

Item on the agenda: 15
Proposed by: **Supervisory Board**

Materials for the Shareholders Assembly of NLB Banka AD Skopje

Remuneration Policy for employees in NLB Banka AD Skopje

The Supervisory Board proposes to the Shareholder's Assembly to adopt the following:

Proposal-Decision for approval a Remuneration Policy for employees in NLB Banka AD Skopje

Attached:

- Proposal-Decision for approval of the Remuneration Policy for employees in NLB Banka AD Skopje
- Remuneration Policy for employees in NLB Banka AD Skopje

Skopje, May,2025

Shareholders Assembly of NLB Banka AD Skopje

Proposal-Decision for approval a Remuneration Policy for employees in NLB Banka AD Skopje

Pursuant to Article 384 of the Law on Trade Companies and the Decision on rules for good corporate governance in Banks, the Assembly of NLB Banka AD Skopje adopted the following:

Decision for approval a Remuneration Policy for employees in NLB Banka AD Skopje

1. Remuneration Policy for employees in NLB Banka AD Skopje is approved
2. This Decision shall enter into force on the day of its adoption.

In Skopje, 29.05.2025

The decision shall be submitted to:
Secretariat
Human Resources Management Center;

Chairman
of the Shareholders Assembly
of NLB Banka AD Skopje

Explanation

Due to the submitted instructions by NLB d.d. from December 7, 2022, it is conducted changes of the Remuneration Policy employees of NLB Banka AD Skopje related to a technical correction of conditions for taking decisions on the allocation of variable remuneration.

Adopted amendments to the Remuneration Policy are as follows:

- a provision is included whereby the instrument provides its holder with returns equal to the dividends that the share of NLB d.d. has.
- the ratios for determining the performance of an individual member of the Management Board of a member of the NLB Group are changed.
- an explicit restriction is added that the sum of the variable compensation of an individual identified employee,
- the restriction is changed that a newly identified employee whose mandate lasts less than 6 months in the first business year is not entitled to a variable part of the salary
- the deadline for determining the goals of identified employees is changed, it is now defined as January - March, instead of January - February.
- a provision is reformulated so that it is regulated that the variable part of the salary of identified employees, which does not exceed 50,000 euros and does not amount to more than 1/3 of their total annual compensation, is not postponed

Based on point 45 of the NBRSM Decision on rules for good corporate governance, the Remuneration Policy is mandatorily approved by the bank's Assembly if it provides for receiving compensation in the form of shares or other rights that provide the opportunity to acquire shares.

Skopje, May, 2025

According to article 56 , paragraph 1, item 12 of the Statute of NLB Banka AD Skopje, the Supervisory Board of NLB Banka AD Skopje adopted

Remuneration Policy for employees of NLB Banka AD Skopje

Version 3.	valid from: 01.01.2024
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Chronology of amendments

Version	Date	Description
1.	December 2021	Version 1, valid from 01.01.2022
2	December 2022	Version 2, valid from 23.12.2022
3.	December 2024	Version 3, valid from 01.01.2024

1. Introduction

Article 1

This Remuneration Policy for employees of NLB Banka AD Skopje (hereinafter: Remuneration Policy or Policy) regulates the remuneration of all employees of NLB Banka AD Skopje except remuneration of the members of the Supervisory Board of NLB Banka AD Skopje.

The provisions of this Remuneration Policy are harmonised with the provisions of Remuneration Policy for employees of NLB d.d. and NLB Group, Version 2 (hereinafter: Group Remuneration Policy), Company Law, the Banking Law, the Labour law, Decision on good bank governance rules issued by the National Bank of Republic of Macedonia, dated February 6, 2018, as well as with the Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04 of 02/07/2021, hereinafter: EBA Guidelines), Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (EBA/GL/2016/06) and Guidelines on remuneration policies and practices (MiFID) (ESMA/2013/606), which NLB d.d. pursuing the principle of proportionality, taking into account the total assets, the size of the Bank's assets, the available equity and debt instruments, the capital requirements and other criteria defined in the relevant provisions and the EBA Guidelines.

2. Area of Use

The basic principles of remuneration policy serve as a framework for all employees at NLB Banka AD Skopje.

3. Contents

Article 2

The Policy provides with the aim of ensuring prudent and efficient risk management, clear guidelines for prudent remuneration of all employees in accordance with the above regulations and documents.

Within this framework, guidelines for prudent remuneration of identified employees are specifically outlined, where different from such guidelines for remuneration of all employees.

The principles of the Remuneration Policy are in accordance with the procedures provided for this purpose also incorporated in all documents governing the remuneration of performance of other employees.

Article 3

This Policy is based on the principle of equal payment for equal work or work of the same value for the employed men and women, and is therefore gender-neutral.

