

**STOPANSKA BANKA AD-SKOPJE**

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**ANNUAL REPORT**

**2023**

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**Skopje, April 2024**

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Pursuant to Article 352 of the Law on Trade Companies, the members of the Board of Directors of Stopanska banka AD - Skopje (hereinafter: "SB" and/or "the Bank") are submitting the attached Annual Report on the operations of Stopanska banka AD - Skopje for the year 2023. The report is submitted to the Supervisory Board, which reviews it, decides on it ("prior adoption") and prepares a written opinion and submits them to the Assembly of Shareholders for consideration and approval.

Pursuant to Article 384, paragraph 7 of the Law on Trade Companies, the Annual Report objectively presents and explains the main factors and circumstances that had an impact on the Bank's operations, as well as all other mandatory elements that are important to the investing public and all other stakeholders.

## **STOPANSKA BANKA AD - SKOPJE**

### **BOARD OF DIRECTORS**

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Diomidis Nikolettopoulos  
Chief Executive Officer

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Toni Stojanovski  
Chief Corporate Officer

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Milica Chaparovska-Jovanovska  
Chief Retail Officer

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Bojan Stojanoski  
Chief Risk Officer

## Highlights 2023

Last year was marked with continuation of the already present uncertainty, created by the global geopolitical developments along with the effects of the inflationary pressures that started in 2022. Consequently, during 2023 the central banks continued with tightening of the monetary policy world-wide, following the example of which the National Bank in the country also increased the basic interest rate on several occasions, reaching a level of 6.3% which is the highest in the past decade.

Despite the tightening of financial conditions and increase in borrowing costs, the banking sector confirmed its capacity to deal with the existing crisis and continued to actively contribute to stimulating economic activity by supporting its customers, in order to ensure business continuity in the new environment. As a result of such activities, the second half of 2023 was followed by stabilization of price growth and general improvement of the macroeconomic environment. At the same time, the external position of the economy allowed foreign exchange reserves to continue to be maintained in a safe zone. The overall domestic economic activity is in line with the expectations for gradual stabilization and growth in conditions of still present uncertainty mainly related to external risks.

In such business environment, the Bank management and all employees, as in the past years, were actively engaged in providing the business continuity of the whole Bank's infrastructure, clients' needs, economy and society as a whole. The main focus was put in the improvement of the digital infrastructure, which in the given period is more than necessary as a way of communication, and not just now but for future perspectives as well. The Bank remains committed and closely connected with its clients, always trying to predict and assess 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 its successful results in 2023, similar as in the previous years i.e. the profit before tax reached EUR 62.7 million, where the total assets of the Bank noted 7% increment, amounting EUR 2,136.2 million. With total capital and reserves of EUR 418.4 million, Stopanska Banka remains among the highly capitalized banks with capital adequacy ratio of 16.6%.

## Financial Highlights

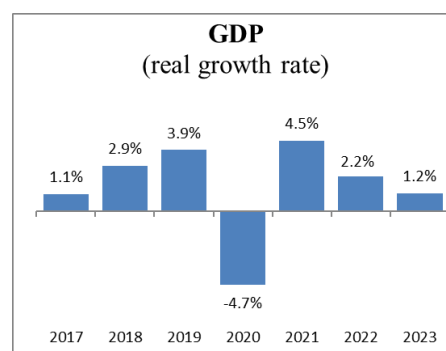
<i>in EUR million</i>	<b>2022</b>	<b>2023</b>	<b>change %</b>
<b>Income Statement indicators</b>			
%Net Interest Income	68.4	93.2	36.3%
Net Commissions Income	14.6	13.2	-9.6%
Total Income	95.2	118.8	24.8%
Operating expenses	-32.1	-35.3	10.0%
Net Operating Income	63.1	83.5	32.3%
Impairment losses	-20.5	-20.8	1.5%
Pre Tax Profit	42.6	62.7	47.2%
<b>Net Profit</b>	<b>38.6</b>	<b>56.4</b>	<b>46.1%</b>
<b>Balance Sheet indicators</b>			
	<b>2022</b>	<b>2023</b>	<b>change %</b>
<b>Total Assets</b>	<b>1,996.7</b>	<b>2,136.2</b>	<b>7.0%</b>
<b>Equity</b>	<b>361.0</b>	<b>418.4</b>	<b>15.9%</b>
Regulatory capital	273.0	298.9	9.5%
Loans to customers (net)	1,396.8	1,501.1	7.5%
<b>Total loans (gross)</b>	<b>1,449.1</b>	<b>1,557.8</b>	<b>7.5%</b>
Retail loans	908.2	961.2	5.8%
Corporate Loans	540.9	596.6	10.3%
Provisions	52.3	56.8	8.6%
<b>Total Deposits</b>	<b>1,535.0</b>	<b>1,627.1</b>	<b>6.0%</b>
Retail deposits	1,139.5	1,200.8	5.4%
Corporate Deposits	395.5	426.3	7.8%
<b>Financial ratios</b>			
	<b>2022</b>	<b>2023</b>	<b>change (bp)</b>
Net Interest Margin	4.1%	5.1%	104.5
Cost income ratio	33.7%	29.7%	-401.8
ROA	2.0%	2.7%	72.3
ROE	11.3%	14.5%	315.6
Loans to Deposits ratio (gross)	94.4%	95.7%	133.7
Capital Adequacy ratio	16.6%	16.6%	-6.4
<b>Operational Indicators</b>			
	<b>2022</b>	<b>2023</b>	<b>change</b>
Number of Units	62	59	-3
Number of Personnel (eop)	979	974	-5

**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

## Macroeconomic Overview

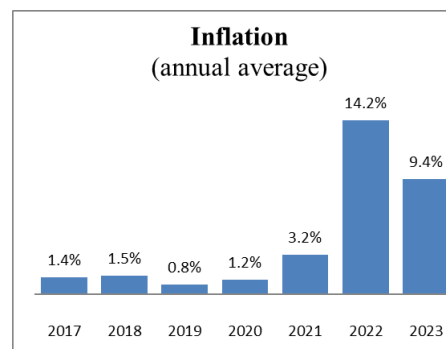
2023 was marked with prolonged uncertainty due to global geopolitical developments, strong inflationary pressures that were followed with monetary policy tightening i.e. increase in interest rates. All of it combined caused a slowdown in global economic activity, transferred to the national economy as well. Although, the end of 2023 was followed with stabilization of prices and positive expectations for the economic activity in the upcoming year, the potential negative risks are still present. Under such conditions, the National Bank also adopted a macro prudential measure and introduced the countercyclical capital buffer for domestic banks for the first time at level of 0.5% in 2023 with additional increase up to the level of 1.5% in 2025 with the aim to further strengthen the capital position of the banks.

**On average, the domestic economy achieved a real growth of 1.2% on an annual basis, for the entire year 2023, which represents a slowdown compared to the growth of 2.2% in the previous year. The economic slowdown is mainly associated with global economic slowdown following the geo-political developments and strong inflationary pressures.** From expenditure perspective, final consumption was driver of the GDP growth in 2023, whereas the gross investments had a negative contribution mirroring the overall economic slowdown. The current geopolitical

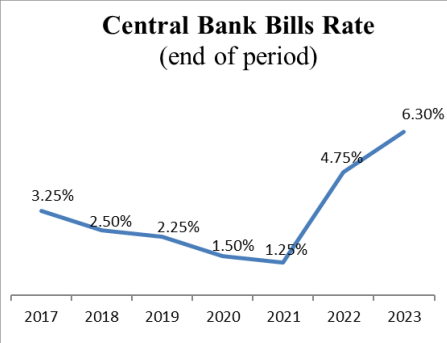


instability and inflationary developments remain as negative risks for the upcoming year. Moreover, domestic economic activity in 2024 is expected to be also influenced by the parliamentary and president elections along with the global economic activity of the main foreign trade partners.

The massive inflationary pressures from 2022 were followed with stabilization of the prices especially in the second half of 2023, as a result of tightening of the monetary policy, favorable global energy price developments and state's intervention to freeze the price of over 50 basic food products. **The average CPI in the domestic economy for 2023 was 9.4%, with last quarter average of 2023 being at level of 3.4%.** There is however still high uncertainty of the movement of prices especially from the repercussions from the ongoing geopolitical tensions.

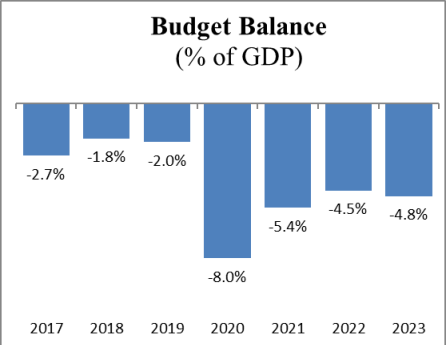


During 2023, the NBRNM as well as central banks worldwide, continued with tightening of the monetary policy, which began at the end of 2021. The interest rate of the Central Bank Bills reached the level of 6.3% which is the highest in the past decade.

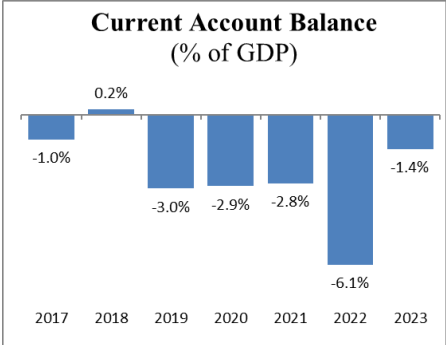


Foreign reserves are at a comfortable level and foreign currency liquidity in the banking system remains suitable. All of it combined contributed to stabilization of domestic prices. Although with the current state of domestic prices, if new inflationary pressures do not emerge there might be potential space for relaxation of the monetary policy in the upcoming period, NBRNM states that the future monetary policy movements are still followed by uncertainty. By that NBRNM will continue to closely monitor the developments and potential risks, emphasizing its readiness to act as needed to support the currency peg.

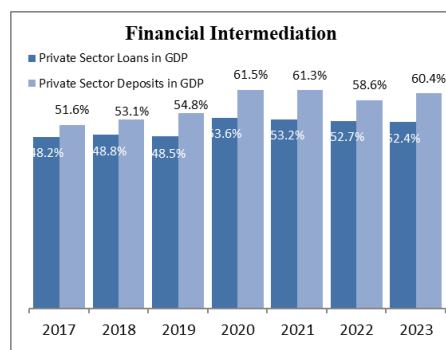
In the Budget of RNM, for the entire year 2023, a deficit in the amount of EUR 674 million was realized. Given that the performance of the revenues and expenses is almost even (cca. 14% increase) the budget deficit remained at similar level as last year at 4.8% of GDP. Budget deficit is fully financed through borrowings by the state on foreign and domestic markets, as well as by the state's deposits with the National Bank. As of the end of 2023 the public debt amounted to EUR 8,477 million or 58.4% of GDP. 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 2023 remained stable, with current account deficit being at level of -1.4% of GDP. Private transfers increased for 5% compared to previous year at a level of EUR 2,563.7 million. With regards to the financial account, foreign direct investment were slightly lower than 2022 at level of 520 EUR million. The position of foreign reserves was further strengthen and increased for 17.5% compared to 2022 at a level of EUR 4,538.5 which enabled sufficient buffers against potential unforeseen shocks.



**During 2023, besides all external developments the banking system succeeded to remain well capitalized, liquid and profitable.** As in the previous years, the banking system continued to show an ability to support the economy in complex conditions and further meet the requirements of its clients. At the end of 2023, total deposit growth reached 8.7% on annual level. Herein, corporate deposits recorded growth of 13.2%, while retail deposits increased by 7.9%. The credit growth at the end of the year reached 5.1%. The retail loans grew by 6.7%, while corporate loans were higher by 3.3%. NPE level continued its downward trend reaching the level of 2.8% as of 31.12.2023. The loans to deposits ratio at the end of the year was 83.2%. The capital adequacy ratio of the banking sector as of 31.12.2023 was 18.1%. The profitability ratios ROA and ROE were at the level of 2.0% and 16.1% respectively. Despite the strong shocks that our economy faced, stability was preserved, but the risks require further vigilant monitoring and caution. In that context, with the aim to further strengthen the capital position of domestic banks, the NBRNM adopted additional macro prudential measure for introduction of countercyclical capital buffer of 0.5% in 2023 with further increase up to the level of 1.5% in 2025.



