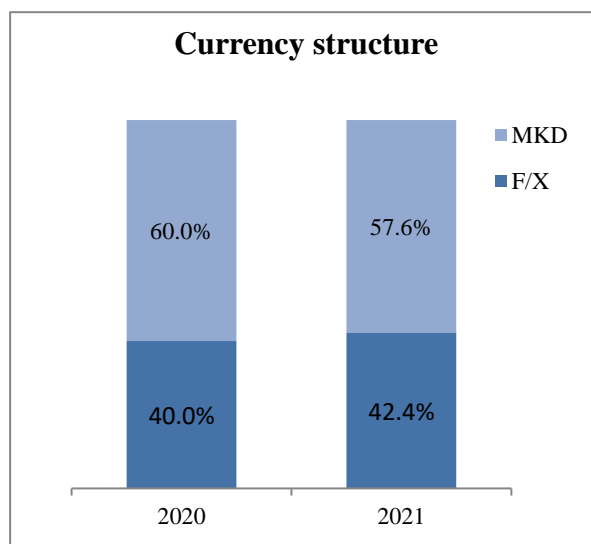
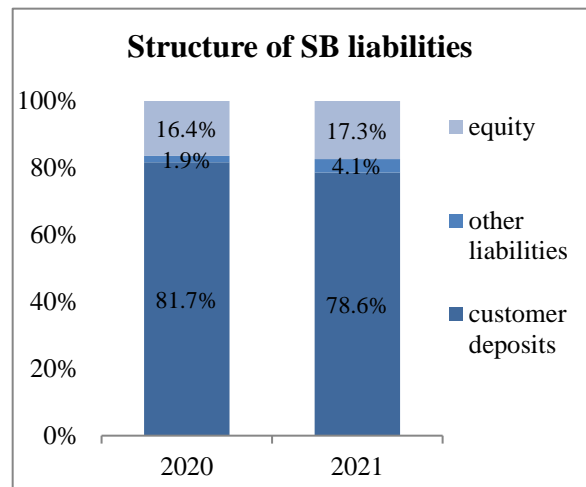
Assets

The Bank's total assets at the end of 2021 amounted to EUR 1,851.5 million, which is EUR 133.2 million or 7.8% higher in comparison to 2020. The Bank continued to enhance its prudent approach with balanced growth, adequate liquidity and strong capital base. The share of liquid assets in the total assets of the Bank is 25.13%. The total loan portfolio reached EUR 1,309.4 million, out of which EUR 459.2 million were extended to corporate customers, while retail exposures amounted to EUR 850.2 million.



Deposits and Equity

The Bank's deposit base increased by 3.6% or EUR 51.0 million. Deposits continue to be the main funding source of the Bank, amounting to EUR 1,455.1 million and as a result, at the end of 2021, the loans to deposits ratio reach 90.0% on gross basis, still sufficient to enable the Bank's strong credit potential. Furthermore, change of the maturity structure of the deposits and shift in shorter term tenors can be noticed in the year under review, still indicating stable sources of funds for the Bank's further credit expansion.



The currency composition of the deposits' base indicates stable share of domestic currency denominated deposits of 58% (60% in 2020).

The Bank equity amounted to EUR 321.2 million at the end of 2021 and as such, it is still the highest within the banking sector in the country, ensuring sufficient capital adequacy and quality source of long-term funding.

Retail Banking

The year 2021 was again severely impacted by the covid pandemic, however with the strong vaccination efforts societies began the arduous return to normal way of life, which is still in the process.

From retail banking perspective following 2020, a year of severe lockdowns and restrictions, 2021 brought in a sense of relief and mostly past Q1 clients began relaxing and becoming more

consumer oriented in the sense of shopping, investing, experiencing more. The Government led support for delayed repayment was complete with the end of Q1 and the following three quarters the retail lending returned to gradual growth.

Branch locations remained throughout the entire 2021 with adjusted working hours and with more regulated accesses to the facilities, naturally drew more clients to seek digital solutions and increase both frequency and amount of transactions executed online. The Bank also became more open to clients online offering extended services for both retail and SBB clients.

The Contact center challenged with the limitation to working spaces remained distributed on several locations however consistently provided premium customer care 24/7 increasing the workload multiple times compared to the pre-covid years.

SBB clients also reinvented themselves in 2021 and began investing in the promising future by adjusting their offer to suite the changing market and narrative.

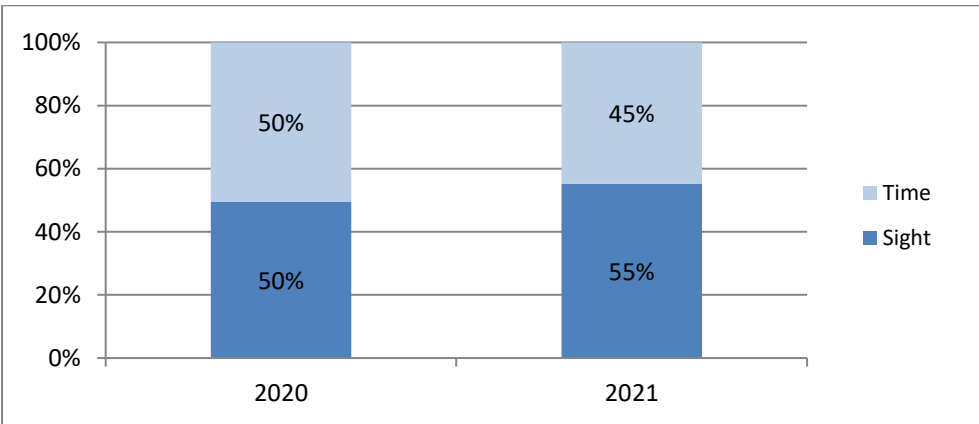
Retail deposits

The retail deposit base grew 2021 reaching the 1.08 billion mark continuing to reflect the trust the customer base has in the Bank.

The **sight vs. time deposit ratio** remain balanced, slightly in favor of sight deposits, considering that clients still preferred to have liquid funds during the covid crisis, in addition to deposits having low interest rates.