Article 4

The terms used in this Policy shall have the following meaning:

<u>"employees" and "all employees"</u>	are identified employees and other employee
<u>"other employees"</u>	are all employees of NLB Banka AD Skopje who do not have a significant impact on the risk profile of NLB Banka AD Skopje and/or the NLB Group within the scope of their responsibilities or work tasks and activities

<u>“employees performing special work” or “identified employees”</u>	are all employees of NLB Banka AD Skopje who may have a significant impact on the risk profile of NLB Banka AD Skopje and/or the NLB Group within the scope of their responsibilities or work tasks and activities.
<u>“senior management”</u>	means natural persons in executive positions in the Bank, responsible to the management body for daily performance of the Bank's operations
<u>“remuneration”</u>	means all forms of fixed and variable remuneration and includes payments and benefits, monetary or non-monetary, awarded directly to employees by or on behalf of institutions in exchange for professional services rendered by employees, carried interest payments within the meaning of Article 4(1)(d) of Directive 2011/61/EU and other payments made via methods and vehicles which, if they were not considered as remuneration, would lead to a circumvention of regulations on remuneration contained in Directive 2013/36/EU and its implementing regulations
<u>“routine employment package”</u>	means ancillary components of remuneration that are obtainable for a wide population of employees or employees in specified functions based on predetermined selection criteria, including, for example, healthcare or proportionate regular pension contributions.
<u>“fixed part of salary” or “fixed remuneration”</u>	is the part of salary consisting of the basic salary, allowances and bonuses to the salary and other benefits in accordance with the applicable labour law regulations
<u>“basic salary”</u>	is the basic monthly salary of an individual employee as defined in their employment contract
<u>“salary bonus”</u>	is defined by the labour law regulations applicable at the time and is therefore considered fixed remuneration
<u>“salary compensation”</u>	is the allowance received by the employee because of absence from work for the reasons defined by labour law regulations applicable at the time
<u>“gross salary”</u>	is defined as the net monthly salary from the employment contract, increased by social contributions and taxes in accordance with the legislation
<u>“reimbursement of expenses”</u>	represents reimbursement of costs related with the work (transport, accommodation, meals and other reimbursement of costs) based on collective agreements, labor legislation and internal acts.
<u>“bonus or benefits”</u>	is defined as any benefit in kind provided to the employee by the employer
<u>“fully funded voluntary pension insurance” (FFVPI)</u>	represents a payment to all employees for the supplementary pension insurance in accordance with the internal acts of the bank and Law for fully funded voluntary pension insurance
<u>“other remuneration”</u>	represents the payment of remuneration defined in the labour law regulations applicable at the time
<u>“variable part of salary” or “variable remuneration”</u>	is the part of the salary that depends on predetermined and measurable employee

	performance criteria and constitutes all non-fixed remuneration
<u>"performance-related pay"</u>	is a part of the salary that depends on the conditions and criteria determined in Bank's internal acts and is allocated only to other employees
<u>"bonus pool"</u>	means the maximum amount of variable remuneration which can be awarded in the award process set at the level of the institution or an institution's business unit
<u>"gender underrepresentation"</u>	represents the underrepresented female or male sex
<u>"gender pay gap"</u>	means the difference between the average gross hourly rate of a man and a woman employee expressed as a percentage of the average gross hourly rate of male employee
<u>"accounting period"</u>	means the period in which employee performance is assessed or measured in order to determine their variable remuneration; the duration of an accounting period for other employees is set in accordance with the legislation and internal rules, whereas for identified employees it lasts at least one year
<u>"award"</u>	means the granting of variable remuneration for a specific accrual period, independently of the actual point in time where the awarded amount is paid
<u>"vesting"</u>	means the effect by which the employee becomes the legal owner of the variable remuneration award, independent of the instrument that is used for the payment or if the payment is subject to additional retention periods or clawback arrangements
<u>"deferral period"</u>	is the period for which NLB Banka AD Skopje defers the payment of the variable part of the remuneration. The deferral period starts upon the payment of the non-deferred part of the variable remuneration and lasts at least 5 years. In this period, the employee is not the legal owner of the awarded deferred part of variable remuneration
<u>"instruments"</u>	mean shares, instruments or other contracts that fall within one of the two categories referred to in Article 94(1)(l) of Directive 2013/36/EU. In the sense of this Policy, as a mode of remuneration, instruments may be used as instruments related to the stock values, i.e. a mode of remuneration, under the conditions and methods prescribed in this Policy.
<u>"retention period"</u>	means a period of time after the maturity of the variable remuneration that has been awarded in instruments for payment, during which they cannot be transferred
<u>"malus"</u>	means an arrangement (in this Remuneration Policy, in the employment contract or in another document) that permits the institution to reduce the

	value/amount of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested
<u>"return of variable remuneration" or "clawback"</u>	means an arrangement (in this policy, in the employment contract or in another document) under which the employee has to return (a part of) the variable remuneration paid in the past or which has already vested to the institution under certain conditions
<u>"share-linked instruments"</u>	mean those instruments whose value is based on the value of the stock and that have the share value as a reference point, e.g. stock appreciation rights, types of synthetic shares
<u>"shareholder"</u>	means a person who owns shares in an institution or, depending on the legal form of an institution, other owners or members of the institution
<u>"control function"</u>	means the following functions: risk management, control of compliance with regulations and internal audit
<u>"business year"</u>	is equal to a calendar year