## Detailed Macroeconomic Data

	2019	2020	2021	2022	2023
<b>Output</b>					
Gross Domestic Product (real growth rate)	3.9	-4.7	4.5	2.2	1.2
Industrial Production (annual growth rate)	3.7	-9.5	1.4	-0.2	0.7
<b>Prices, wages and productivity</b>					
CPI (annual average)	0.8	1.2	3.2	14.2	9.4
CPI (year-end)	0.4	2.3	4.9	18.7	3.6
PPI (annual average)	0.9	0.8	8.5	21.9	3.0
PPI (year-end)	1.1	1.8	15.0	19.8	-2.1
Real wages (annual growth rate)	3.1	6.5	2.3	-2.7	5.4
<b>Government finance</b>					
General government balance (% of GDP)	-2.0	-8.0	-5.4	-4.5	-4.8
<b>External sector</b>					
Current account balance (% of GDP)	-3.0	-2.9	-3.1	-6.0	1.5
Export of goods and services (in million eur)	6,972.1	6,264.7	7,743.9	9,663.7	8,322.8
Import of goods and services (in million eur)	8,585.2	7,644.6	9,618.4	12,375.7	11,148.5
Export of goods and services (annual growth rate)	7.9	-10.1	23.6	19.9	0.3
Import of goods and services (annual growth rate)	9.7	-11.0	25.8	25.8	-8.0
Gross external debt (in million eur)	8,154.4	8,536.1	9,576.6	10,855.8	11,462.0
Foreign reserves (in million eur)	3,262.6	3,359.8	3,643.3	3,862.9	4,538.5
Exchange rate MKD/EUR (average)	61.5	61.7	61.6	61.6	61.6

<b>Monetary aggregates</b>					
M1 growth (dec./dec.)	17.2	16.4	8.7	6.0	11.0
M2 growth (dec./dec.)	9.9	11.2	10.3	6.4	6.1
M2 denar growth (dec./dec.)	12.7	10.6	5.5	4.9	9.8
M4 growth (dec./dec.)	9.3	6.9	7.0	5.1	8.7
M4 denar growth (dec./dec.)	11.4	5.5	1.7	2.9	11.2
Credit to private sector (dec./dec.)	6.0	4.7	8.3	9.4	5.1
<b>Interest rates</b>					
Money market interest rate (annual average)	1.1	1.1	1.0	1.5	
CB bills rate (annual average)	2.3	1.6	1.3	2.5	5.8
Money market interest rate (end of period)	1.1	1.1	1.1	2.5	
CB bills rate (end of period)	2.3	1.5	1.3	4.8	6.3
<b>Capital markets</b>					
Macedonian Stock Exchange index-MBI (growth rate-eop)	34.0	1.2	30.8	-8.1	8.2

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

## Banking sector & SB

in EUR million

<b>Position/Indicator</b>	<b>Banking sector</b>	<b>SB</b>	<b>Market share</b>
Total assets	12,143.1	2,136.2	17.6%
Total loans	7,128.5	1,557.8	21.9%
Total deposits	8,296.2	1,627.1	19.5%
Loans growth-retail	6.9%	5.8%	
Loans growth-corporate	3.5%	10.3%	
Deposits growth	9.5%	6.5%	
ROA	2.0%	2.7%	
ROE	16.1%	14.5%	
C:I	43.4%	29.7%	
NIM	3.5%	5.1%	
NPE	2.8%	3.1%	
CAR	18.1%	16.6%	

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

Stopanska Banka AD Skopje participates with 18% of the total banking sector assets and almost 1/5 of both deposits and loans. In 2023, the realized growth rate of gross loans was 7.5% and 6.5 % of deposits. During 2023, the performance of the Bank was in many aspects higher compared to the total banking sector as shown above. Namely, ROA 2.7% vs. 2.0%, NIM 5.1% vs. 3.5% and the cost-to income ratio well below the banking sector with remarkable 29.7% vs. 43.4%. The capital adequacy ratio was 16.6%.

## Financial Performance

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

### ***Interest income***

During 2023, the interest income from the retail loans amounted to EUR 62.3 million, having the biggest participation within the total interest income of 61.7%. At the same time, the interest income from corporate and other activities (investments in securities, interbank placements and other) amounted to EUR 38.6 million i.e. increased by 77.1% compared to the previous year. In the environment of high and fast-growing inflation and tightening of monetary policy by the central bank, which focuses on increasing interest rates, the total interest income amounted to EUR 100.9 million.

*in EUR million*

	<b>2022</b>	<b>2023</b>	<b>% change</b>
<b>Interest income</b>	<b>72.0</b>	<b>100.9</b>	<b>40.3%</b>
Retail loans	50.2	62.3	24.1%
Corporate loans	15.5	24.2	56.1%
Other	6.3	14.4	128.6%

### **Interest expense**

In accordance with the restrictive monetary policy, the Bank registered a corresponding increase in interest expenses.

*in EUR million*

	<b>2022</b>	<b>2023</b>	<b>% change</b>
<b>Interest expenses</b>	<b>3.6</b>	<b>7.7</b>	<b>113.9%</b>
Retail deposits	2.2	5.7	159.1%
Corporate deposits	0.4	0.5	25.0%
Other liabilities	0.9	1.4	55.6%

### **Net Interest Income**

Net interest income amounted to EUR 93.2 million and increased by 36.3% primarily as a result of intensive credit activities and increase of the credit portfolio.

*in EUR million*

	<b>2022</b>	<b>2023</b>	<b>% change</b>
<b>Net Interest income</b>	<b>68.4</b>	<b>93.2</b>	<b>36.3%</b>
Interest income	71.9	101.0	40.5%
Interest expenses	3.6	7.7	113.9%

### **Fee and Commissions Income**

In 2023 net fees and commission income reached EUR 13.2 million. Within this, the most significant part (49.2% of the Bank's total fee and commission income) relates to fees from transfer of funds in amount of EUR 6.5 million, recording an increase of 1.6% compared to the same period last year. The net income from lending activities is the second largest fee item, which at the end of 2023 amounted to EUR 2.0 million representing 15.2% of the total fee and commission income.

in EUR million

	2022	2023	% change
<b>Net fees and commissions income</b>	<b>14.6</b>	<b>13.2</b>	<b>-9.6%</b>
loans	3.9	2.0	-48.7%
letters of guarantee	0.8	0.9	12.5%
transfer of funds	6.4	6.5	1.6%
others	3.5	3.8	8.6%

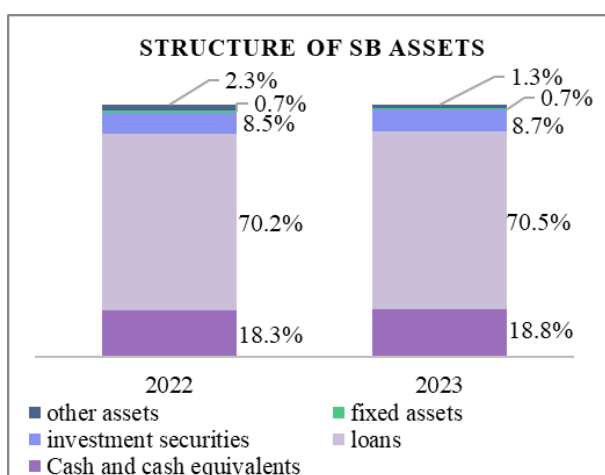
### **Operating expense**

During 2023, the Bank continued to pursue operational excellence in both cost efficiency and risk management, resulting in keeping the costs in line with the expectations and maintaining excellent quality of the credit portfolio. Faced with enormously uncertain environment caused by the Russian invasion over Ukraine as well as the huge inflationary growth, the total operating expense of the Bank reached EUR 35.3 million. Because of its effective cost containment policy in place accompanied by the growing revenues, the Bank succeeded to maintain extremely low cost to income ratio of 29.7%, far below the banking sector average.

## **Assets and Liabilities**

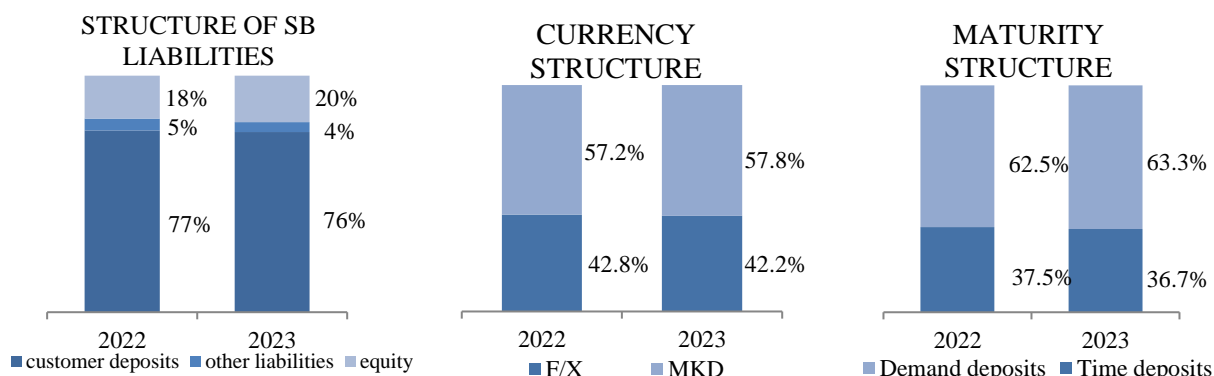
### **Assets**

The Bank's total assets at the end of 2023 amounted to EUR 2,136.2 million, which is EUR 139.5 million or 7.0% higher in comparison to 2022. The Bank continued to enhance its prudent approach with balanced growth, adequate liquidity and strong capital base. The share of cash and cash equivalents in the total assets of the Bank is 18.8%. The total loan portfolio-gross reached EUR 1,557.8 million, out of which EUR 596.6 million were extended to corporate customers, while retail exposures amounted to EUR 961.2 million.



### **Deposits and Equity**

In the structure of SB liabilities, customer deposits have the largest share, participating with 76.2%. Total capital realized an increase compared to the previous year, with its participation rising from 18.1% to 19.6%, primarily as a result of increased profitability and the bank's ability to generate profit for covering not only its capital needs but also beyond. The capital adequacy ratio is maintained in accordance with prescribed regulations. Deposits continue to represent the main funding source of the Banks activities, amounting to EUR 1,627.1 million in 2023 or an increase of 6.0% compared with the last year. Additionally, demand deposits had a larger share and in 2023 increased by an additional 0.8 pp from 62.5% to 63.3%, while speaking for the currency structure MKD deposits have the largest share and increased by 0.6 pp compared to 2022.



## Retail Banking

The year 2023 will be remembered by the continued growth of interest rates, which affected the entire banking operations. The ongoing global conflicts had a negative effect on the world-wide economy, led to accelerated inflation and consequently forced the central banks to tighten monetary policies which was also reflected in the overall economic slowdown.

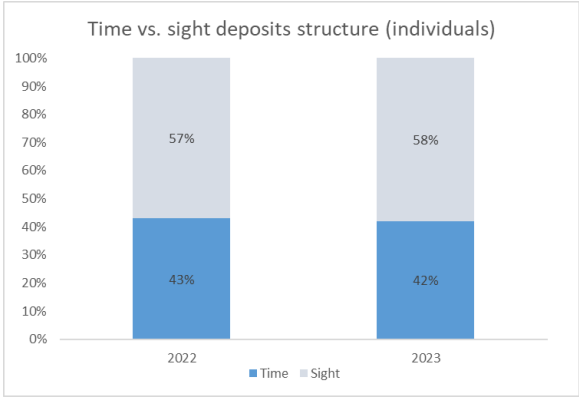
As a systemic bank, during 2023, Stopanska banka continued to work on the improvement of its offer of products and services for its customers and dedicated itself to its credit and deposit offer for individuals and the SBB segment.

### Deposits

With the increase of deposit interest rates, expectedly the deposit base during 2023 had notable growth rate of 5.5% against the high inflation and reduced disposable funds that households had during the year. For the Bank, this is proof of the power of the brand, the high level of trust and the right approach in the design and development of products.