The ratio between FCY and LCY is pretty much balanced, as it seems clients have rather balanced preference for one or the other.

Sight/Time Structure of deposits

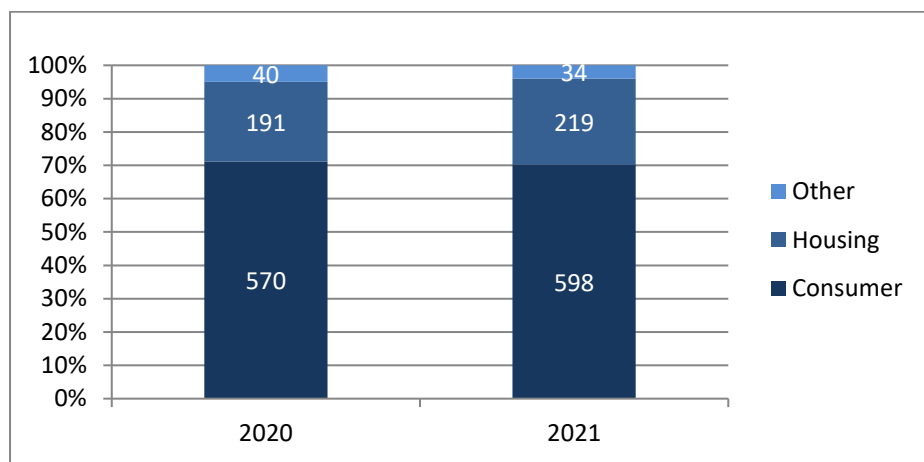


Retail lending

Beginning March 2021 all retail lending activities were re-established and activated and modestly promoted adjusted to the mood of the market.

Time restricted promotional offers delivered solid results, and a 6.1% increase in retail lending was achieved overall compared to 2020, with higher percentage in the secured loans category.

Structure of retail portfolio



The **Housing loan** portfolio noted a substantial increase of more than 14% compared to 2020 reflecting once more how stalemate the situation in real estate was in 2020 and how invigorating 2021 felt among consumers. The Bank continued supporting the Government’s project “*Kupi kukja, kupi stan*” subsidizing clients purchase of their first home while maintaining the core business – new construction or secondary purchase of real estate.

Consumer loans grew by 8.6% compared to 2020, demonstrating the mood among clients to invest, rather than to spend.

Cards Business

The **Cards** portfolio continued to generate higher card transactional volumes, especially considering debit cards, since many clients during the pandemic were encouraged to shift from cash to card payments. Growth of the debit cards transactions continued this year as well, and was sufficient to offset the lower transactional volume of the credit cards, resulting with cumulative annual growth of 22% in POS volume for both SB debit and credit cards.

Bancassurance and cooperation with Pension Fund

SB Bancassurance continued to develop and several novelty products were introduced benefiting both our clients, our employees and our core business. SB lending products continue to be bundled with insurance products and the Bank is now also offering Unit Link life insurance (with investment options) and credit protection insurance (CPI) for certain products.

Travel insurance continues to be offered to loyal client's users of credit cards for free which significantly influences the sale of this product to retail clients. For SB this activity has become a stable and growing revenue stream.

Contact Center and iBank services

The **contact centre**, with its availability 24/7, established itself as the key client service point following the pandemic and the strict restrictions to branch access. SB Contact Centre customer interactions continued to grow, exceeding 50.000 direct interactions on a monthly level, and providing significant contribution in sales of SB retail products and services.

2021 continued with the noticeable increase in users of Stopanska **digital and direct banking platforms** available under the i-bank brand.

Considering **digital banking for individuals**, in 2021 Stopanska records a 20% annual growth of i-bank transaction, 10% growth of active i-bank transactors and more than 110.000 customers that digitally accessed their accounts in 2021. This growth was supported with digital banking novelties that were introduced in 2021 in order to push online enrollment to SB i-bank service.

Considering **digital banking for small businesses and other legal entities**, we also evidence significant growth in 2021 which led to having 80% of transactions of the legal entities in 2021 processed through SB digital banking, while only 20% still use branches for processing their transactions. Growth of SB digital banking for legal entities in 2021 was also supported with digital banking novelties such as: m-banking for legal entities, issuance of new digital certificates, and other enhancements.

SBB Segment

The SBB segment, in its core specifics is very adaptable, very versatile and entrepreneurial which contributes to fast responses to crisis as it is easier for some of them to diversify and overcome the economic instability and focus again on growth afterwards.

We were witnessing exactly that in 2021 when a solid growth of 16% of SBB lending occurred mostly because clients were asking for working capital loans, but also for investments and diversification loans.

Finding a strong, reliable financial partner and consultant in our SBB team, the companies were able to find products and negotiate customized terms, and this type of partnership continues mostly based on the fact that the Bank offers a broad variety of products suitable for small businesses: deposits, payment operations, payrolls processing, POS acquiring etc.

Corporate Banking

Marked as a second pandemic year, 2021 brought many challenges and uncertainties in businesses and everyday lives of people. However, as in the previous years, the overall market trend of rising banking competition continued in 2021, contributing to the environment of low interest rates and further declining of pricing of other banking services.

Stopanska Banka AD Skopje continued with the implementation of the defined strategy for corporate lending market share increase. The achieved annual corporate credit growth is 16,1% or net increment of the portfolio in amount of € 63,95m. As a result of this growth, the corporate portfolio market share of SB as of Dec. '21, reached to 15,4%. The overall adjustments in corporate banking made by SB and successfully implemented market strategy resulted in effective and competitive market demand, enriching the client base and increasing the market share. As in the initial period of the pandemic, the Bank continued with the activities for intensified monitoring of the quality of the corporate portfolio and detailed analysis of corporate clients in order to design an appropriate solution, depending on the needs and requirements of each corporate client.

The prolonged Covid-19 crises, the energy crisis, inflationary pressures, as well as the latest serious events related to the Ukrainian crisis, remain high on the agenda of the most important issues for daily management of the Bank's portfolio aimed to careful planning and intensive monitoring of market conditions and the broader environment.