4. General principles

Article 5

The Remuneration Policy shall be consistent with the goals of NLB AD Skopje and the NLB Group, the business strategy of NLB AD Skopje and the NLB Group, the organisational culture and values, long-term interests, the environmental, social and governance (ESG) factors, the measures to prevent conflicts of interest, the risk profile and the risk appetite.

The Remuneration Policy has been designed so as not to stimulate the employees to assume non-proportionally high risks or risks that exceed the ability of NLB AD Skopje and/or the NLB Group to assume risks, taking into account all risks, including reputation risks and risks resulting from mis-selling or unethical selling of products or other unethical or non-compliant behaviour.

NLB AD Skopje shall ensure that the Remuneration Policy is compatible with adequate and efficient risk management and that it stimulates such management, also on a level of NLB Group.

In terms of payment of the variable remuneration the Remuneration Policy takes into account the fulfilment of obligations and achievement of goals referring to capital or liquidity and helps achieve and maintain a sound capital base.

The basic principles of the Remuneration Policy serve as a framework for all employees in NLB AD Skopje and in accordance with the regulations binding for the Bank, applicable at a time, we are introducing the basic principles of the Policy on consolidated basis also in the members of the NLB Group, unless stipulated otherwise by special regulations.

The Management Board or the Remuneration Committee of the Supervisory Board of NLB AD Skopje (hereinafter: the Remuneration Committee) propose to the Supervisory Board of NLB AD Skopje to adopt the Remuneration Policy and it is adopted by the Supervisory Board of NLB Banka AD Skopje, and approved at the General Meeting of Shareholders Assembly of the Bank when the Policy anticipates remuneration in the form of shares or other rights that provide an opportunity to acquire shares.

The Bank's Supervisory Board regularly reviews the adequacy of Remuneration Policy and remuneration practices, at least once a year.

The Bank publishes the information related to the remuneration policy and the remuneration practices in the scope and the manner as specified by the provisions binding for the Bank.

Article 6

Conflicts of interests arising from the Remuneration Policy and award of remuneration should be mitigated appropriately, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. Compliance with the rules of the Remuneration Policy, taking into account of all the regulations and internal acts binding on the Bank, ensures that conflicts of interest arising from the payment of variable or fixed remuneration in instruments are identified in advance and managed. The Remuneration Policy further ensures that no material conflicts of interest arise for employees in control functions.

5. The role of stakeholders in the process of adopting and supervising the implementation of the Remuneration Policy

Article 7

Management Board of NLB Banka AD Skopje

Within the scope of its powers, the Management Board of NLB Banka AD Skopje ensures, inter alia, the adequacy of remuneration practices that are consistent with prudent and effective risk management as well as that they are thus managed, that they encourage such management and are gender-neutral.

Remuneration Committee of the Supervisory Board of NLB Banka AD Skopje

The remuneration committee is an advisory body of the Bank's Supervisory Board with the duty to:

1. carry out expert and independent assessment of the remuneration policies and practices and, on that basis, drafts initiatives for the measures related to the improvement in the management of the Bank's risks, capital and liquidity;
2. prepare proposals for the decisions of the Supervisory Board in relation to remuneration, including those affecting the Bank's risks and their management;
3. supervise the remuneration of Management Board's Members, senior management performing the function of risk management and the compliance function, as well as senior management performing the internal audit function;
4. support and advise the Bank's Supervisory Board in formulating the Bank's remuneration policy, including that such remuneration policy is gender-neutral and supports equal treatment of employees.(control functions of the Bank)
5. Prepare proposals for the total amount of the annual variable remuneration for each member of the Management Board as well as each control function.

When preparing the decisions from the previous paragraph, the Remuneration Committee takes into account the long-term interests of the shareholders, investors and other stakeholders.