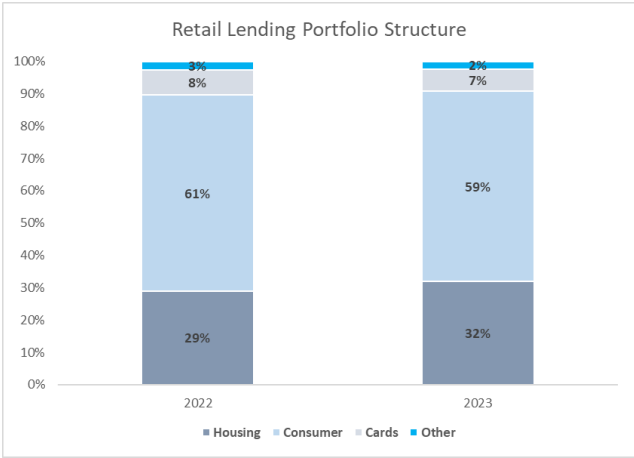
On-demand deposits in relation to time deposits continued to be balanced in line with the market, as well as deposits by currency.

At the same time, there is also an increase in deposits deriving from the SBB segment as a result of the Bank’s focus towards this segment and the increased number of clients.



**Lending products**

In parallel with the expansion of construction activities, retail secured loans – housing and consumer secured loans remain the credit products of choice for citizens in 2023. The bank accordingly stimulated its customers with promotional offers, which achieved a 6% increase in retail lending, compared to 2022.



Guided by the Bank’s strategy, the portfolio of **housing loans** recorded a 16% annual increase, while the rest of the credit products achieved sustainable growth.

**Card products**

Within the area of card operations, during 2023 the bank started the process of modernizing its ATM network, with which 100 new ATMs were installed, all with modern touch screens, contactless functionality and high security standards. At the same time, 60 of the newly

installed ATMs are 'cash in' (which the bank offered for the first time), that further laid the foundations for an enhanced digital transformation. The possibility of 'cash in' at ATMs was made possible in the second half of the year and was immediately well received by both retail and corporate customers for their daily turnover. In addition, with the enabling of Google Pay in our country, Stopanska banka is one of the three leading banks that have enabled this service to their customers, and the introduction was followed by a grand winning game for Stopanska banka's MasterCard cards.

During 2023, transactions with debit and credit cards issued by Stopanska banka resulted with a 12% increase. In the area of card acceptance at POS terminals and e-commerce, the turnover increased by 20% with a simultaneous increase of 9% in the number of sales points that accept cards through Stopanska Banka. Within the Banks ATM network, turnover has increased by 7%, and at the same time, in the direction of better service to customers, a system solution for ATM monitoring has been implemented.

### ***Bank insurance and cooperation with the Pension fund***

As part of the expanded services available through the Banks branches and Contact Center, the sale of bancassurance continued to grow during 2023, and the wide array of insurance products are becoming a significant pillar in the Bank activities.

In addition to the sale of insurance policies bundled with lending products and expanding the product offer, clients were stimulated with vouchers for additional insurance products that the clients can use to purchase various standalone insurance products.

The cooperation with Triglav Pension Company was established and expanded to several branches of the Bank, representing a source of additional income from financial intermediation, but also an opportunity for greater financial cooperation with clients through the opportunity to provide services with more financial services. During 2023, a significant increase is achieved compared to 2022, when this service was initially introduced in the bank's portfolio.

### ***Digital i-bank services and Contact Center***

**Digital banking** is the primary transaction channel towards which the bank orients its customers. In that context, Stopanska banka strives to increase the number of users of digital banking through promotions and continuous addition of functionalities in digital banking (e-banking/m-banking).

During 2023, a 15% increase in active users of digital banking was realized among retail clients and a 7% increase among legal entities.

The **Contact Center**, available 24/7, continues to be a channel for clients' interaction on various grounds and the number of monthly interactions in 2023 shows that customers prefer to use this channel for information, for sales, transactions, but also for reporting complaints. The contact center team continues to expand its offer in the direction of sales, advisory services for customers and of course 24/7 support for cards, merchants and users of i-bank services.

### ***Small Banking Business***

During 2023, our team, available in all branches of the Bank, remained in support of the activities of micro and small companies aimed at their sustainable growth and development. Hence, as expected, we note an increase in lending in this segment compared to 2022 of 11.34%, with customers continuing the trend of using loans for working capital but also in the production of electricity for their own needs from renewable energy sources, with the Bank offering appropriate credit solutions.

We define the role of the SBB officers primarily as financial advisors for micro and small companies where financial management is integrated into daily operations and does not receive full focus. The contribution that our officers have in the proper management of the finances of our clients brings significant relief, greater efficiency and sustainability.

### **Corporate Banking**

The macroeconomic and overall environment in 2023 brought numerous challenges in both, the real and the financial sector. The economic growth continued at a slower pace compared to previous years with lingering effects of geopolitical conflicts, COVID-19 pandemic and trade tensions. In parallel, geopolitical developments continued to shape economic and financial market dynamics, with implications for global trade and the investment flows. Besides that, the financial market had an impact by the interest rate movements, which had an increasing trend throughout the year, causing challenges in the lending portfolios of the banks.

Despite the serious challenges with numerous uncertainties on a global and local level, 2023 has been marked as a year in which Stopanska Banka succeed to continue with implementation of its growth strategy in corporate lending and increasing its market share in this segment of the banking market. Well established business model, together with the wide range of products and services that the Bank provides daily to companies from all sectors of the economy, a tailor-made for each company specifically according to its needs

and characteristics of the business model, continued to generate the production of corporate loans and growth of the Bank's corporate portfolio. The Bank continued to increase the offer of products and services for companies with financing opportunities through the Stopanska Leasing and Bank's open credit lines with the Development Bank of North Macedonia and the European Investment Bank, as well as with the European Bank for Reconstruction and Development.

Thus, the achieved annual growth of the Bank's corporate credit portfolio in 2023 amounted to 10.3%. As a result, the Bank's market share in corporate lending, as of December 2023, reached the level of 17.1%, which is an increase of 1 p.p. in relation to the previous year 2022.

Along with the credit growth, the Bank continuously monitors and analyzes the quality of the corporate portfolio, in order to maintain its quality and performance.

In the following period, the Bank shall continue with the rational expansion of the loan portfolio accompanied by the operational excellence that will ensure SB sustainable profitability. In addition to continuous support in financing the needs for working capital and new investments of existing and new corporate clients, Stopanska Banka will focus on financing large infrastructure and energy projects that are of high importance for energy stability and future economic development of the country. The Bank remains a reliable partner to the companies from all segments of the economy, securing by that adequate reward for its shareholders and employees and contributing significantly for the financial support of the corporate sector in the country.

## **Consolidation**

The Bank prepares consolidated financial reports that include its company SB Leasing DOEL Skopje. The company is legal entity, fully controlled by the other entity - the Bank, known as mother bank.

The financial statements of SB Leasing DOEL Skopje are included in the consolidated financial reports.

## CONSOLIDATED INCOME STATEMENT

for the period from January 1, 2023 to December 31, 2023 (In thousands of Denars)

	Notes	31 December 2023	31 December 2022
Interest income		6.214.613	4.423.517
Interest expense		(470.605)	(218.776)
<b>Net interest income (expense)</b>	6	<b>5.744.008</b>	<b>4.204.741</b>
Fee and commission income		1,568,551	1,521,304
Fee and commission expense		(755,935)	(622,666)
<b>Net fee and commission income (expense)</b>	7	<b>812,616</b>	<b>898,638</b>
Trading income/(losses), net	8	100	26
Trading income from other financial instruments recorded at fair value, net	9		
Foreign exchange gains/(losses), net	10	145,061	157,425
Other operating income	11	614,274	594,926
Share in the profit of associates	24		
Impairment losses on financial assets, net	12	(1,375,923)	(1,234,098)
Impairment losses on non-financial assets, net	13	94,650	(27,112)
Personnel expenses	14	(1,071.536)	(962,641)
Depreciation and amortization	15	(160,910)	(130,520)
Other operating expenses	16	(948,210)	(887,545)
Share in the loss of associated companies	24	-	
<b>Profit before tax</b>		<b>3,854,130</b>	<b>2,613,840</b>
Income tax	17	(383,331)	(242,162)
<b>Net profit for the year</b>		<b>3,470,799</b>	<b>2,371,678</b>
<b>Earnings per share</b>			
Basic earnings per share (in MKD)	41	198.78	135.83
Diluted earnings per share (in MKD)		198.78	135.83

**CONSOLIDATED BALANCE SHEET**

for the period from January 1, 2023 to December 31, 2023 (in thousands of Denars)

		31 December	31 December
	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>			
Cash and cash equivalents	18	24,657,005	22,469,444
Trading financial assets	19	-	2,021
Financial assets at fair value through Income Statement determined as such at initial recognition	20		
Derivative assets held for risk management	21		
Placements with, and loans to banks	22.1	326,561	297,437
Loans to customers	22.2		
		92,309,131	85,916.705
Investments in securities	23		
		11,408,416	10,386,884
Investments in associates	24	-	
Income tax receivable (current)	30.1	-	
Other receivables	25	1,382,944	2,582.596
Collateralized assets	26		
Assets acquired through foreclosure proceedings	27	132,324	93,408
Intangible assets	28	192,505	136,870
Property and equipment	29	957,600	907.733
Deferred tax assets	30.2		
Non-current assets held for sale and disposal group	31	-	
<b>Total assets</b>		<b><u>131,366,486</u></b>	<b><u>122,793,098</u></b>
<b>LIABILITIES</b>			
Trading financial liabilities	32	-	-
Financial liabilities at fair value through Income Statement determined as such at initial recognition	33	-	-
Derivative obligations held for risk management	21	-	-
Deposits from banks and financial institutions	34.1	996,050	2,902,315
Deposits from customers	34.2		
		100,058,171	94,379,647
Issued debt securities	35		
Borrowings	36	2,739,776	1,930,696
Subordinated debt	37		
Special reserve and provisions	38	184,953	111,922
Income tax payable (current)	30.1	143,984	892
Deferred tax liabilities	30.2		
Other liabilities	39	1,517,748	1,269,287
Liabilities directly related to disposal group of assets	31	-	

<b>Total liabilities</b>		<u>105,640,682</u>	<u>100,594,759</u>
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**CONSOLIDATED BALANCE SHEET (continued)**

for the period from January 1, 2023 to December 31, 2023 (in thousands of Denars)

	<u>Notes</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>EQUITY AND RESERVES</b>			
Subscribed capital	40	3,511,242	3,511,242
Share premium			
Treasury shares			
Other equity instruments			
Revaluation reserves	40	203,820	147,155
Other reserves	40	831,373	831,373
Retained earnings		<u>21,179,369</u>	<u>17,708,569</u>
<b>Total equity and reserves</b>		<u><b>25,725,804</b></u>	<u><b>22,198,339</b></u>
<b>Total liabilities and equity and reserves</b>		<u><b>131,366,486</b></u>	<u><b>122,793,098</b></u>
Contingent liabilities			
	42.1	20,388,699	21,033,816
Contingent assets	42.2	<u>-</u>	<u>-</u>

**Consolidated supervision**

The Group is not subject to consolidated supervision by the Central Bank in accordance with the Decision of the consolidated supervision due to the fact that connected company has assets lower than 1% of the assets of the Bank.

**Capital adequacy**

In accordance with the Decision of the consolidated supervision, if the total assets of the subordinated company is below 1% of the assets of the mother company, the subordinated company is not included in the consolidated financial reports for the consolidated supervision. Based on the above, the capital adequacy ratio is not defined on the consolidated basis.

**Consolidated annual accounts**

The Group prepares the consolidated annual account in accordance with the Law on trading companies. The financial information are disclosed in the Annual Report, they are

consistent in all aspects with the consolidated annual account of the Group and with all other financial information disclose in the audited consolidated statements of the Group.

### **Percentage of participation**

The Bank participates with 100% in the ownership in SB Leasing DOEL Skopje.

### **Risk Management**

*The Risk Management function of Stopanska Banka AD Skopje focuses on maintaining the risk profile within the established risk appetite, while ensuring balanced growth and adequate quality of the loan portfolio. The Bank's Risk Management mission is to ensure that all types of risk are managed so that the Bank remains safe for its depositors and other stakeholders while producing sound returns for its shareholders over time, in line with SB's business strategy, consistent with best practices and fully compliant with regulatory requirements.*

Stopanska Banka AD Skopje is one of the country's largest financial institutions, offering banking services, undertaking and managing risks as part of the daily activities. The Bank is operating in a turbulent and challenging environment, acknowledges its exposure to banking risks and the need for their effective management. The main objective of the Bank's Risk Management function is to protect the interest of its customers and shareholders through prudent management of risks, supported by strong risk culture, as well as well managed liquidity and strong capital base. The Bank manages the risks through a comprehensive risk management framework that integrates risk management into daily business activities and strategic planning. Risk Appetite Framework (RAF) is being developed and set in place in order to be used as a key management tool to better align business strategy, financial targets and risk management and it constitutes an essential mechanism to support the oversight of the strategy execution within the risk boundaries that the Bank is willing to operate. In 2023 Risk Appetite Framework has been reviewed and further enhanced with introduction of new RAF indicators, revision of the levels of early warning to risk tolerance, risk tolerance and risk capacity thresholds, Tiers and Credit Appetite Statement, as well as introduction of new methodology for industry limits allocation for corporate lending.