However, despite the unstable global market environment and strong competition, Stopanska Banka will continue the upward trend of the corporate portfolio and increase of the market share in this segment, always in accordance with its credit policies, applying the best prudential standards. As in the previous period, every corporate client will be able to benefit from of the Bank credit and deposit products, which fit its best needs and business interests. By this, the SB clients will be able more successfully to face the challenges of the new environment in which we live and work, as well as to create opportunities for their further development, boosting the greater production, new projects and more newly created jobs.

Risk Management

As one of the country's largest financial institutions, offering banking services, Stopanska Banka AD Skopje is exposed to a variety of risks. Without taking risks, profitable banking activities are impossible, which is why SB accept a certain degree of risk as defined in our Risk Appetite Framework (RAF). 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 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 exposures are 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 for 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 has disrupted lives across all countries and communities and negatively affected global economic growth in 2020 beyond anything experienced in nearly a century. The global economy shrank in 2020 as demand and supply, trade, and finance were severely disrupted. 2021 was unquestionably marked by the unpredictable character of the Covid-19 pandemic as well, including the emergence of new variants of the virus and the resulting restrictive measures. Worldwide supply chain challenges and increasing inflation were also part of the economic uncertainty. However, despite these challenges, worldwide economy recover quickly and better than expected. In line with the global trends gradual recovery for the local economy was noted as well.

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 for 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 group of customers. The monitoring process consists of regular credit reviews throughout the life cycle of the product facility, internal risk classification and Early Warning Systems, system for assessment of Significant Increase of Credit Risk (SICR) and Unlikeness To Pay (UTP), that all together aim to

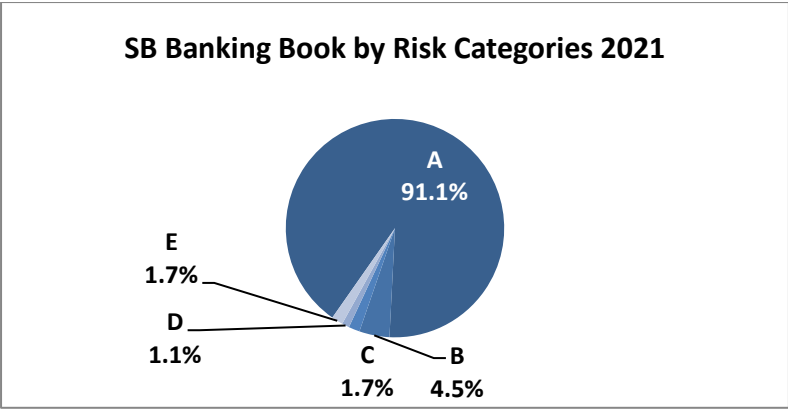
ensure timely undertaking of necessary actions in order to minimize the credit loss. The credit exposure is also continuously monitored against the established concentration limits based of sector, collateral type, obligor rating, etc. in line with Risk Appetite Framework of the Bank.

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

Despite the impact that pandemics had over the world and local economy, throughout 2021 the Bank continued the current prudent credit policy and a balanced growth of the credit portfolio that suits its strategy and reputation. All its credit risk objectives, tools and a clear governance structure of the risk management process is incorporated in the Bank’s Credit Policies and the Risk Appetite Framework of the Bank, approved by the Supervisory Board of the Bank.

Quality of Credit Portfolio

Within the implemented solid credit risk management framework, SB managed to maintain a sound and well-diversified credit portfolio. Growth of the credit portfolio, along with maintaining a low and controlled NPE ratio is one of the Bank’s main strategic objectives, which the Bank managed to achieve in 2021, despite decreased economic activity in domestic economy, caused by the Covid-19 pandemics.

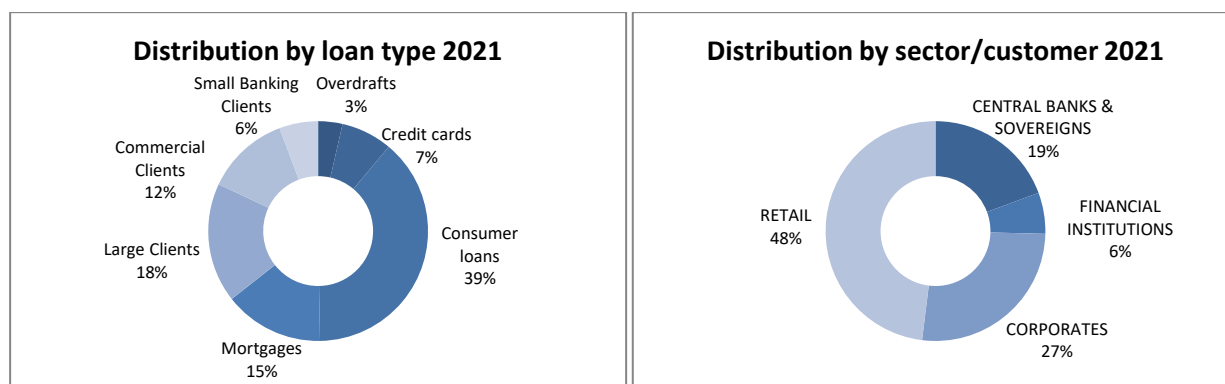


According to the NBRNM Methodology, each credit risk exposure is classified in one of the five risk categories (A, B, C, D and E). The exposure within the best credit risk category i.e. “A” credit risk category has increased from 88,1% in 2020 to 91,1% in 2021, mostly due to exposure classified in “B” category, that decreased from 7,2% in 2020 to 4,5% in 2021. High-risk debt exposures classified in “D” and “E” categories are lower by 0.2 percentage points in comparison with 2020 and compose 2,8% 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, 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

The Bank in continuity maintains the liquidity position at the high level thus enabling performance of all business activities and regulatory requirements. The liquidity of Stopanska originates mostly from its own funding sources- clients' deposits, out of which 60% are transactional accounts and sight deposits, which is characterized with higher fluctuations. In such conditions, the liquidity management requires adequate set of liquidity instruments, grouped according term and currency structure. The Bank's liquidity position is consisted of: cash in vaults and branches (6%), accounts in domestic and foreign banks- including mandatory reserves held with the Central Bank (52%) and securities (43%).