Risk Committee of NLB Banka AD Skopje

The Risk Committee of NLB Banka AD Skopje (hereinafter: the Risk Committee) has the duty to:

1. advise on the Bank's general present and future risk appetite and on the risk management strategy;
2. help to supervise the senior management regarding the implementation of the risk management strategy;
3. without interfering with the duties of the remuneration committee, check whether the stimulations provided by the remuneration system take into account the risk, capital, liquidity and probability and schedule of the bank's revenues, in order to design prudential remuneration policies and practices;

Supervisory Board of NLB Banka AD Skopje

Within the scope of its powers, the Supervisory Board of NLB Banka AD Skopje, inter alia, adopts and supervises the implementation of the general principles of remuneration policies.

The Bank's Supervisory Board is responsible for adopting and maintaining the remuneration policy and for supervising its implementation to ensure that it is fully implemented at the level of NLB Banka AD Skopje.

Assembly of the NLB Banka AD Skopje

The General Meeting of Shareholders Assembly of the NLB Banka AD Skopje approves the Remuneration Policy after its adoption on Bank's Supervisory Board when the Policy anticipates remuneration in the form of shares or other rights that provide an opportunity to acquire shares.

Compliance

The Compliance and Integrity Center (hereinafter: CIC) shall review/analyse how this Policy affects the Bank's compliance with the regulations, other policies of the Bank and its risk appetite, and shall report all identified compliance risks and non-compliance issues to the Bank's Management Board and Supervisory Board. The Remuneration Committee and the Supervisory Board shall take into account the findings of the CIC in the process of adopting this Policy and amendments to it, and in the processes of its review and supervision.

Internal Audit

A central review of compliance with the regulations, NLB Group policies, procedures and internal rules shall be performed by the internal audit function of the Bank, assessing whether the overall remuneration policies, practices and processes:

- a) operate as intended (in particular, that approved policies, procedures and internal rules are being complied with; that the remuneration pay outs are appropriate, in line with the business strategy; and that the risk profile, long-term objectives and other goals of the Bank are adequately reflected);
- b) are compliant with national and international regulations, principles and standards; and
- c) are consistently implemented across the NLB Group, are compliant with the principles and restrictions under relevant legislation and do not limit the Bank's ability to maintain or restore a sound capital base of the Bank or the NLB Group.

The table below shows the role of individual process stakeholders related to the adoption and implementation of the Remuneration Policy of NLB Banka AD Skopje:

Activity	Management Board of the Bank	Compliance Function	Remuneration Committee	Risk Committee	Supervisory Board of the Bank	Bank's assembly	Internal Audit
Adoption and amendments of the Remuneration policy of NLB Banka AD Skopje	Prepares a draft policy and forwards it to the Remuneration Committee	Checks the compliance of the Remuneration Policy in the event of changes and reports to the bank's Supervisory Board	Formulates a draft policy or proposed amendments and submits them to the bank's Supervisory Board	Checks the adequacy of the policy in relation to risk management	Adopts the policy	Approves the Policy	
Monitoring and supervising the implementation	Provides a comprehensive and independent review of the compliance of remuneration at least once a year	Conducts checks as part of the general control tasks at the second level, especially check the process of self assessment	Checks the adequacy of the policy at least once a year		Checks the adequacy of the policy at least once a year		Carries out audits in accordance with the internal audit plan

6. Designation of identified employees

The identification process

Article 8

In the Remuneration Policy and based thereon, the Bank designates identified employees. In designating identified employees, the internal organisation and the nature, scope and complexity of the Bank's activities are taken into account. The criteria fully take into account the risks that the Bank or the NLB Group is or could be exposed to given its risk profile and risk appetite.

The Bank conducts annually a self-assessment in order to establish the appropriateness of the definition of identified employees.

The self-assessment process is managed by the Human Resources Management Center through the Committee for identification of employees performing special work (identified employees). The committee is consisted of representatives of following functions: Human Resources, Risk management and Finance. Within the framework of its role of supervisory function at the second level, the Compliance Integrity Center checks the implementation of the procedure and its result within the regular annual review.

The list of identified employees (as at the last day of the year and with information on changes throughout the year) is submitted to the Bank's Management Board and then to the Remuneration Committee for approval, prior to which the opinions of other committees of the Bank's Supervisory Board are obtained, if necessary. The Remuneration Committee informs the Bank's Supervisory Board of the result of the self-assessment as at the last day of the year and of any important issues related to

the self-assessment process. The Bank's Supervisory Board gives its final consent to the self-assessment process and its result.

The Human Resources Management Center periodically updates the annual assessment in terms of the use of qualitative criteria for determining identified employees.

Employee self-assessment criteria

Article 9

Employee self-assessment is carried out based on qualitative and quantitative criteria laid down in the Group Remuneration Policy and Commission Delegated Regulation (EU) No 2021/923, so that each employee is assessed according to the previously mentioned criteria.

Human Resources Center (policy custodian) through competent Committee for identification of identified employees/employees with special work shall at least annually, taking into account the above criteria, draw up a proposal on the basis of which the Bank's Management Board, subject to approval of the Supervisory Board, adopts the self-assessment of the identified employees.