The primary role of the independent Risk Management function of the Bank is properly and timely to 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.

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.

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 are credit, liquidity and market risk. In the complex current business conditions, SB is also exposed to non-financial risks such as operational, IT and compliance risks.

SB has a framework of risk management policies, procedures, and minimum standards in place, which are creating consistency throughout the organization, and defining the 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 to reflect changes in requirements, markets, products and practices.

New Decision on borrower-based macro prudential instruments is focused on the quality of credit demand of retail clients. With this decision, the method of calculating the indicators for the quality of credit demand is determined and the maximum thresholds are defined. The Bank has implemented Project ensuring full compliance of the Bank operations with this Decision.

In 2023, National Bank Council adopted a new Decision on the methodology for credit risk management, starting the implementation from 2024, aimed at further alignment with the new regulatory requirements introduced in the European Union. The Decision prescribes a new method of determining non-performing credit exposures taking into consideration materiality thresholds and strengthens the criteria for monitoring and controlling the

quality of the banks' credit portfolio. Also, the rules for restructuring the banks' credit exposures to customers facing financial difficulties are being improved. During 2023 the Bank has initiated and successfully completed the Project for implementation of appropriate changes in the bank' systems and for adapting the bank operations to these new requirements, thus ensuring full compliance of the Bank with the provisions of the new Decision.

At the end of 2023 macroeconomic environment in which the banks operate was characterized by a gradual stabilization of inflation and a favorable foreign exchange market, but there are still risks and uncertainties, mainly related to global factors, i.e. geopolitical tensions. It is expected that in 2024, the uncertainty will continue.

It has remained an objective of the Bank, even in these challenging times, to strive for continuous improvement of risk management framework in line with the regulatory requirements and international standards, the best practices and the changing market conditions and challenging macroeconomic environment.

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, through adequate trainings and workshops. The objective of the Bank is to ensure that a sound and consistent Risk culture is in place that is appropriate for the scale, complexity and nature of its business, in line with regulatory/supervisory requirements and in accordance with best business practices, based on solid, articulated values which are carefully managed by the management of the Bank. Risk Management function of SB is underpinned by an effective risk culture.

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

Credit risk stands as one of the foremost risks confronting SB. The Bank acknowledges the critical importance of thorough knowledge and understanding of customer profiles, encompassing business operations, management, financial standing, and sector-specific dynamics, to inform sound credit decisions.

Our credit policies underscore the significance of comprehensive risk assessments preceding any credit decision, adhering to minimum standards for evaluating, approving, renewing, and monitoring credit exposures. Risk rating systems and statistical scoring models bolster these assessments, which leverage diverse quantitative and qualitative data inputs to quantify credit risk levels effectively. Authorized Credit Approval Committees, comprising experienced professionals, oversee the approval and renewal of

credit facilities, ensuring alignment with established risk parameters and institutional guidelines.

Subsequent to establishing credit relationships, SB implements a rigorous monitoring process to promptly identify any deterioration in customer risk profiles. 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. Continual monitoring of credit exposure, guided by established concentration limits based on sectorial type, collateral, obligor rating, and other relevant factors, remains integral to risk management efforts in line with the Risk Appetite Framework of the Bank.

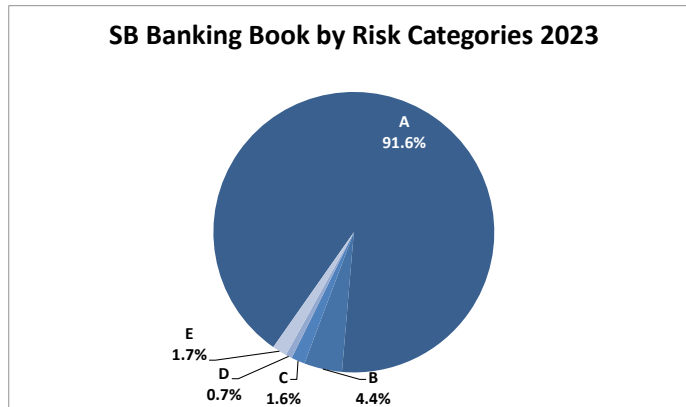
The Bank remains committed to international best practices, employing enhanced impairment methodologies and processes to provide adequate provisions for potential credit losses.

Throughout 2023, the Bank diligently navigated the existing economic conditions, ensuring resilience in the face of ongoing challenges. The stabilization of inflationary pressures and reduced market volatility remained prominent factors shaping the operational landscape. The Bank's credit risk management function continued to play a pivotal role in safeguarding the institution against potential economic losses and ensuring prudent lending practices. Collaborative efforts with clients and stakeholders facilitated effective mitigation of uncertainties. Despite some challenges, the Bank sustained its growth trajectory and upheld the robust quality of its portfolio.

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. This institutional framework underscores our commitment to sound risk management practices and regulatory compliance.

#### *Quality of Credit Portfolio*

Within the implemented solid credit risk management framework, SB managed to maintain a sound and well-diversified credit portfolio in 2023. Growth of credit portfolio, along with decreasing of the NPE ratio is one of the Bank's main strategic objectives, which the Bank managed to achieve last year, despite still high inflation rates, increased interest rates and challenges imposed by the global geopolitical developments.

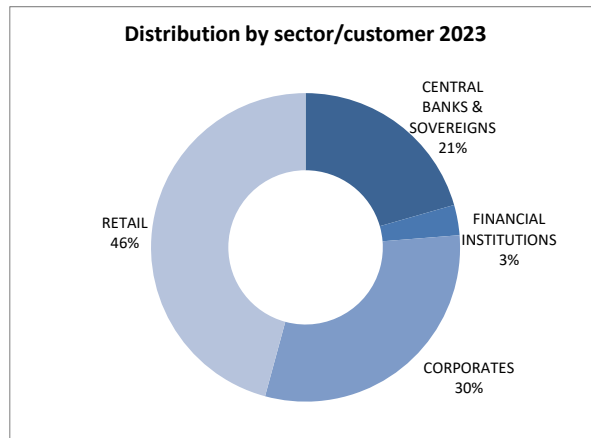
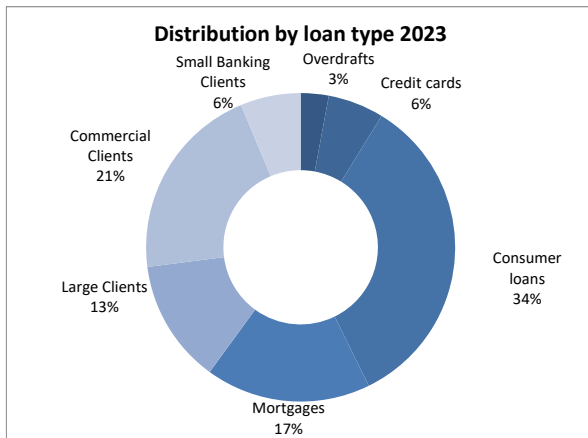


According to NBRNM Methodology, each credit risk exposure is classified in one of five risk categories (A, B, C, D and E). The exposure within the best credit risk category i.e. “A” credit risk category is 91.6% in 2023, while the exposure in “B” risk category is 4.4%. High-risk debt exposures classified in “D” and “E” categories compose 2.4% of the Bank’s loan portfolio, which is decrease by 0.6 percentage points in comparison with the 2022.

**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 has established limits towards single clients and groups of related clients (obligor concentration), exposure within certain industry sector (industry concentration), type of collateral, etc. The established limits are reviewed at least on an annual basis as part of credit risk policies and procedures.

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



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

Management and maintenance of liquidity is one of the primary functions of the Bank aimed at enabling smooth realization of cash flows, for the needs of clients as well as for achieving the Bank's business objectives. The Bank has established a three-line defense system, where the primary function of liquidity risk management is carried out by the Treasury Division, the second line of defense is run by the Risk Management Division and the third line is implemented by the Internal Audit Division.

Liquidity is managed on a daily basis, taking into account the defined frameworks and limits established by internal regulations and prescribed regulatory requirements by the Central Bank. Autonomous cash flow movements by clients, their currency and maturity structure are considered and correlated with the Bank's set business objectives. In case of need, activities and instruments are taken to ensure complete coverage of autonomous factors with the business needs of the Bank.

Related with the abovementioned, the Bank has established a set of policies, plans and scenarios, which, besides being implemented, are constantly subject to testing and checks for their improvement.

As previously mentioned, Stopanska Banka is mainly financed through deposits, which are mostly characterized by autonomous cash flows driven by customers. To meet the liquidity needs, the Bank holds high-quality liquid assets, which can be converted into cash balances at any given moment so to meet potential needs. High-quality liquid assets consist of funds and instruments such as cash balances, high-quality securities and funds

placed in foreign banks, structured per maturity and currency suitable to match potential outflows.

Beside managing cash flows, the Bank continuously monitors regulatory requirements, such as open foreign exchange positions, liquidity coverage ratios and many other additional internal indicators.

### ***Regulatory requirements***

Average level of the denar mandatory reserve during 2023 was 100.13%, at prescribed regulatory minimum of 100%. Therefore, the Bank strives to meet this regulation at the prescribed level without incurring additional costs.

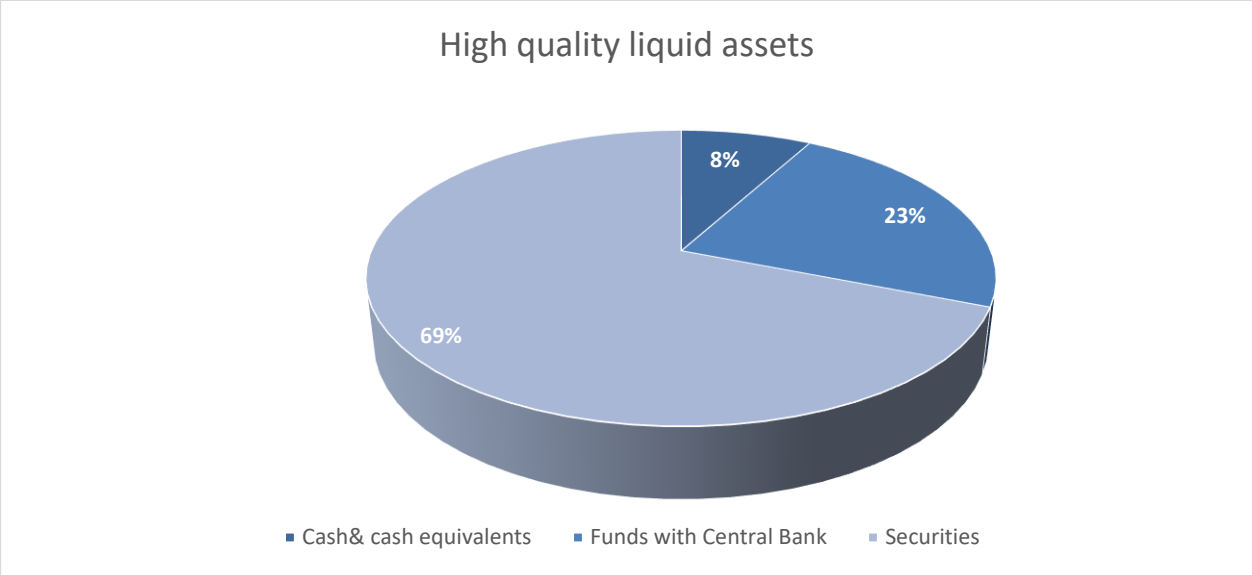
The liquidity coverage ratio (LCR), defined as a measure of high-quality liquid assets compared to net cash outflows, also exceeds the prescribed minimum of 100% i.e. 2.5 times higher than the prescribed minimum.

Internal liquidity indicators reported to the Central Bank also remained above the established internal limits.

### ***The structure of the liquid assets***

In the balance sheet, liquidity assets consist of: cash balances, funds in the Central Bank, securities and funds invested in foreign banks. The total value of these positions as of December 31, 2023 is EUR 592 million, representing a 10% increase compared to 2022.