Maintaining the liquidity is based on the preparation of several scenarios and projections of the cash flows and matching these movements with the maturities of the obligations. The planning and managing of the liquidity is based on a daily basis, with real time monitoring of those positions that impact the most. In terms of pandemic and global uncertainty, the Bank successfully dealt with all shocks that proves its competence and capacity to manage with uncontrollable events.

The Bank in continuity reviews and improves the system of internal controls and infrastructure composed of policies, procedures and mechanisms for defense set at three levels- the first which is operational level of liquidity management run by the Treasury Division, second level of monitoring run by Risk Division and the third level of defense in charge of the Internal Division.

Regulatory requirements

The average fulfillment of the denar mandatory reserve in 2021 was 100, 19%, that shows that the Bank has successful and qualitative liquidity management. The Central Bank in 2021 enacted the new Decision on the methodology for liquidity risk management, according which the new liquidity coverage ratios were introduced. This Basel based indicator is designed to secure the banks in the country to maintain sufficient level of high liquid assets that will enable resilience of significant liquidity shock in period of 30 days. Stopanska Banka fulfills this obligation with much higher than minimum required level of 100%.

The participation of the top ten biggest deponents in the total funding sources as of 31.12.2021 is 12.3% that is low level of concentration and dependence i.e. wide client diversification.

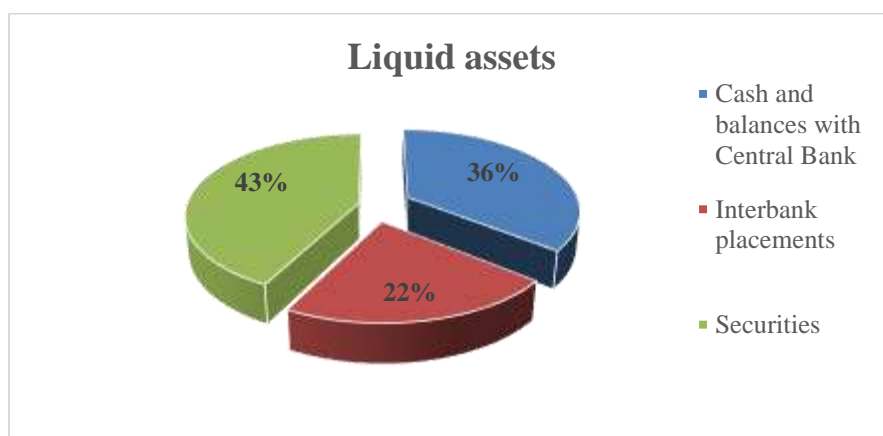
The aggregate foreign currency position is also monitored on a daily basis and its movement is within the prescribed range of +/- 30% vs. the Bank own funds.

The structure of the liquid assets

The Bank maintains the optimal liquid structure according the needs and wider prospects of asset and liability management.

In 2021 the Bank had the following average structure of liquid assets:

- Cash and funds with the Central Bank-36%
- Interbank placements-22%
- Securities-43% of the liquid assets.



The level of the high liquid assets as presented above represents approximately 29% of the total assets.

Financial market operations

Stopanska Banka continues to be significant market maker and supporter of the companies and retail customers, intermediating among supply and demand of foreign exchange currencies, covering the gap mainly from its own sources and only small part is provide but other banks.

The market share is increased in 2021 with total market turnover of 1.14 billion euros, of which 43% were buying transactions and 57% selling transactions by the Bank. From currency structure perspective, 83% were euro related, 14% US dollar and only 3% other currencies.

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 as a whole.

Interest rate risk management process reflects the Bank's risk strategy, risk tolerance, 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.

SB acknowledges its exposure to Interest Rate Risk in the Banking Book (IRRBB) and the need for its effective management, as an integral part of the Bank's commitment to protect the interests of its clients and shareholders. On that note, SB recognizes the importance of IRRBB management in effectively managing its balance-sheet, its capital and its earnings stream.

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 Bank has established a framework for managing interest rate risk in order to minimize the effects of adverse changes in future interest rates and to ensure timely identification, measurement, monitoring and mitigation of the interest rate risk exposures. The framework encompasses risk factors and their estimation, measurement methodologies, stress testing methodology, interest rate risk in the banking book (IRRBB) metrics and limits as to ensure that this risk is appropriately measured, monitored and controlled.

The main objective of interest rate risk management is to mitigate the risk of incurring losses arising from market interest rate changes to an acceptable level by appropriate modelling of the structure of rate sensitive balance sheet positions and off-balance sheet items.

At the end of 2021, 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.

SB continues to manage the IRRBB exposure through establishing of appropriate structure of the rate sensitive positions, with purpose those rate sensitive asset and liability to be highly correlated, resulting with insignificant repricing/maturity gap and with that, low level of interest rate risk exposure.

Foreign Exchange Risk Management

As part of its day-to-day market risk management, the Bank also takes care of currency risk. 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 the 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. The Bank maintains the aggregate foreign exchange position i.e. the exposure to currency risk, within the legally prescribed limit which is 30% of the Bank's own funds.

In 2021, the currency risk management process was implemented within the prescribed legal and internal limits, similar to currency risk exposure.

Operational Risk Management

SB applies the comprehensive Operational risk management framework (ORMF) to identify, manage and prevent operational risks resulting from inadequate or failed systems, internal processes, human errors or external events.

The SB has a consistent 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
- Improve quality of operational risk information leading to more informed risk decision-making and capital allocation

This framework is aimed at keeping operational risks within the moderate/low risk profile and is in line with the NBG Group and Bank's Risk appetite.

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

According to the definition in Basel Framework adopted by Stopanska Banka, operational risk includes legal risk, risk of non-compliance, risk of money laundering and terrorist financing, as well as risk of inadequacy of information systems.