The proposed self-assessment defines the following information:

- a) reasons for self-assessment and scope of application;
- b) the number of identified employees, including the number of employees identified as such for the first time;
- c) their work obligations, their distribution to business areas;
- d) criteria that were the basis for the classification of an individual employee as an identified employee;
- e) comparison with the previous self-assessment results.

Article 10

Identified employees are defined based on the Bank's self-assessment, which is updated during the year. If an employee meets the qualitative criteria laid down in the Group Remuneration Policy or the qualitative criteria referred to in Article 5 of Commission Delegated Regulation (EU) No 2021/923 for at least 3 months, they are considered an identified employee.

According to this policy, identified employees are divided into the following categories:

1. Members of the Management Board of NLB Banka AD Skopje
2. Identified employees who are members of the senior management in the Bank's front office and the assistants to the Bank's Management Board
3. Identified employees in the back office of the Bank who are members of the senior management and employees not belonging to any other category hereunder but are considered to have an important impact on the Bank's risk profile pursuant to the Group Remuneration Policy and Commission Delegated Regulation (EU) No 2021/923
4. Control functions

Exemption of identified employees from the Remuneration Policy

Article 11

An identified employee may be exempted from the application of the provisions of this Remuneration Policy that relate to identified employees in accordance with the regulations applicable to the Bank at

the time, subject to previous approval of exemption by the competent supervisory body, if the Bank estimates, based on self-assessment, that the identified employee does not meet the conditions set out in this Remuneration Policy and the regulations applicable to the Bank for their professional activities to have a significant impact on the risk profile of NLB Banka AD Skopje. and that they do not meet the conditions specified in this Policy and the regulations binding on the Bank, based on which their professional activities would significantly impact the NLB Group's risk profile.

Based on the analysis performed in the framework of the annual identification process, the Bank's Management Board assesses whether the identified employee indeed does not have a significant impact on the Bank's risk profile and whether the conditions for exemption from Commission Delegated Regulation (EU) No 2021/923 are met. It shall inform the Remuneration Committee of this assessment and the proposal for exemption, and the Remuneration Committee shall review the criteria and procedure based on which the Bank's Management Board proposed the exemption. If it agrees with the proposal, it shall submit it to the Bank's Supervisory Board for approval. If the Bank's Supervisory Board also approves the proposed exemption, the Bank shall request the NLB d. d. to grant the exemption.

7. Remuneration for work

Article 12

The Bank shall classify the types of remuneration into the category of fixed or variable remuneration.

The criteria for classifying remuneration into the category of fixed remuneration:

- it is non-discretionary reflecting the level of professional experience and seniority of employees;
- it is transparent with respect to the individual amount awarded to the individual employee;
- it is permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities;
- it is non-revocable; the permanent amount is only changed based on collective bargaining;
- it cannot be reduced, suspended or cancelled by the Bank;
- it does not provide incentives for risk taking;
- it does not depend on the performance of the Bank, organisational unit and employee;
- it is assigned in a form that cannot be deferred;
- it is part of a routine employment package;
- it is linked to the role or organisational responsibility and awarded until there is no significant change in the responsibilities and competences of the role that would result in a truly different role of the employee or organisational responsibility;
- the amount does not depend on other factors, solely on the performance of a certain role or certain organisational responsibility;
- all other employees who perform the same role or have the same organisational responsibility and are in a comparable position would be entitled to a comparable compensation;

Variable remuneration is the part of the salary that depends on predetermined and measurable performance criteria and constitutes all non-fixed remuneration.

The fixed part of remuneration represents a sufficiently high share in total employee remuneration so that the Bank can implement a flexible policy of variable remuneration, including the possibility of non-payment thereof.

Remuneration from employment of other employees

The Employment Relationship Act (hereinafter: ZRO), the Collective agreement of private sector, the Collective agreement of the financial sector and the Collective Agreement of NLB Banka AD Skopje. (hereinafter: Collective agreements) stipulate that an employee remuneration is composed of:

- basic salary: the basic monthly salary of an individual employee, as set in their employment contract (in accordance with the ZRO and collective agreements);
- salary allowances: according to the ZRO, allowances are set for special working conditions related to the distribution of working time and special workload. The types of allowances are specified in the collective agreements;
- salary compensation: the allowance received by the employee because of absence from work for the reasons defined by labour law regulations applicable at the time (conditions and amount specified in the ZRO and collective agreements);
- an employee is entitled to an individual performance-related pay on the basis of their performance in accordance with the criteria for determining performance (general right specified in the ZRO and Collective agreements and conditions and amount specified in the internal rules governing performance bonus for other employees);
- company performance-related pay (specified in the Collective agreements and Bank's internal acts awarded only to other employees);
- reimbursement of costs: reimbursement of commuting costs, accommodation, meals allowance, field work allowance, allowance for separate living and other reimbursement of costs and other reimbursement of costs based on collective agreements, labor legislation and internal acts;
- benefits: a benefit is defined as any benefit in kind provided to the employee by the employer.
- fully funded voluntary pension insurance (FFVPI): in line with the concluded contract on establishing professional pension scheme between NLB Banka AD Skopje and the trade union of NLB Banka AD Skopje. The voluntary pension contribution represent an incentive part of the benefit.
- other remuneration arising from collective agreements (such as holiday allowance, jubilee award, severance pay for retirement, solidarity assistance, etc.).

