

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.

Appendix 1

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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