By enhancing the ORMF, Stopanska Banka provides the foundations, principles and governance arrangements for designing, implementing, monitoring, reviewing and continually strengthening operational risk management throughout the Bank.

The SB's new ORM approach consists of the following key framework components and their respective internal governance policies:

- 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)

During the last quarter of 2021, in accordance with the regular update, SB upgraded the Decision on establishing Key Risk Indicators for Operational Risk Management in Stopanska Banka, as

one of the four key component that constitute the Operational Risk Management Framework (ORMF).

The key indicators for operational risk management in Stopanska Banka in 2021 were supplemented with 15 new indicators: 1 annual, 1 quarterly, 8 semi-annual and 5 monthly indicators.

The overall focus of the 2021 ORM process was aimed at further strengthening the Operational risk management function within entire Bank by paying significant attention to reporting adverse events, mitigation measures and defining operational risks in all segments. Raising the culture of operational risk and awareness of operational risk issues, as well as enhanced monitoring of operational risk exposure is achieved by an intensive proactive role by the Risk Management Division, with the intention of eliminating or mitigating operational risk exposure in compliance with the Bank's risk profile, risk strategy and business objectives.

The SB's ORMF provides a structured approach for managing operational risk. It applies consistent standards and techniques for evaluating operational risks.

During the year 2021, all of the main ORMF fundamental components were fully implemented in accordance with NBG Group and Stopanska Banka Operational Risk Management Policy and Methodologies and in compliance with regulatory standards and consequently, ORM process was accomplished with high expertise, avoiding the negative effects on the financial results and capital position and ensured that the ORMF is effective, appropriate and implemented with integrity.

Within the annual stress test of the Bank, stress testing of the operational risk is performed with purpose to assess the Bank's ability to mitigate the main losses arising from inadequate or unsuccessful internal processes, people and systems or external events.

Capital Adequacy, Internal Capital Adequacy Assessment Process and Stress Test

Maintaining a strong capital base as a precondition for business growth and absorbing all possible risks is a priority and main focus of the Bank. The total regulatory capital of the Bank as at 31.12.2021 amounted to EUR 241.8 million, out of which the Tier 1 capital amounted to EUR 240.3 million and the Tier 2 capital amounted to EUR 1.5 million, which resulted in a capital adequacy ratio of 16.5% as of 31.12.2021.

As a part of the prudently established risk management framework, the Bank regularly performs the Internal Capital Adequacy Assessment Process (ICAAP) and assesses the resilience of its capital adequacy by conducting stress testing, by taking into account the up-dated circumstances and risks prevailing and the moment of stress-testing and forecasting the expected ones. The Bank's ICAAP ascertains that SB's capital is sufficient to cover all the material risks to which it

is exposed to, and that the identified excess of capital is more than sufficient to cover all other risks that cannot be adequately quantified but to which the Bank is exposed to in the regular business activities. As prescribed, the stress test exercises are also an integral part of the risk management framework, especially needed to provide estimates and trigger attention of the size of financial losses and its impact on the overall business, including the capital adequacy. During 2021, 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 2021, Compliance Division (CD) undertook vast number of activities for monitoring of the implementation of all relevant novelties in the domestic and international regulations related to banking operations by continuous implementation of efficient system for controlling SB activities that comply with the applicable domestic and international regulations. Such activities included:

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

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

Considering Anti-Money Laundering (AML) and Combat Terrorist Financing (CTF) Activities, during 2021, CD realized series of activities for implementation of measures and activities prescribed in the AML and CTF Law (Law), as well as for improvement and further upgrade of

internal systems and processes used by the CD on a daily basis. Moreover, in 2021 the number of staff employed in CD was maintained accordingly in accordance with the requirements from the Law.

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

Personal Data Protection

Privacy and the confidentiality of its clients is of utmost importance for Stopanska Banka, having in mind the nature of the banking business and the data that the banks are collecting for their daily operations. The Bank has re-appointed Officer for Personal Data Protection and the whole network of dedicated employees per organizational unit that are ensuring that the personal data are:

- ✓ 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.

In August 2021 the new Law on Personal Data Protection, which transposed the EU General Data Protection Regulation, entered into force. Thus, the Bank initiated a set of activities in order fully to align with the new regulatory requirements and the highest standards in data protection, such as:

- ✓ Regular communication and activities related to raising awareness and training of the employees of the Bank in order to ensure secrecy and protection of the confidentiality of the data of SB customers;
- ✓ Revision of the Personal Data Protection Policy as highest policy-level act passed by the Supervisory Board;
- ✓ Update of the video-surveillance internal act;
- ✓ Adoption of Privacy Policy available on SB website that is aligned with the Privacy Notice by the Group and the Law on Personal Data Protection;
- ✓ Activities that ensures that the direct marketing of the Bank may be performed only if the targeted client gave prior explicit consent for this purpose (system check as obligatory step in the process);

- ✓ Update of the cookie policy of the website of SB;
- ✓ Re-appointment of Personal Data Protection Officer that coordinates the process of compliance with the Law on Personal Data;
- ✓ Revised Application for registering clients of the Bank that is main and initial document that collects personal data of SB clients; etc.

Moreover, representative of SB is Chairman of the newly established Committee for Personal Data Protection within the Macedonian Banking Association, which serves as a body that promotes unified and full implementation of the data protection and privacy standards within the banking industry.

CORPORATE GOVERNANCE REPORT 2021

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

The following Report is presented to the shareholders of SB and the public in accordance with the Decision on good corporate governance rules for banks and Law on Trade Companies.