The above benefits represent the fixed part of the remuneration, except for:

- performance-related pay, which is based on the assessment of the performance of the employee in terms of achievement of the set goals;
- severance pay according the EBA regulation; and
- company performance-related pay in accordance with the the collective agreements and internal acts;

which represent a variable part of the remuneration of other employees.

Remuneration of identified employees

A remuneration of an identified employee comprises:

- The fixed part of the remuneration, which consists of:
 - basic salary – the basic monthly salary of an individual employee, as set in their employment contract (in accordance with the ZRO, collective agreements and other legal regulation);
 - salary allowances: according to the ZRO, collective agreements, allowances which are set for special working conditions related to the distribution of working time and special workload and applicable regarding of the type of individual employment contract (managerial and other employees contract). The types of allowances are specified in the collective agreements.;
 - salary compensation: the allowance received by the employee because of absence from work for the reasons defined by labour law regulations applicable at the time (conditions and amount specified in the ZRO and collective agreements);
 - reimbursement of costs: reimbursement of commuting costs, accommodation, meals allowance, field work allowance, allowance for separate living and other reimbursement of costs based on collective agreements, labor legislation and internal acts if they are applicable regarding the type of employee's contract (managerial or other employees contract)

- benefits: a benefit is defined as any benefit in kind provided to the employee by the employer.
 - fully funded voluntary pension insurance (FFVPI): in line with the concluded contract on establishing professional pension scheme between NLB Banka AD Skopje and the trade union of NLB Banka AD Skopje. The voluntary pension contribution represent an incentive part of the benefit.
 - other remuneration arising from collective agreements (such as holiday allowance, jubilee award, solidarity assistance, etc.).
- The variable part of the remuneration, which for identified employees consists of:
- the part depending on the performance of NLB Banka AD Skopje and the NLB Group (for the identified employees able to affect the risk profile of the NLB Group within the scope of their powers) or depending on the performance of NLB Banka AD Skopje (for other identified employees);
 - the part depending on the performance of the organisational unit of the identified employee;
 - the part depending on the individual performance of the identified employee; and
- severance pay according the EBA regulation, which is considered variable remuneration.

Article 13

Ratio between the variable and the fixed part of the salary of identified employees

The ratio between the variable and the fixed part of the salary of identified employees differs based on the employee categories defined in Article 10 herein. The size of the potential impact on the risk profile of NLB AD Skopje and/or the NLB Group is measured with different criteria, namely:

- the size of potential impact on revenues;
- the size of potential impact on costs;
- the size of potential impact on credit risks;
- the size of potential impact on the business risk;
- the size of potential impact on the business strategy;
- the scope and content of cross-organisational operation.

If an identified employee meets two (2) criteria from the previous paragraph or fewer, their potential impact on the risk profile of NLB Banka AD Skopje and/or the NLB Group is small, if three (3) criteria are met, the potential impact on the risk profile of NLB Banka AD Skopje and/or the NLB Group is medium and if at least four (4) criteria are met, the potential impact on the risk profile of NLB Banka AD Skopje and/or the NLB Group is great.

Maximum ratio between the variable and fixed part of the salary can be changed only for an individual identified employee who falls into the third category, depending on the extent of their potential impact on the risk profile of NLB Banka AD Skopje and/or the NLB Group. Based on the previous sentence, an identified employee who belongs to the third category:

- who meets three (3), four (4) or five (5) criteria from the first paragraph hereof can, for the purpose of this Policy, be included in the second category and awarded, for an individual business year, the variable remuneration in the amount planned for an identified employee from the second category.

The re-categorisation of an identified employee pursuant to the previous paragraph is proposed by the specialist department in charge of the Remuneration Policy through competent Committee for identification of employees with special work (identified employees) and decided upon by the Management Board of the Bank.

Article 14

If part of the variable remuneration of a certain identified employee consists of ordinary or preference shares of the Bank, or share-linked instruments or equal non-cash instruments, the variable remuneration shall be set according to the criteria whereby the Bank ensures compatibility with a prudent and efficient risk management.