Considering highly liquid assets according to the definition of the NBRNM used in calculating liquidity ratios (excluding funds maturing within the next 30 days), as of December 31, 2023 highly liquid assets consist of 69% securities, 23% funds in the Central Bank and 8% cash balances.



***Financial market operations***

Trading Department is responsible for performing of all financial market activities, including foreign exchange operations, f/x market - over-the-counter and electronically trading, interbank market transactions and trading with securities. Besides servicing clients in these segments, the Trading Department manages activities related to the Bank's liquidity needs, maintains open foreign exchange positions and sets exchange rates for various purposes.

In 2023, the Bank continued successfully to serve companies and individuals in foreign exchange transactions, achieving higher turnover compared to the previous year. The majority of foreign exchange funds, SB provides by its own sources, with a smaller portion from other supporting banks and the NBRNM. The total volume of the foreign exchange market amounted to EUR 1.56 billion, while 45% of transactions for buying currencies and 55% for selling currencies. Related with currency structure, 87% of transactions were in euros, 10% in US dollars, and only 3% in other currencies.

Concerning the securities trading, the Bank is actively involved not only for its own portfolio but also in the name and on behalf of clients, both-in the domestic and foreign markets. Clients have the opportunity to invest in domestic euro bonds and foreign securities through the securities and brokerage department. Additionally, the Bank provides custody services for clients.

Daily collaboration with domestic and foreign banks is conducted to place excess liquidity funds into deposits with top-tier international banks. The Bank utilizes communication and

trading systems such as Bloomberg & Reuters, providing real-time access to global exchanges.

### ***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 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 2023, the ratio of total net weighted position to the regulatory capital was 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***

Managing the open f/x position is a daily activity through which the Bank controls its exposure to currency risk. During daily operations, transactions occur in various currencies, which at the end of the day create positions subject to revaluation and generation of f/x differences. Besides monitoring daily changes of exchange rates, the Bank takes active measures to monitor and control the foreign exchange position within desired limits. Regulatory frameworks set limits on position movements of +/-30% relative to own funds, but the Bank always strives to operate at lower levels.

The “euro” dominates in the foreign currency structure, while there are also positions in other currencies prescribed by the exchange rate list by the NBRNM. Exposure to the foreign exchange position only relates to euro currencies, while exposures to other currencies are kept around 0.

### ***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)

The overall focus of the 2023 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.

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 31.12.2023 amounted to EUR 299.3 million, out of which the Tier 1 capital amounted to EUR 297.8 million and the Tier 2 capital amounted to EUR 1.5 million, which resulted in a capital adequacy ratio of 16.58% as of 31.12.2023.

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 2023, the Bank conducted various stress test scenarios, including an adverse scenario based on implications from prolonged negative geo-political developments followed by economic slowdown and further increase in inflation in order to test 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 that 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 2023, 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 2023, 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 2023 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.

In accordance with the Law on Personal Data Protection, the Bank has appointed Officer for Personal Data Protection and is undertaking various ongoing activities 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.

SB has a wide range of technological, administrative, organizational and physical security measures designed to safeguard the confidentiality, integrity and availability of personal information. In this respect, to be responsive to the client's needs, the Bank has established complaints resolution protocol and data incident protocol wherein it reviews all data protection complaints or data subject rights requests by its clients and are resolving any issue within reasonable timeframe, ensuring the data subjects that the Bank is keeping secure and using their data lawfully.

More information on how SB collects, processes, uses, shares and disposes personal information, as well as rights that individuals have with respect to their personal information, is available on SB website within the Privacy Policy and upon request through multiple channels.

## Corporate Governance Report 2023

Stopanska Banka AD - Skopje is one of the largest, most profitable, and financially robust systemic banks in the country. The Bank's corporate governance model is established by following the best practices, relevant regulations, NBG Group standards, and catered to the strategic demands of the Bank and its stakeholders. Upholding responsible corporate governance remains the Bank's utmost priority, enabling the comprehensive execution 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 Law on Trade Companies, the Decision on good corporate governance rules for banks issued by National Bank of Republic of North Macedonia and Corporate Governance Code for listed companies on the Macedonian Stock Exchange.

Following the applicable legislation, the Corporate Governance Report contains:

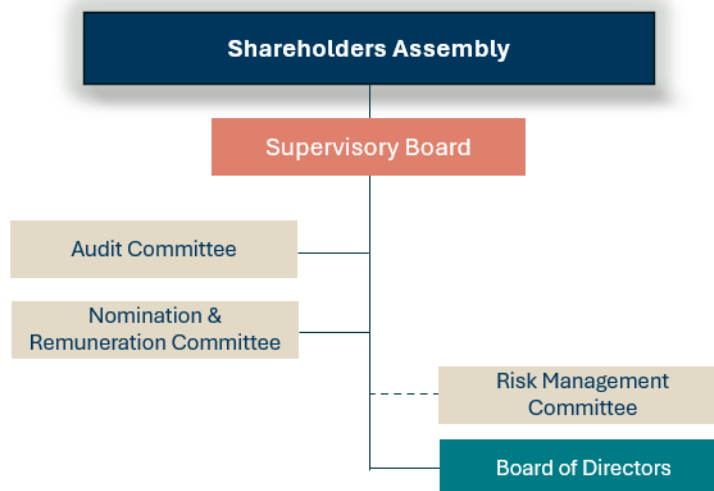
1. Information / Data on the Bank's shareholding structure – the shareholders with qualified holding and their shares in the total number of shares and the total number of issued voting shares and their representatives in the Bank's Supervisory Board.
2. Information / Data on the composition, responsibilities, and the functioning of the bodies of the Bank, highlighting the changes in composition during the year (including information on memberships in other supervisory and/or management bodies, information on professional background, skills, education, age, tenure, etc.).
3. The number of meetings and attendance record of the members of the Supervisory Board and its committees.
4. An overview of the key activities of the Supervisory Board and its committees during the year.
5. Information on the manner of nomination, appointment, and dismissal of the members of the bodies of the Bank, including the Succession Plan for the Supervisory Board.
6. Information / Data on the organizational structure of the Bank, including its subsidiaries, and any significant changes in the governance structure that occurred during the year.
7. Overview of the implementation of the Bank's remuneration policy.
8. Overview of the implementation of the Bank's avoiding conflict of interest policy.
9. The description of the main features of the internal control system, with respect to the process of preparing financial statements.
10. Information on the use of services provided by outsourcers that are significant for the Bank's operations.
11. ESG matters including summary of engagement with stakeholders undertaken.

## 1. SB Bodies

The governance bodies of the banks are defined by the Law on Banks, the Central Bank' Decision on Good Corporate Governance Rules for Banks and the Corporate Governance Code for the Listed Companies.

Based on these acts, besides the Supervisory Board, the banks must establish Audit Committee and Risk Management Committee (RMC). These are considered “legally prescribed committees” and their composition and duties are strictly determined in the Law on Banks. The Supervisory Board may establish other boards from among its members who assist in the conduct of part of its competencies, following appropriate changes in the Statute.

**Figure 1:** The Governance Structure of Stopanska Banka – fully compliant with the regulatory requirements.



## 1.1 Shareholders Assembly<sup>1</sup>

Stopanska Banka is managed by holders of ordinary shares with the right to vote through the Shareholders Assembly.

As of 31 December 2023, 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 led by the Central Securities Depository. 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.

During 2023, 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 is represented with 5 members in the Supervisory Board, while the other 2 members are independent.

The Shareholders Assembly operates at meetings held once a year (obligatory Annual Shareholders Assembly) and when needed (Extraordinary Shareholders Assembly meetings) upon request by the shareholders (holding at least 10% of the voting shares), in accordance with the Law on Trade Companies and Banking Law.

During 2023, the Bank successfully organized the Annual Shareholders Assembly on 30.5.2023, in compliance with the regulatory requirements and the internal policies of the Bank. All regular decisions (obligatory) were passed with the required majority. The session was attended and represented by shareholders representing 16,534,362 ordinary shares, or 94.70% of the total number of voting shares; and 27,711 priority shares, or 10.86% of the total number of priority shares. In addition to shareholders, the Chairman, notary and the Vote Counter, the session was attended by (a) all members of the Board of Directors; (b) the independent member of the Supervisory Board, Prof. Dr. Vladimir Filipovski as representative of the Supervisory Board; and (c) representative of the independent audit company that carried out the audit of the Bank's operations in 2022, Mrs. Biljana Mitrevska, authorized auditor of Grant Thornton.

The Bank again created conditions for the shareholders to address all their issues, including the open discussion concerning the rights of the shares and the potential conversion of the priority into ordinary shares. In this respect, although three proposals by shareholders were submitted on these issues, the session was attended by shareholders

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<sup>1</sup> The information concerning the shareholding structure that was presented in item 3 under this segment in the previous annual report now is incorporated here.

and representatives of shareholders who own 24,711 priority shares in total (10.8% of the total number of priority shares) representing insufficient number of registered and represented shareholders provided for in the Law on Trade Companies when considering and discussing proposals affecting both types of shares. Thus, it was concluded that there is no quorum for consideration and deciding upon the submitted proposals.

The Shareholders Assembly responsibilities and its operations, the convening, the voting procedure, etc. are regulated in more details in the Statute of SB, SB Corporate Governance Code, and Rules of Operations of the Shareholders Assembly available on the Bank's website. All materials of the above-noted Assembly session are published as well.

#### - **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 the issuance of the shares and the Law on Trade Companies, the priority shareholders has a right to a 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 ordinary shares, the Bank is considering 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 the discretion of the shareholders based on a decision passed by the Shareholders Assembly.

Considering the uncertainties in the macro-economic environment during all this period, Stopanska Banka withdrew from any decision on dividend disbursement for the common shareholders. In addition, as strategic priority, during the distribution of the profit, the Bank prioritizes the provision of capital needed to cover all risks, so during 2023, at the Assembly of Shareholders, a decision was made to redistribute the accumulated profit from remaining part of accumulated earnings from year 2019 in amount of denars 1.275.292.260,00 and part of the accumulated earnings from year 2020 in amount of denars 264.707.740,00 to be redistributed in accumulated earnings which shall not be available for payment of dividend to the shareholders in future and to support the Bank's Business Plan in the coming period.

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 1.137.220 or gross dividend of MKD 5 per share.

This approach of the Bank concerning the dividend policy is highly prudential, approaching cautiously the next period, and following the guidelines and recommendations of the Central Bank concerning the dividend disbursement, thus protecting the entire banking system from more serious consequences of the crisis.

## **1.2 Supervisory Board**

The Supervisory Board is responsible for setting strategy, overseeing management, and adequately controlling the Bank, with the ultimate aim of enhancing the long-term value of SB and upholding the general corporate interest, corporate culture and values in accordance with the laws and corporate governance standards. The Supervisory Board has the ultimate responsibility to create conditions for good operations and management of the Bank and its stability. When carrying out its responsibilities, the Supervisory Board shall take into consideration the interests of the interested entities and shall provide conditions for maintaining an efficient cooperation with the National Bank of the Republic of North Macedonia and other regulatory authorities.

### **Size & Composition**

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 2023 remained unchanged, i.e., is as follows:

1. Marinis Stratopoulos, **Chairman**, Non-Independent, Non-Executive Member of the Board of Directors 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<sup>2</sup>.
7. Anastasios Lizos, **member**.

### **Responsibilities of the Board & Key Activities in 2023**

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.

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<sup>2</sup> Prof. Kjosev is Chairman of the Association for regional development – Balkan Economic Forum (NGO).

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, except for 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.
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 for the operations of the Board are presented in the Annual Report on the Operations of Supervisory Board in 2023, submitted to the SB Shareholders Assembly.*

## **Attendance Record**

In 2023, the Supervisory Board organized 9 regular meetings, where it addressed all-important issues in accordance with its duties and responsibilities. Between the meetings, various items were reviewed/approved with written statement on 5 occasions.

The Supervisory Board held its meetings in accordance with the Annual Working Plan 2023 and in line with its responsibilities determined by the Law on Banks and the internal acts.