1. SB Bodies

1.1. SUPERVISORY BOARD

The Supervisory Board of Stopanska Banka AD – Skopje consists of 7 members, out of which 2 are independent ones, with the term of office determined to four years, appointed by the Shareholders Assembly. The composition of the Supervisory Board in 2021 is as follows:

1. Marinis Stratopoulos, **Chairman**, CEO of NBG Cyprus Ltd.;
2. Christodoulou Christodoulos, Chief Financial Officer, National Bank of Greece S.A. Athens;
3. Dimitra Gkountoufa, **member**, Director in CEO Office, National Bank of Greece S.A. Athens;
4. Ioannis Kagioulis, **member**, Head of Group Risk Culture and Risk PMO Division, National Bank of Greece S.A. Athens;
5. Vladimir Filipovski, **independent member**, Professor, Faculty of Economics at University “St. Cyril and Methodius” Skopje;
6. Sasho Kjosev, **independent member**, Professor, Faculty of Economics at University “St. Cyril and Methodius” Skopje; and
7. 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;
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;
12. adopts and implements the policy for selection, monitoring the operation and dismissal of members of Supervisory Board, Risk Management Committee, Audit Committee and Board of Directors;
13. reviews the reports on the activities of SB Board of Directors;
14. reviews the reports of SB Risk Management Committee;
15. reviews the reports of the Audit Committee;
16. reviews the reports of the Internal Audit Division;
17. reviews the reports of the Compliance Officer/Division;
18. approves the annual financial statement and the financial statements of SB,;
19. approves the exposure to individual entity exceeding 10% of SB own funds or EUR 10,000,001, with the exception of exposure based upon purchasing securities issued by the National Bank of the Republic of North Macedonia and Republic of North Macedonia;
20. approves the transactions with persons related to SB exceeding MKD 6,000,000;
21. approves the acquiring equity holdings and purchase of securities higher than 5% of SB own funds, other than purchase of securities issued by the National Bank of the Republic of North Macedonia and of Republic of North Macedonia;
22. approves the proposal of the Audit Committee for appointment of the external audit company, or the proposal for termination of the agreement with the external audit company and is responsible for ensuring that an appropriate audit is conducted;
23. adopts the Internal Audit Policy/Charter;
24. reviews the supervisory reports, other reports submitted by the National Bank, the Public Revenue Office and other competent bodies and proposes, i.e. undertakes measures and activities for addressing the identified non-compliances and weaknesses in SB operations;
25. approves the annual report on the SB operations and submits written opinion thereon to the SB Shareholders Assembly;

26. reviews the report of the external audit company and submits written opinion thereon to the Shareholders Assembly;
27. adopts SB Code of ethics;
28. adopts the Code of Corporate Governance; and
29. decides upon partial or full write off of credit exposure based on study for performed write off prepared by the competent Bank division
30. review the report on transactions with the entities related to the bank, as well as on the amount of approved loans and other forms of exposure to the persons with special rights and responsibilities in the bank, at least once quarterly; and
31. performs other duties in compliance with the applicable legislation and National Bank relevant decisions.

****More details are presented in the Annual Report on the Operations of Supervisory Board in 2021, submitted to the SB Shareholders Assembly.*

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

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

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

A) AUDIT COMMITTEE

The Audit Committee of Stopanska Banka AD – Skopje consists of five members, appointed by the Supervisory Board, with two years term of office. Majority of the members (3) are members of the Supervisory Board, while the remaining two members are independent out of which one member is authorized auditor. The composition of the Audit Committee in 2021 was as follows:

1. Antonio Veljanov, Chairman of the Audit Committee (independent member and chartered auditor);¹
2. Anastasios Lizos, member (representative of the Supervisory Board);
3. Dimitra Gkountoufa, member (representative of the Supervisory Board);
4. Vladimir Filipovski, member (representative of the Supervisory Board); and

¹ Mr. Antonio Veljanov is also member of the Institute of Chartered Auditors of Republic of N. Macedonia, on voluntary basis.

5. Zorica Bozinovska-Lazarevska, member (independent member).

The Audit Committee responsibilities are defined strictly in the Law on Banks, which are transposed in the SB Statute. In brief, the Audit Committee is responsible to oversee the integrity of the accounting and financial reporting, to oversee the internal control systems and other similar activities that provide support to the Supervisory Board in its control function. More precisely, *among other items*, during 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,
- 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 (although the positions of the members of the Risk Management Committee are defined in the Statute). As at 31 December 2021, the members of the Risk Management Committee are as follows:

1. Diomidis Nikolettopoulos – Chief Executive Officer and Chairman of the Board of Directors, Chairman;
2. Toni Stojanovski - Chief 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;²
7. Vlado Treneski –Senior Manager of Corporate Banking Division, member;
8. Mirko Avramovski - Manager of Collection Division, member;
9. Vesna Nancheva - Manager of Risk Management Division, member.

²Ms. M. Trajanovska is also Chairman of the Supervisory Board of the Clearing House KIBS AD Skopje.

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

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

C) REMUNERATION COMMITTEE

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

In accordance with the Remuneration Policy of SB, the committee is composed of three Supervisory Board members, majority of whom should be the independent ones, including its Chairman, appointed by the Supervisory Board. Thus, during 2021, members of the Remuneration Committee are as follows:

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

The term of office of the members of the Remuneration Committee is one year, with an unlimited right for re-appointment of the members as long as they are members of the Supervisory Board. The Remuneration Committee' 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' 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 2021, the Remuneration Committee held **two regular meetings**, as required by the local legislation and in accordance with its Rules of Operations and Remuneration Policy. Following its Annual Operational Plan, the following main items were passed:

- Review and approval of the Remuneration Report for 2020, including the self-evaluation of the Remuneration Committee members and the Risk Management Committee Opinion on the Remuneration Policy;
- Review its Rules of Operations and the Remuneration Policy;
- Review and approved the List of risk-takers covered by 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.

1.3. BOARD OF DIRECTORS

The Board of Directors of Stopanska Banka AD – Skopje consists of four members, appointed and/or dismissed by the Supervisory Board, with term of office of four years.

Thus, the composition of the Board of Directors during 2021 was:

1. Diomidis Nikolettopoulos, Chief Executive Officer and Chairman of Board of Directors;
2. Toni Stojanovski, Chief Corporate Officer and member of the Board of Directors;³
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.