The Bank shall determine the Instruments to be used for part of the variable remuneration of the identified employee in accordance with this Remuneration Policy and the regulations applicable at the time.

Unless another type of Instrument is determined pursuant to the preceding paragraph, the part of the variable remuneration of an identified employee consisting of Instruments shall be awarded and paid, under the terms and conditions of this Policy, in Instruments with the following properties: The value of the Instrument is linked to the value of the NLB d.d.'s share. The Instrument gives its holder yields equal to the dividends the NLB d.d.'s share gives its holder, provided that if any limitations are prescribed in relation to the yields of the Instrument by applicable regulations, such limitations shall be applied to the yields of the Instrument. Any yields payable prior to the handing over of the Instrument to the identified employee shall be treated as received and owned by the Bank and shall not be paid to the identified employee (or to any later holder of the Instrument).

NLB Banka AD Skopje may award and pay part of the variable remuneration to its employees who, within the scope of their responsibilities or work tasks and activities, can have a significant impact on the risk profile of NLB Banka AD Skopje in Instruments with the properties from the third paragraph of this Article within the limits set by local or sectoral regulations applicable to NLB Banka AD Skopje. If or until NLB Banka AD Skopje does not start using Instruments with the properties from the third paragraph of this Article for the purposes from the previous sentence, it may (within the limits set by the local or sectoral regulations applicable to the NLB Banka AD Skopje) for these purposes (among others) use Instruments with the following properties: The value of the instrument is linked to the value of the NLB d.d. share. The Instrument does not give any dividends or other yields.

8. System for setting goals and assessing employees

Article 15

The basis for setting employee's targets shall be the implementation of the Bank's business strategy and the goals of NLB Banka AD Skopje or the NLB Group as well as the targets of the organisational unit, which are defined by the head of the organisational unit (hereinafter: the Head) on a top-down approach.

The panning of employee targets is based on the plan of the organisational unit, presented to the employees by the Head, which serves as the basis for monitoring, assessing and rewarding employee performance.

The goals shall be set according to the SMART method, meaning that they have to be:

- specific (the goal shall be defined in short and understandably),
- measurable (the Head shall specifically define the result),
- challenging (referring to the scope and ability of attainment of the goal),
- worth the effort (the goal is realistic and leads to a higher goal),
- time-based (the time frame is defined).

When setting goals, the following shall be defined:

- THE NUMBER OF GOALS - 3 to 5 key goals are set for the employee performing special work as a rule, depending on the complexity of work, and may be changed during the period (added, finalised, etc.);
- WEIGHT – a weight shall be set for each goal, reflecting the importance of the set goal;
- DEADLINE – the start date and the end date shall be set for the goal;
- SUBGOALS or main activities for achieving the goal – the main tasks and activities for attaining the goal shall be defined;
- CRITERION – indicators shall be defined for determining goal attainment;
- TARGET VALUE – the expected result shall be defined (in figures or as a description).

The set objectives of the organisational units are checked quarterly or semi-annually and revised and corrected if necessary.

The goals are set by taking into account the adopted risk appetite and risk strategy defining the risk appetite in the framework of KPI & KRI targets.

9. Performance criteria

Article 16

The Bank uses different remuneration policies and mechanisms of adjusting variable remuneration to risks for different employee categories.

The performance criteria for control functions are established on the basis of the goals of their function and powers. Variable remuneration is awarded and paid depending on the achievement of goals linked to their functions, which should be independent from the performance of the supervised organisational units.

Article 17

Determining the performance of other employees

The criteria and procedure for assessing the performance of other employees are set in the internal rules governing monitoring, assessment and remuneration of performance.

Article 18

Determining the performance of identified employees

The identified employees are entitled to the annual variable part of the salary based on their achievement of financial and non-financial performance criteria under the terms and conditions of this Policy.

The following goals in the following ratios shall be used for assessing the performance of an individual member of the Management Board of the NLB Banka AD Skopje in relation to the remuneration relating to the period up to 31.12.2024:

- financial goals of the NLB Group 30%;
- goals of NLB Banka AD Skopje 50%;
- personal goals of the member of the Management Board of the NLB Banka AD Skopje 20%.

The following goals in the following ratios shall be used for assessing the performance of an individual member of a management board of an NLB Banka AD Skopje (except CRO - individual member of the Management Board) in relation to the remuneration relating to the period from 1.1.2025:

- financial goals of the NLB Group 10%;
- goals of the NLB Banka AD Skopje 70%;
- personal goals of the member of the NLB Group member's management board 20%.

The following goals in the following ratios shall be used for assessing the performance of an individual member of the Management Board – CRO of the NLB Banka AD Skopje:

- financial goals of the NLB Group 10%;
- goals of NLB Banka AD Skopje 10%;
- goals of the control function 60%; the goals referred to in this indent are independent of the performance of the business areas supervised by the respective control function;
- personal goals of the member of the Management Board of the NLB Banka AD Skopje 20%.