### Attendance Record

<b>Member</b>	<b>Sup Board Meetings</b>	<b>AC Meetings</b>	<b>NRC Meetings</b>	<b>Total Attendance</b>	<b>Attendance, %</b>
<b>M. Stratopoulos*</b>	7	N/A	N/A	7/7	100%
S. Kjosev	9	N/A	3	12/12	100%
Ch. Christodoulou	9	N/A	N/A	9/9	100%
D. Gkountoufa	8	4	N/A	12/13	92%
I. Kagioulis	9	N/A	N/A	9/9	100%
V. Filipovski	9	4	3	16/16	100%
A. Lizos	9	4	3	16/16	100%

*\*Mr. Stratopoulos during 2023 was in process of re-appointment as member of Supervisory Board, thus he did not have the right to participate in two meetings that were in the period of receiving consent for his re-appointment by the Central Bank Governor.*

*\*\*Part of the members of the Supervisory Board are also members of the Audit Committee and Nomination and Remuneration Committee, thus their participation in these committees is depicted as well (4 Audit Committee meetings and 3 Nomination and Remuneration Committee meetings).*

## **Independence & Conflict of Interests**

In 2023, the balance between independent members and those representing NBG is in line with the regulatory requirements (1/4 of the composition, i.e., two out of seven). Both members served for two consecutive terms and are proposed for re-appointment for the third and final term as independent members.

In order to be considered by the Supervisory Board and to be proposed at the General Meeting as an independent member, the candidate should not have formed a relationship with the Bank, management, shareholders / and or the Group that could interfere with the exercise of independent judgment in carrying out responsibilities as an independent member.

The criteria are defined in the laws and the SB Corporate Governance Code.

In this respect, as of 31 December 2023, no member of Supervisory Board or Board of Directors hold any common shares with right to vote of Stopanska Banka AD – Skopje. Concerning priority cumulative shares without the right to vote, one member of the Supervisory Board and one member of Board of Directors hold small insignificant number of shares (less than 0.1%).

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

### **Diversity**

According to the Corporate Governance Code for Listed Companies, at least 30% of the members of the Board shall be females by 2025. Moreover, it prescribes that the Board's composition shall also consider diversity and inclusion in terms of gender, age, education, ethnicity, and other personal characteristics of the Members.

In case of SB, 15% of the Board members are females (1/7), most are with finance educational background and most members birth range from 1963 to 1976 – thus the annual review of the composition concluded that SB should strive to diversify the Board composition in terms of gender, age, and skills and appropriate actions should be taken in the following period.

### **Self-Assessment 2023**

During 2023, the Supervisory Board conducted self-assessment of its operations.

Moreover, following the best governance practices, and in line with the Evaluation Policy of the Group, the Bank engaged an external advisor to perform an independent Board Effectiveness Review.

In this respect, the assessments confirmed that Stopanska's Supervisory Board is fully compliant with the key regulatory requirements related to the board (composition, members, terms, skill requirements, etc.). Members contribute extensive professional competence, regional experience, and international experience in some cases. The Board boasts a well-balanced array of skillsets, maintaining highly educated members covering crucial areas such as leadership, finance, strategy, risk management and control.

They have in-depth knowledge of the Bank's financial and risk profile and, as collective, have the appropriate knowledge and good synergies for independent supervision of the Bank. No member is deemed as overboarded. An opportunity exists for further enhancement through diversifying skills to cover areas that are important for the upcoming

and changing landscape (ex. IT, digitalization, ESG, etc.), for greater gender diversity and more independent members.

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

The Supervisory Board has established committees with the aim of improving 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 during 2023, i.e. the Supervisory Board of SB had three committees in the reporting period: **Audit Committee, Risk Management Committee** and Remuneration Committee.

However, following the best practices, relevant regulations, and SB needs, in July 2023 the Supervisory Board passed a decision for transforming the Remuneration Committee into a **Nomination and Remuneration Committee**. The Committee shall play a vital role in providing oversight of the nomination, appointment, evaluation, succession, and remuneration of key personnel of the Bank, in line with the relevant regulation and internal policies of the Bank. Its high-level focus on these matters shall strengthen the Bank's ability to attract and retain top talent in the highest bodies while promoting transparency, accountability, and alignment with the international corporate governance standards.

#### **1.3. Audit Committee**

Audit Committee is established as "legally prescribed committee" that assist the Supervisory Board in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, and internal and external audit functions.

#### **Size & Composition**

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 2023 remained unchanged, i.e. was as follows:

1. Antonio Veljanov, Chairman of the Audit Committee (independent member and chartered auditor);<sup>3</sup>

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

2. Dimitra Gkountoufa, member (representative of the Supervisory Board);
3. Vladimir Filipovski, member (representative of the Supervisory Board);
4. Anastasios Lizos, member (representative of the Supervisory Board); and
5. Zorica Bozinovska-Lazarevska, member (independent member and chartered auditor).

### **Responsibilities of the Board & Key Activities in 2023**

The Audit Committee responsibilities are defined strictly in the Law on Banks, which are transposed in the SB Statute. More precisely, it:

1. reviews the financial statements of SB and makes sure that the disclosed financial information on SB operations is accurate and transparent as specified by the accounting regulations and international accounting standards.
2. reviews and makes assessment of the internal control systems.
3. monitors the operations and assesses the efficiency of the Internal Audit Division.
4. monitors SB audit process and assesses the work of the external audit company.
5. adopts SB accounting policies.
6. monitors the compliance of SB operations with the regulations related to the accounting standards and the financial statements.
7. holds meetings with the Board of Directors, the Internal Audit Division and the external audit company as to the identified non-compliances with the regulations and weaknesses in the bank's operations.
8. reviews the reports of the Risk Management Committee.
9. proposes the selection of the external audit company as well as the termination of the concluded agreement; and
10. reports to SB Supervisory Board for its operations at least once quarterly.

The Key Activities performed in 2023 are explained below:

#### **1. Financial Reporting Oversight**

- The Committee reviewed the Annual Account and the Audited Financial Statements for 2022, as well as the SB Annual Report for 2022 before submission to the Supervisory Board for review and to the Shareholders Assembly for adoption. The Audit Committee ensured that the disclosed financial information about the Bank's operations are accurate and transparent as specified by the accounting standards.

- In addition, the Audit Committee regularly reviewed the quarterly financial statements for consolidation purposes and confirmed to the Group Audit that the financial reporting is properly prepared and suitable for inclusion in the consolidated financial statements of the NBG Group.

## **2. Internal Controls, Risk Management, and Audit Oversight**

- Regularly, on quarterly basis, the Audit Committee reviewed and discussed the activity reports of the Internal Audit Division, thus was duly informed about the ongoing internal audit issues. Special attention was given on the status reports of the Internal Audit Division concerning the implementation of the Central Bank Governor’s recommendations.
- The Audit Committee was also reviewing and discussing the Risk Management quarterly reports in order to have better insight and overview of the risk management profile of the Bank.
- In addition, the Compliance Division presented the annual report and its plan for 2023 informing the Audit Committee for the ongoing regulatory / compliance issues and the planned activities of the Compliance function, especially focusing on the compliance of SB operations with the regulations related to the accounting standards and the financial reporting.

## **3. External Audit and Controls**

- As one of its main responsibilities, the Audit Committee proposed PricewaterhouseCoopers Revizija DOO Skopje as external audit company for 2023 and was regularly informed about the cooperation between the Bank and the external auditor. In this context, the Audit Committee also reviewed the audited financial statements per IFRS standards, and the related Management Letter issued by chartered auditor of 2022 (Grant Thornton).
- As needed, the Audit Committee reviewed and discussed the audit/control reports by the regulators when performed.
- Following article 91, paragraph 9, item 4 and item 9 of Law on Banks, the Audit Committee “monitor the Bank’s audit process and assess the work of the audit company” and “propose designation of an audit company and cancellation of an agreement concluded with an audit company”. Arising from these requirements, and based on the Group corporate governance standards, the Audit Committee is also required to grant approval of the audit and non-audit services performed by the appointed external chartered auditor to ensure that the auditor’s independence is not impaired by the

additional engagements. In this respect, the Audit Committee approved non-assurance services by the appointed external chartered auditor.

#### 4. Regulatory Compliance

- The Audit Committee also reviewed the following documents from the procedural framework:
  - Review of the Audit Committee Working Plan for 2023.
  - Review of SB Code of Ethics.
  - Review of the Report on the operations of the Audit Committee in 2022.

In conclusion, the Audit Committee followed its Annual Plan of operations and executed its duties in full compliance with the relevant legislation and corporate governance standards and had open and transparent communication with the Board of Directors, Supervisory Board, and the control functions of the Bank.

*\*\*\*More details for the operations of the Board are presented in the Annual Report on the Operations of Audit Committee in 2023, submitted to the SB Supervisory Board.*

#### Attendance Record

The meetings of the Audit Committee were held in accordance with the regulatory requirements, i.e., at least one meeting per quarter. In 2023, the Audit Committee organized 4 regular meetings, where it addressed all relevant issues for the bank in accordance with its duties and responsibilities. Between the meetings, various items were reviewed/approved with written statement on 5 occasions.

100% Attendance by all members

Committee Member	# of meetings attended	% of meetings attended
Antonio Veljanov	9	100%
Anastasios Lizos	9	100%
Dimitra Gkountoufa	9	100%
Vladimir Filipovski	9	100%
Zorica Bozinovska - Lazarevska	9	100%

#### 1.4. 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 2022, 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;<sup>4</sup>
7. Vlado Treneski –Senior Manager of Corporate Banking Division, member;
8. Mirko Avramovski - Manager of Collection Division, member;
9. Emilija Stojanova - Manager of Risk Management Division, member.

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

1. permanently monitors and assesses the risk level of SB, and identifies the acceptable level of exposure to risks in order to minimize the losses as a result of the SB risk exposure;
2. establishes risk management policies and monitors their implementation;
3. follows the regulations of the National Bank pertaining to the risk management and SB compliance with such regulations;
4. assesses SB risk management systems;
5. determines short and long-term strategies for managing certain types of risks SB is exposed to;
6. analyses the reports on SB risk exposure developed by SB risk assessment units and proposes risk hedging strategies, measures and instruments;
7. monitors the efficiency of the internal control systems in the risk management;
8. analyses the risk management effects on SB performances;

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<sup>4</sup> Ms. M. Trajanovska is also Chairman of the Supervisory Board of the Clearing House KIBS AD Skopje.

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.

### **1.5. Nomination & Remuneration Committee**

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

The Committee consists of three members, appointed by the Supervisory Board, with 1-year term of office which shall be automatically renewed for successive one-year terms, unless otherwise decided, provided that the Committee member still meets the criteria for membership of the Committee and Supervisory Board. Majority of the members (2) are independent members, including its chairman.

During 2023, there were no changes in the composition of the Committee, i.e. is composed by the following members:

- Vladimir Filipovski, Chair and independent member.
- Anastasios Lizos, member – representative of Supervisory Board.
- Sasho Kjosev, independent member.

During 2023, the Supervisory Board decided to pass a decision for expanding the scope of the standing Remuneration Committee to include authorities related to the nomination, i.e. to be transformed to Nomination and Remuneration Committee.

Therefore, in brief, NRC assists the Supervisory Board in providing oversight of the nomination, appointment, evaluation, succession, and remuneration of key personnel of the Bank, in line with the relevant regulation and internal policies of the Bank.

The NRC responsibilities are regulated in the internal policies of the Bank and the Rules of Operations of the Nomination and Remuneration Committee, following the relevant provisions of the Central Bank' Decision on good corporate governance rules in banks.

## **Key Activities in 2023**

During 2023, the NRC held three regular meetings, as required by the local legislation and in accordance with its Rules of Operations and passed decisions by written statements in two sessions.

Following its Annual Operational Plan, the following main items were reviewed/passed:

- Review and approval of the Remuneration Report for 2022, including the self-evaluation of the Remuneration Committee members and the Risk Management Committee Opinion on the Remuneration Policy.
- Regularly reviewed the staff cost and employee turnover trends of the Bank, ensuring that the management keeps the staff cost and headcount within the Budget.
- Reviewed the Presentation on Exit Questionnaire Analysis.
- Approved the proposal for salary increases for SB employees for 2023 and variable remuneration rewarded to SB management and the employees for performance in 2022.
- Reviewed and discussed the regular annual Internal Audit Report on implementation of the Remuneration Policy.
- Reviewed the amendments of the Remuneration Policy.
- Reviewed the new Rules of Operations on Nomination & Remuneration Committee.
- Endorsed the KPIs of the control functions and the achieved Individual Targets.
- Reviewed and approved the List of risk-takers covered with the Remuneration Policy.

In conclusion, the NRC was assured that all principles of the Remuneration Policy were followed by the Bank.