³Mr. Stojanovski is member in the following organizations:

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

Members of the SB Board of Directors, in addition to the requirements stipulated with the Banking Law, have strong record at SB and in the banking sector on senior positions and expert knowledge of the business and the banking regulation.

The Board of Directors responsibilities are as follows:

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

In order to assist the Board of Directors in executing the business plan of the Bank, SB have established Executive Committee that besides the Chief officers, it includes:

- Senior Manager for Treasury and Finance (Mirjana Trajanovska),
- Senior Manager for Operations (Radmila Maksimovic),
- Senior Manager for Corporate Banking (Vlado Treneski),
- Senior Manager for Sales and Branch Network (Tatjana Kalajdzieva), and
- Chief Credit Officer (Ilias Papadopoulos).

1.4. CREDIT COMMITTEES

Other SB bodies, determined with the Statute, are Credit Committees with the following, structure, and authorities, as at December 31, 2021:

1. **Executive Corporate Credit Committee (ECCC)**: it consists of 6 members as follows:
 - Diomidis Nikolettopoulos, CEO and Chairman of the Board of Directors of SB, Chairman,

- Ioannis Kagioulis, NBG Group executive appointed by the NBG Group Chief Credit Officer, member,
- Toni Stojanovski, Chief 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. All financing that exceeds EUR 10.000.001 OR 10% of SB own funds shall be approved by SB Supervisory Board. ECCC also approves restructuring of claims and regulating of claims in accordance with applicable credit policies and performs other activities determined with decisions of the Supervisory Board. The meetings are held by teleconference or written statement when needed with a quorum of all of its members and the decisions are passed unanimously;

2. **Credit Committee (CC)**: it consists of 5 members as follows:

- Diomidis Nikolettopoulos - 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.

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

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

- Milica Chaparovska - Jovanovska - Chief Retail Officer of SB and member of the Board of Directors, Chairman
- Dejan Krstevski - Manager of SBB Client Segment Business Department, member
- Barbara Brezovska - Ponjavic or Dragan Mihajlov -Manager or Deputy Manager of Product Management and Clients Segment Division, member
- Vesna Nencheva either/or Emilija Stojanova - Ivanovska - Manager of Risk Management Division, either/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 which are evaluated as sufficiently knowledgeable and experienced in the credit area in question.

2. Organizational Structure

The organizational structure of the Bank is following the best corporate governance standards and requirements and is tailored to optimize its business processes in order to be faster, cheaper and safer for all involved stakeholders. According to SB Statute, the organizational structure of the Bank is determined with a decision by the Supervisory Board, on proposal by the management. The Bank is organized in 21 divisions and 64 branches. The Bank has no subsidiaries.

The organizational structure is published and regularly reviewed on the following link: <https://www.stb.com.mk/media/2723/organization-chart-january-2020.pdf>.

3. Shareholder Structure

During 2021 there are no significant changes in the shareholder structure: National Bank of Greece S.A. – Athens (NBG) owns 94.6% of the ordinary shares, while 5.4% of the shares are held by other minority shareholders. NBG are represented with 5 members in the Supervisory Board, while the other 2 members are independent.

As of 31 December 2020, the initial capital (basic capital) consisted of 17,460,180 ordinary shares at the nominal value of MKD 201.1 per share and 227,444 preferred shares at the nominal value of MKD 400.00 per share. The same are registered and lead by the Central Securities Depository of RM. The shares of the Bank quoted at the Official Market of the Macedonian Stock Exchange, sub segment Mandatory Listing, and the code under which they are quoted is: STB (common share) ISIN number MKSTBS101014 and STB (preferred cumulative share) ISIN number MKSTBS120014.

4. Dividend Disbursement & Dividend Policy

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

Stopanska Banka has issued two types of shares:

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

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

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

Regarding the dividend policy related to the ordinary shares, the Bank is taking into account the capital and other regulatory requirements that should support the business needs and growth aspects. After securing the mentioned priorities, whatever remains is subject to discretion of the shareholders based on a decision passed by the Shareholders Assembly.

Considering the uncertainties in the macro-economic environment during 2021, Stopanska Banka withdraw from any decision on dividend disbursement for the common shareholders. In addition, the Bank redistributed part of the realized profit in 2020 in amount of MKD 1.045.500.000 into earnings restricted for distribution to the shareholders, further strenghtening the high capital adequacy ratio of the Bank.

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 1,364,664 or gross dividend of MKD 6 per share.

5. Corporate Governance Code

SB is fully committed to ensuring a corporate governance framework in accordance with the statutory provisions and the international standards.

Thus, the Corporate Governance Code of SB is prepared in accordance with the relevant regulatory requirements as well as the NBG Group corporate governance standards and is adopted by the Supervisory Board. The governance structure, shareholders rights, duties and responsibilities, the manner of operations of the bodies of the Bank, etc. that are determined in the Corporate Governance Code are implemented, respected and promoted by the members of the bodies of the Bank.

Furthermore, as a listed company on the Macedonian Stock Exchange, Stopanska Banka is following the Corporate Governance Code for the listed companies that was adopted in October 2021. For more details on the implementation of this Code please see the self-assessment Questionnaires published on SB website (...).

As integral part of this Report, and in respect to article 384-a of the Law on Trade Companies and article 42-a of the Listing Rules on the Macedonian Stock Exchange, the Board of Directors issue their Statements on implementation of the Corporate Governance Code of SB and the Statement on implementation of the Corporate Governance Code for companies listed on the Macedonian Stock Exchange. Both Statements are integral part of this Report (please see appendix 1 below).

6. Conflict of Interest Policy

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

During 2021 no conflict of interest was reported by the members of the Supervisory Board, Board of Directors or by any other member of the bodies of SB.

7. Outsourced services

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

In accordance with the Outsourcing Policy, the Risk Management Committee reviewed the List of outsourced activities and determined the critical/important functions outsourced for which special care is undertaken. More precisely, the following services are determined as critical/important functions:

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

8. Remuneration Disclosure for 2021

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 is done by the Shareholders Assembly on 29.06.2021.