*\*\*\*More details for the operations of the Board are presented in the Annual Report on the Operations of Nomination and Remuneration Committee in 2023, submitted to the SB Supervisory Board.*

## 1.6. Board of Directors

The Board of Directors mission is to manage and represent the Bank in the best interest of the company, with the main objective of sustainable long-term value creation and considering the interests of all stakeholders. It shall manage the Bank and shall be involved in the implementation of the business policy, the establishment and promotion of corporate culture and values, the determination of the acceptable level of risk, the establishment and implementation of the internal control system and in providing conditions for operations of the bank in accordance with the regulations.

### Size & Composition

The Board of Directors is composed of a minimum of two and a maximum of seven members. The exact number of members is decided by the Shareholders Assembly, following a proposal by the Supervisory Board, i.e. with the Statute of SB.

Currently, the Board of Directors is composed of 4 members covering all banking areas, appointed by the Supervisory Board, with mandate of 4 years with right to be re-elected.

Thus, the composition of the Board of Directors during 2023 remained unchanged, and it was as follows:

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;<sup>5</sup>
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.

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. They should also fulfill all other regulatory and suitability requirements.

The current 4 members have extensive experience and professional competence, in-depth knowledge of SB operations and culture, and have the appropriate knowledge, as collective, for managing the Bank.

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<sup>5</sup> Mr. 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).

The Board of Directors is supported by enhanced team of additional 5 senior managers as layer between the Board of Directors and every-day operations in selected areas.

- 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).

### **Responsibilities of the Board of Directors**

The Board of Directors responsibilities are as follows:

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

### **Self-Assessment 2023**

Based on the overall assessments, it was concluded that the operations of the Board of Directors of Stopanska Banka, as a whole, are assessed with high grade (total 4.5 out of 5), meaning that the Board operates in compliance with the relevant regulations and the Group corporate governance standards and effectively fulfills its role and duties.

The Supervisory Board members also conducted an evaluation of all members individually (every member evaluated the other members, including the CEO). All members are considered as appropriate persons with relevant skills and professional expertise.

**Experience/Tenure:** BoD members have variable lengths of service on the board, with some members being relatively new (since 2019) and others having over a decade of experience (since 2009). This mix is beneficial, blending institutional knowledge with new insights and providing stability at the top.

**Responsibilities:** The areas of responsibility are well-distributed among the members, covering key aspects of banking operations. Specific areas such as risk management, treasury, and retail banking being managed by designated officers, as this promotes focusing expertise where it is most needed.

**Term expirations:** Several board members have terms expiring soon (2024-2026), highlighting the need for succession planning. Consistency in leadership is important, but so is the opportunity to bring in new expertise and viewpoints.

**Proposed Improvements:** Considerations for improvement might include further enhancement of the BoD team, introducing more diversity in terms of age or gender, and reviewing the renewal processes for BoD members to ensure the leadership remains consistent, but also dynamic and adaptable to changing industry landscapes with introducing new roles.

## 1.7. Credit Committees

Other SB bodies, determined with the Statute, are Credit Committees with the following, structure, and authorities, as at December 31, 2023:

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 to a 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 to a 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 - Manager of Underwriting Division, member.

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

The CCCC decides on credit exposure toward a 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 Small Banking Business Division, member
- Emilija Stojanova - Ivanovska - Manager of Risk Management 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 5 members as follows:

- Milica Chaparovska - Jovanovska - Chief Retail Officer of SB and member of the Board of Directors, Chairman
- Dejan Krstevski - Manager of Small Banking Business Division, member
- Barbara Brezovska - Ponjavic or Dragan Mihajlov -Manager or Deputy Manager of Product Management and Clients Segment Division, member
- Mihaela Atanasovska Stoicovska - Manager of Credit Division
- Maja Rusovska – Manager of SBB Credit Department.

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 by the 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
- Mihaela Atanasovska Stoicovska - Manager of 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 by the 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. Manner of Nomination, Appointment, and Dismissal of members of the bodies of the Bank, including the Succession Plan for the Supervisory Board**

The manner of **nomination, appointment, and dismissal** of members of the bodies of Stopanska Banka, is regulated by an internal policy that complements the Bank's governance framework for nominating candidates to the statutory bodies and should be read and interpreted in conjunction with the Suitability Assessment Policy and Procedure as well as SB's Corporate Governance Code, taking also into account the NBG Group Governance Policy and relevant competencies of NBG bodies (eg the NBG's Corporate Governance and Nominations Committee and the NBG's Chief Executive Officer).

The Policy is based on the current regulatory framework to which the Bank is subject and has been designed taking into account especially the provisions of Law on Banking, Trade Companies Law, National Bank Decision on good corporate governance in a bank, as in force, as well as the European Banking Authority Guidelines on the assessment of the suitability of members of the management body and key function holders and the European Central Bank Guide to Fit and Proper assessments, as well as international best practices. Furthermore, it confirms the crucial role of the Nominations and Remuneration Committee (NRC) in the nomination process of candidates to the SB statutory bodies.

### Summary of the Process

Taking the above explained into consideration, the NRC assesses the suitability of the candidates to the SB bodies, in line with the criteria stipulated in the Suitability Assessment Policy and Procedure and the Bank's Corporate Governance Code and in accordance with

the regulatory framework, as each time in force, and records the assessments and their results.

The NRC shall not propose candidates who might be deemed unfit or unsuitable as per the provisions of the Bank's internal policies and the relevant regulatory requirements.

The NRC shall base all its proposals on its own independent judgement. In the process of identifying and proposing suitable candidates, the Committee shall be primarily based on the Target Board Profile. They shall also take into consideration the views and opinions expressed by key shareholders and stakeholders of the Bank.

The NRC reviews, identifies and evaluates the needs of the SB body composition considering especially the Bank's medium term strategic objectives, challenges, risks, and the relevant regulatory framework to outline the necessary profile/competencies of the new directors.

The Bank analyses the market for potential candidates and prepares a short list of suitable candidates. The NRC may decide on reverting to existing pools of candidates created, based on positions previously advertised, if according to the timing of the recruitment process and the desired profile and skills in each case if this is considered appropriate.

The NRC receives the list of candidates for every vacant position compiled following the above steps, accompanied by the relevant CVs and details about the candidates. The NRC with the support of the Company Secretary / Chairman's Office carries out a detailed due diligence and suitability assessment, as per the provisions of the Suitability Assessment Policy and Procedure.

The NRC selects the most preferable candidate(s) and submits its proposal to the Supervisory Board for approval, following consultation in accordance with the Bank's governance framework.

The final decision regarding the election of a Supervisory Board member is made by the General Meeting of the Shareholders or the Board itself, as per case foreseen in accordance with the provisions of the SB's Statute and is subject to supervisory approval in accordance with the applicable regulatory framework.

Upon appointment, the new member of SB body is notified by the Chair of the Board or whoever he/she may determine (e.g. the Chair of the NRC or the Company Secretary) and is further informed on the terms of his/her appointment. The Company Secretary oversee and coordinate all necessary actions with respect to regulatory requirements following the election of the new Board member (e.g. announcements, fit and proper process etc) and internal processes, including the provision of the induction material.

Any decision made on appointment of new Supervisory and BoD Directors is subject to approval by the National Bank of Republic of North Macedonia in accordance with the relevant regulatory framework.

**Succession planning** is an essential component for the development of any corporation. The planning of this segment is a tool for good management of the organization in order to ensure continuous effective operation through continuity of leadership. A good succession planning program aims to identify employees/individuals with high potential and ambition, train them and ensure available talent for future operations.

The Bank recognizes the importance of a succession planning process to ensure continuity in a sustainable, highly successful operation. There are certain positions in the Bank that are crucial for its current and future growth. Therefore, it is important that these positions are awarded to appropriately qualified and the best possible individuals. It is critical that such positions are filled in a timely manner to avoid any leadership gap.

During 2023, the Bank adopted the Succession Policy based on the policy by the NBG Group, including its adaptation to the Bank's model and needs as well as to domestic legislation.

The Policy is applied in 2024.

### **3. Organizational Structure**

The organizational structure of the Bank follows 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 by a decision by the Supervisory Board, on a proposal by the management. As of 31.12.2023, the Bank is organized in 21 divisions and 59 branches. Besides the closure of three branches (62 branches as end of 2022), no significant changes in the structure were made during the reporting period.

The organizational structure is published on SB website.

#### **- Stopanska Leasing DOOEL Skopje**

In accordance with the ambitious business strategy, in 2022 Stopanska banka decided to invest in the establishment of a non-banking financial institution - a provider of financial leasing, thereby enriching the offer of financial services for customers and obtaining an additional source of income.

Namely, according to the Decision of the Ministry of Finance no. 13-11054/2 of 11.2.2022, the Bank successfully established the company for financial leasing, Stopanska Leasing DOOEL Skopje, fully (100%) owned by SB. The company started operating on July 1, 2022.

The operation of the Company is controlled by a Supervisory Board consisting of four members:

- Toni Stojanovski, Chief Corporate Officer and member of the Board of Directors of Stopanska Banka AD - Skopje - Chairman,
- Milica Chaparovska – Jovanovska, Chief Retail Officer and member of the Board of Directors of Stopanska banka AD – Skopje – member,
- Theodoros Spyropoulos – Chief Executive Officer of NBG Leasing – member, and
- Evangelia Kalouptsi – Deputy Director of NBG International Activities Division - member.

In accordance with the Law on Trade Companies, the Supervisory Board audits the Company's annual account and other financial reports, the proposal for the distribution of profit, reviews the annual report regarding the operations in the business year and performs other activities in accordance with the law.

In addition, Stopanska Leasing is managed by a manager appointed by the Management Board of Stopanska Banka AD – Skopje - Zharko Krzhalovski.

#### **4. 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).

## **5. 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 2023 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.

## **6. Outsourced services**

The 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 of Central Bank.

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 (no changes):

- 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.

## **7. Remuneration Disclosure 2023**

The remuneration approach of SB is straight-forward, effective and focused on meritocracy while fully compliant with the regulatory requirements and the principles of its Remuneration Policy. The remuneration is primarily comprised of fixed remuneration; the variable part is smaller part of the total compensation and is given as reward for the individual contribution in the excellent overall results and governance of the Bank.

Fixed remuneration is comprised of competitive base gross salary paid monthly, which provides a measure of certainty and predictability to all of SB employees. When fixed remuneration is determined the Bank has ascertain key performance indicators for every position that takes into consideration various financial and non-financial parameters. It primarily reflects the relevant professional experience and organizational responsibility of the staff. Fixed salary is also assessed and determined in the context of the banking market in order to set the levels on competitive levels.

Variable remuneration is smaller part of the overall remuneration of the management and SB employees (14%). More important, the Bank has clearly defined credit policies and risk appetite (approved on highest levels: the NBG Group and the Supervisory Board of the Bank). In addition, all the credit risks are undertaken on level of committees, i.e. not by a single officer. Therefore, the risk-taking on individual level is minimized and framed in strict policies. However, when variable remuneration is paid, the Remuneration Policy prescribes that the remuneration is not determined based on automatic procedure (“formulaic approach”) but should take into account the performance of the employee, unit concerned and the overall results of the Bank. No guaranteed variable remuneration is allowed, i.e.

any variable remuneration is dependent on the overall success of the Bank and is usually approved only after the year-end results are confirmed, thus it takes into consideration the overall health and success of the Bank before approving any rewards to the management and its employees.

Due to the strong adherences of the Bank to the Code of Ethics and the full compliance with the legislation and the internal policy, any failure of employee to comply with the Bank's internal acts cannot be offset by any of his/hers financial performance.

In relation to the control functions, the Supervisory Board, through the Policy of Remuneration and the key performance indicators, has successfully established the manner of remuneration that is not dependent from the activities and performance of the units that are subject of their control.

Latest review and amendment of the Remuneration Policy is done by the Shareholders Assembly on 30.5.2023.

There are no significant changes in the remuneration approach during 2023. No remuneration is paid in 2023 in shares or other rights that gives the right to acquire SB shares.

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 as required by the laws.

#### - **Supervisory Board**

The Supervisory Board members are compensated only with fixed remuneration, approved by the Shareholders Assembly.

##### *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. Mr. Stratopoulos and Mr. Lizos, representatives of the shareholder no longer employed in NBG Group, are 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. <sup>6</sup>

- **Board of Directors**

In 2023, total gross amount of MKD 31.896.665 (fixed remuneration of MKD 25.911.832 and variable remuneration of MKD 5.984.833) was paid to 4 members of the Board of Directors.