In accordance with the Law on Trade Companies and the Decision on good corporate governance rules in banks, below it is disclosed the remuneration in Stopanska Banka paid by groups. There are no significant changes in the remuneration approach during 2021.

I. Supervisory Board

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

a) representatives of the shareholders

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

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. Mr. Filipovski is remunerated also EUR 100 net on monthly basis for his participation in the Audit Committee.

On basis of salary and allowances as employed in the Faculty of Economics at University Cyril and Methodius – Skopje:

- prof. Filipovski receives MKD 1.605.958 gross (annually) while
- prof. Kjosev receives MKD 1.263.258 gross (annually).

II. Board of Directors

In 2021, total gross amount of MKD 29.164.214 (salary of MKD 24.464.600 and rewards MKD 4.699.614) was paid to 4 members of the Board of Directors.

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

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

Total gross amount of MKD 55.693.790 (salary of MKD 49.210.484 and rewards MKD 6.483.306) was paid to the Officers with material impact on the risk profile.

IV. Other persons with special rights and responsibilities

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

Total gross amount of MKD 33.281.736 (salary of MKD 30.035.009 and rewards MKD 3.246.727) was paid to the other persons with special rights and responsibilities.

*The total credit exposure to persons with special rights and responsibilities at end of 2021 amounts to MKD 64.407 thousands which represent 0.43% of the Bank’s own funds (significantly below the regulatory limit of 3% of the Bank’s own funds per person with special rights and responsibilities and the persons related to him/her).

9. Corporate Social Responsibility

Stopanska Banka AD - Skopje is one of the most active socially responsible companies in the country, constantly taking care of the community from which it originates. By supporting sustainable projects for the promotion of culture, education, sports and health, the Bank is involved in almost every sphere of life and activity.

2021 continued to be under the sign of the global pandemic with COVID-19 but also in the sign of perseverance, persistence and the need for economic recovery, so in 2021 the Bank continued to be a financial partner of trust of companies and citizens by offering financial solutions, products and services and their adaptation to the needs and appetites of customers. All these business activities were successfully implemented by the Bank because from the very beginning of the crisis, it intensively helped the team through expressed protection measures, prevention of the spread of the virus in the organizational units and assistance to the employees who were infected with the virus.

Stopanska Banka was the first company to support the plan for mass immunization by purchasing the special refrigerators needed to store vaccines in the central vaccination point in February 2021, followed by numerous other socially responsible activities during the year, such as:

- Donation of medical equipment for the Surgery Clinic "St. Naum Ohridski" in Skopje
- Sponsorship of "Ohrid Summer" 2021
- Sponsorship of "Galichnik Wedding" 2021
- Donation for equipping the new national emergency center 112
- Sponsorship for procurement of special software for the Faculty of Economics Skopje for teaching in COVID-19 conditions

- Sponsorship of the Economic Chamber of Northern Macedonia
- Intervention supply of food for the participants in the fight against fires in the eastern region
- Valuable sports donations through vouchers issued by the Agency for Sports and Youth. Among the athletes who received support from the Bank were the Olympians who represented the country at the Tokyo Olympics, including Dejan Georgievski, who won a historic silver medal.
- Organized activities for planting flower arrangements on urban areas in Skopje on the occasion of Savings Day
- The project that we repeat every year and means 70 new-planted evergreen trees - procurement of large seedlings of natural Christmas trees for the branches and their planting in nature.

We can conclude that again the Bank's CSR strategy in 2021 is to play a significant role in the fight against the virus and the COVID-19 pandemic. All of these activities complement our customer commitment and significantly add to the company's name and value.

STATEMENT OF CONFORMITY
with the Corporate Governance Code of Stopanska Banka AD - Skopje

In accordance with article 384-a of the Law on Trade Companies, the Board of Directors of Stopanska Banka AD – Skopje (hereinafter: SB) confirms the following:

SB has applied all the principles and complied in all material aspect with the Corporate Governance Code of SB for the year ended December 2021.

The Corporate Governance Code of SB has been developed in accordance with the domestic legislation and the NBG Group governance standards. It provides a clear delineation of the Bank's corporate governance system, rights and responsibilities of its bodies, the role of the control functions, etc. as well as is upholding the Bank's interests on a long-term basis for the benefit of depositors and customers, shareholders and other investors, employees and all other stakeholders. The Corporate Governance Code sets out a framework that promotes continuity, consistency and effectiveness in the way the Bank is supervised and managed and is a necessary component of good governance in supporting and promoting the Bank's business and reputation.

The Corporate Governance Code of Stopanska Banka AD – Skopje is available on the Bank's website.

BOARD OF DIRECTORS

Diomidis Nikolettopoulos
Chief Executive Officer

Toni Stojanovski
Chief Corporate Officer

Milica Chaparovska-Jovanovska
Chief Retail Officer

Bojan Stojanoski
Chief Risk Officer

In accordance with article 42-a of the Listing Rules on the Macedonian Stock Exchange AD Skopje, the Board of Directors of Stopanska Banka AD – Skopje (hereinafter: SB) issue the following:

STATEMENT OF CONFORMITY

with the Corporate Governance Code for companies listed on the Macedonian Stock Exchange

We, the undersigned members of the Board of Directors of Stopanska Banka AD Skopje, confirm that SB applies the Corporate Governance Code for companies listed on the Macedonian Stock Exchange, published on www.mse.mk.

SB applies the principles and best practices of corporate governance provided in the Code according to the approach "apply or explain why it was not applied", by filling out questionnaires whose form and content are prescribed by the Code.

With this Statement we confirm that the questionnaires are published on SEI-NET and on the SB website and that the answers in them are correct and true and reliably reflect the application of the principles and best practices of corporate governance by SB prescribed by the Code.

BOARD OF DIRECTORS

Diomidis Nikolettopoulos
Chief Executive Officer

Toni Stojanovski
Chief Corporate Officer

Milica Chaparovska-Jovanovska
Chief Retail Officer

Bojan Stojanoski
Chief Risk Officer

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