*Remuneration of members of Board of Directors, per member, 2023, gross MKD*

#		Fixed remuneration	Variable remuneration	Total remuneration
1	MKD	8,558,376	MKD 2,277,202	MKD 10,835,578
2	MKD	5,778,614	MKD 1,122,139	MKD 6,900,753
3	MKD	5,787,420	MKD 1,292,746	MKD 7,080,166
4	MKD	5,787,422	MKD 1,292,746	MKD 7,080,168
<b>BoD, total</b>	<b>MKD</b>	<b>25,911,832</b>	<b>MKD 5,984,833</b>	<b>MKD 31,896,665</b>

- **Persons with material impact**

#		Fixed remuneration	Variable remuneration	Total remuneration	Number of staff
<b>Officers with material impact on the risk profile &amp; profitability</b>	<b>MKD</b>	<b>62,307,054</b>	<b>MKD 9,069,310</b>	<b>MKD 71,376,364</b>	<b>26</b>
<b>Other persons with special rights &amp; responsibilities</b>	<b>MKD</b>	<b>22,600,957</b>	<b>MKD 2,581,441</b>	<b>MKD 25,182,398</b>	<b>11</b>

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

<sup>6</sup> On basis of salary and allowances as employed in the Faculty of Economics at University Cyril and Methodius – Skopje:

- prof. Filipovski receives MKD 1.558.194 gross (annually) while
- prof. Kjosev receives MKD 1.489.253 gross (annually).

for the control functions in Stopanska Banka AD – Skopje. 26 employees are included in this category.

Total gross amount of MKD 71.376.364 (fixed remuneration of MKD 62.307.054 and variable remuneration of MKD 9.069.310) was paid to the Officers with material impact on the risk profile.

- **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. 11 employees are included in this category.

Total gross amount of MKD 25.182.398 (fixed remuneration of MKD 22.600.957 and variable remuneration of MKD 2.581.441) 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 2022 amounts to MKD 77.818 thousands which represent 0.42% 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).

## **8. Internal Control System (with respect to the process of preparing financial statements)**

SB maintains a robust Internal Control System to ensure the accuracy and reliability of the Bank’s financial statements. This system is designed to monitor the preparation and reporting of financial data, safeguarding against inaccuracies, and ensuring compliance with applicable financial regulations and standards.

The foundation of ICS is built on our shared culture of integrity, enforced by the Board of Directors, Audit Committee, and Supervisory Board. Strict policies, integrating the best practices, clearly define the roles of all bodies and employees in fulfilling their roles effectively. Specific control activities include thorough reviews of financial statements, reconciliation processes, and the implementation of segregation of duties.

ICS ensures that relevant financial information is communicated in a timely and accurate manner to all stakeholders, as vital transparency for maintaining trust and enabling informed decision-making.

Governance-wise, the financial statements are prepared by the management of the Bank, who is responsible for ensuring that the financial statements are prepared following the applicable regulations and financial standards. The statements are audited by independent external auditors and issue their opinion if the financial statements are accurate and represent fairly in all materials aspects the financial position of the Bank. The whole process is under scrutiny of the Audit Committee, Supervisory Board, and finally, the Shareholders Assembly.

During 2023, following the process explained, the external audit company Grant Thornton, issued a clear opinion on the financial statements of Stopanska Banka and the audited financial statements were approved by the Shareholders Assembly.

Additionally, the External Audit Company PricewaterhouseCoopers Revision DOO Skopje revised the financial statements in accordance with IFRS standards and issued a clear view that they were prepared in accordance with applicable legislation and international standards.

Furthermore, in July 2023, the Audit Committee decided to approve additional services ("non-assurance") by the external audit firm PwC in order to assess the Bank's compliance with the laws on the prevention of money laundering, at the request of a correspondent's bank with which the SB cooperates. The Committee ensured that all criteria were respected in the conclusion of the additional agreement.

This rigorous Internal Control System enables the Bank to prepare financial statements that are not only compliant but also a true and fair presentation of its financial position and operations.

## **9. Environmental Social and Governance**

The ESG framework is used by investors, companies, and regulatory bodies to evaluate the extent to which an organization manages non-financial risks and opportunities related to sustainable environmental practices, social responsibility, and governance issues.

### **- Climate & Environmental**

In 2023 the Bank continued with further shaping its strategy and deepening the integration of the ESG aspects, by implementing the climate and environmental elements.

For the purpose of managing the environmental and social risk, in the internal procedure, the Bank has adopted an approach of environmental assessment, risk management and monitoring. For financing sub-projects in accordance with EBRD agreement, the Bank has

incorporated environmental and social risks. In order to comply with the requirements of the EBRD agreement, the banks has assigned appropriate management and staff resources for the implementation of environmental and social due diligence and monitoring procedures. The Bank assesses and manages environmental and social risks and impacts arising from financing sub-projects in accordance with EBRD agreement, with support from team of experts provided by EBRD.

The environmental and social risk assessment and monitoring mechanism includes:

- Screening of all clients/sub-projects against the EBRD's Environmental and Social Exclusion List and FI Referral List;
- Categorizing the environmental and social risk of proposed sub-projects (low/medium/high) in accordance with EBRD's Environmental and Social Risk Categorization List for FIs;

Furthermore, the Bank has implemented initiative for ESG reporting by generation of climate-related and environmental (C&E) information of the loan portfolio. In this regard, detailed screening of the collateral and collection of data and analysis regarding the physical risks have been performed

#### - **Corporate Social Responsibility**

For over 80 years, Stopanska Banka has been one of the most active socially responsible companies in the country, being an inextricable part of the general development of the country. 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.

The main CSR activities were implemented as follows:

- Donation to the Red Cross for the earthquake affected regions in Turkey and Syria  
Donation of medical equipment for the Institute for Sports Medicine, Faculty of Medicine, Skopje;
- Donation of special furniture to the 2 biggest OBGYN hospitals for the care of premature born babies.
- Sponsorship of "Strumica Carnival" 2023
- Sponsorship of "Ohrid Summer" 2023
- Sponsorship of "Galician Wedding" 2023
- Main sponsor of the Skopje Triathlon 2023 via Stopanska leasing
- Sponsorship for the Faculty of Economics Skopje at the University of St. Cyril and Methodius – Skopje
- Sponsorship of the Chamber of Commerce of North Macedonia
- Sponsorship of the Northwest Chamber of Commerce of North Macedonia

- Annual sponsorship of the Macedonian Olympic Committee
- Donation from the mass event "Ride Right, Ride Healthy" to construct a new kids bike park within one of the biggest city parks - Park Saraj
- The project that we repeat every year with 70 new planted evergreen trees - procurement of large seedlings of natural Christmas trees for the branches and their planting in nature after the New Year holidays.
- Continuation of the green project "Green Wall" with planting of additional 400 perennial trees across the city of Skopje in close collaboration with the city administration in order to provide necessary care for the trees.
- Supporting the annual events of the Macedonian Stock Exchange and the Internal Auditors Association.

In conclusion, the CSR strategy of the Bank in 2024 is to play a significant role in the community where it originates and operates and to constantly expand the support of projects from different segments and activities. All these activities add significantly to the name and value of the company. The bank will continue in the following years to recognize and support projects that are of interest to the wider population.

- **Gender equality and inclusiveness**

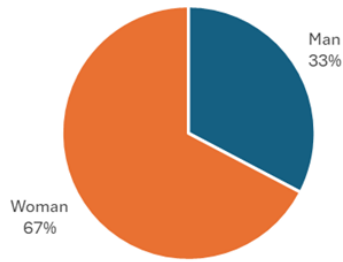
The governance and operation model of Stopanska banka AD - Skopje is based primarily on a diversity of talents who have the skills, experience and corporate culture to respond to the challenges of banking operations and the needs of customers and all stakeholders of the Bank. Through various programs and activities, the Bank continuously encourages an inclusive working environment where every employee gets an equal chance for career progress and self-development, without discrimination on any basis. Such principles the Bank continuously incorporates and promotes in all processes, including in the recruitment, training, development and retention of employees.

In this direction, from the aspect of gender equality and inclusiveness, the Bank has a **well-balanced gender structure at all levels**. Any "imbalance" at a certain level, including within the Bank's bodies, is due to the specific circumstances (existing staff gender composition, available candidates for new jobs, the Bank's needs, etc.), regulatory requirements and commitment to promoting the best talent in the given period regardless of gender or other type of affiliation.

Consequently, at the level of the entire Bank, i.e. from the total number of 933 employees in Stopanska banka AD - Skopje:

- 305 are men (33%), and 628 are women (67%).

### Employee Gender Structure



The Bank has the same gender structure in relation to persons with special rights and responsibilities (so-called senior management), excluding the bodies listed below, that is:

- 20 managers/deputy managers of divisions are women (50%).
- 20 managers/deputy managers of divisions are men (50%).

In relation to the bodies of the Bank, i.e. in the context of the recommendation of the Corporate Governance Code for listed companies on the Macedonian Stock Exchange for gender equality by 2025, which promotes at least 30% of women in the bodies of listed companies, in 2023 the Bank has the following situation:

Statutory body	Total members	Members – woman	%	Measures for implementation of the recommendation for 30% gender equality
Supervisory Board	7	1	15%	The Self-Assessment of the Bank confirmed that 15% of the Board members are females (1/7), most are with finance educational background and most members birth range from 1963 to 1976 – thus SB should strive to diversify the Board composition in terms of gender, age, and skills in the future appointments.
Audit Committee	5	2	40%	<b>The recommendation is implemented.</b>

				The Bank will strive to maintain the current gender balance in the future.
Remuneration Committee	3	-	0%	The members of the Remuneration Committee are determined by the Statute of the Bank and the regulation requires the majority of the members to be independent members - representatives of the Supervisory Board as well as members with specific experience relevant to the operation of the Committee.
Risk Management Committee	9	3	33%	<b>The recommendation is implemented.</b>  The Bank will strive to maintain the current gender balance in the future.
Board of Directors	4	1	25%	<b>The recommendation is mostly implemented.</b>  No additional / special activities are planned.

**- Summary of the Bank's cooperation with stakeholders**

As one of the largest organizations in the country, Stopanska banka AD - Skopje recognizes the influence it has on a large number of stakeholders - the Bank's shareholders, employees, customers, depositors, relevant regulators as well as the general population whose lives are inevitably affected by the Bank's operations.

In this direction, in the past year the Bank continued to prioritize cooperation with all stakeholders in order to build even stronger relationships and promote joint success and well-being for all.

- Starting with the shareholders, as owners of the Bank, the Bank had continuous and active communication with the investing public throughout 2023. In particular, it should be emphasized the continuous provision of legal and other type of support for securing appropriate channels and form for the resolution of any issue that the shareholders have in relation to their requests to the bodies of the Bank and the Shareholders Assembly;
- The employees of the Bank represent one of the most important stakeholders and the Bank continuously invests in the development career of the employees and their competitive remuneration. Furthermore, the Bank acknowledges the significance of its people for successful and responsible implementation of its ambitious Business Plan. In 2023 the efforts were focused on improving the remuneration levels, introducing various non-monetary benefits, increasing internal mobility, strengthening the trainings, and lot of efforts invested in overall strengthening of the corporate culture, equal and fair treatment, etc.
- Customers remain the Bank's main focus and the Bank continues to focus on providing high-quality services and products that meet their specific needs in various manners.
- The Bank, guided by the principle of full compliance of its operations with the laws and ethical standards, also values and promotes professional relations with regulators and continued to cooperate closely with institutions and work on implementation and acceptance of all regulatory requirements. It proactively engages with regulatory bodies to ensure a thorough understanding of the new extensive regulations and continuously took a number of steps to appropriately adapt the Bank's operations to the changing regulatory framework.

Overall, the Bank's cooperation with all stakeholders is an important part of the overall success achieved in 2023. Stopanska banka AD - Skopje remains committed to building strong relationships with all stakeholders, all with one goal - that the Bank's success is the success of the entire community.

## 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 2023.**

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**

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Diomidis Nikoletopoulos  
Chief Executive Officer

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Toni Stojanovski  
Chief Corporate Officer

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Milica Chaparovska-Jovanovska  
Chief Retail Officer

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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](http://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 Nikoletopoulos  
Chief Executive Officer

\_\_\_\_\_  
Toni Stojanovski  
Chief Corporate Officer

\_\_\_\_\_  
Milica Chaparovska-Jovanovska  
Chief Retail Officer

\_\_\_\_\_  
Bojan Stojanoski  
Chief Risk Officer

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