The following goals in the following ratios shall be used for assessing the performance of identified employees:

- goals of NLB Banka AD Skopje. 50%;
- goals of the organisational unit within the competence of the identified employee 30%;
- personal goals of the identified employee 20%.

As a rule, the performance of identified employees in a control function is determined subject to the following goals in the following ratio:

- goals of NLB Banka AD Skopje 20%;
- goals of the control function 60%; the goals referred to in this indent are independent of the performance of the business areas supervised by the respective control function;
- personal goals of the identified employee 20%.

The fundamental restriction applies that the sum of the variable part of the salary of an individual identified employee, which, in accordance with this policy, is considered when calculating the ratio between variable and fixed part of the salary for an individual business year, may not exceed 100% of the sum fixed part of the salary of this identified employee for this financial year.

The Management Board sets the goals of NLB Banka AD Skopje for each business year and the Bank's Supervisory Board approves them.

The concrete targets which derive from the targets of NLB AD Skopje and/or the goals of the NLB Group of the organisational unit where the identified employee assumes risk are defined by their direct superior officer for each business year and include the following areas:

- business goals of the organisational unit, project goals, cross-functional goals;
- financial goals of the organisational unit (if specified).

Personal goals of an identified employee are defined by their direct superior officer for each business year.

The amount of the variable part of the salary of an identified employee for each individual business year is determined pursuant to Article 22 of this Policy, depending on the fulfilment of the set goals; the maximum amount of the variable part of the salary of an identified employee hereunder for each individual business year is:

- 6 salaries for identified employees in category 1,
- 5 salaries for identified employees in category 2,
- 3 salaries for identified employees in categories 3 and 4.

General rules related to the award and payment of variable remuneration to identified employees

Article 19

The award and payment of the variable remuneration (also the deferred part) to an identified employee depends on adjustment criteria which result from risk management through the system for monitoring performance based on KPI and KRI targets at the level of the NLB Group, the Bank and individual OUs. The criteria applied shall include compliance with the adopted policies, methodologies, orientations, regulators' and auditors' requirements as well as authorisations linked to the work of the identified employee. The award of the variable remuneration to identified employees is regulated in detail in Article 23, the payment in Article 26 and the subsequent risk-adjustment in Article 27 of this Policy.

An identified employee is not entitled to the variable part of salary for a specific business year if they fail to achieve their personal goals for that year, regardless of the fact whether the goals of NLB Banka AD Skopje or the NLB Group and the goals of the OU for that year have been achieved or not.

In the event of exceptional economic uncertainty or other extraordinary circumstances (in the past, such uncertainty and extraordinary circumstances arose due to the spread of COVID-19) that could jeopardise the solid capital base of the Bank and/or the NLB Group in the future, the Bank may postpone the decision on awarding and/or paying the variable remuneration (or part thereof) to the identified employees until such exceptional circumstances cease.

Variable remuneration shall not be awarded or paid out when the effect would be that the capital base of the Bank and/or the NLB Group would no longer be sound. If the soundness of the Bank's/NLB Group's capital base could be at risk due to allocating and paying the variable remuneration, the Bank shall take the following measures within the required scope:

- reduce the bonus pool for the previous business year, even down to zero, and appropriately consider such reduction when awarding the variable remuneration for the previous business year;
- use the necessary measures to adjust the performance, particularly the maluses for the reduction of previously awarded but not paid deferred variable remuneration;
- reduce the previously paid remuneration based on the agreement on the return of variable remuneration;
- use the net profit of the Institution for the previous business year and potentially for the current and the subsequent business years to strengthen the Bank's/NLB Group's capital base.

The employment contract may only stipulate guaranteed variable remuneration of an identified employee for the first year of their employment in accordance with the Bank's long-term interests. Where the guaranteed part of variable remuneration from this paragraph is awarded to a new employee prior to the first performance assessment period, such variable part of remuneration is not included in the calculation of the relationship between fixed and variable components of the total remuneration for the first performance assessment period. The provisions of this Policy on malus, retention and return of the variable part of the salary do not apply to the guaranteed variable remuneration under this paragraph. Regardless of the other provisions of this Policy, the total amount of the variable remuneration hereunder is paid in monetary amount and is not deferred.

The variable pay for an identified employee for each business year is awarded in proportion to the duration of their term of office or employment on the position for which the variable part of the salary is awarded in this business year and the actual time of performing the work on that position in that business year, taking into account the proportional part of reduction for absence due to illness in case such individual absence is longer than 30 business days (with the exception of accidents at work), parental leave and unpaid leave in such business year.

Notwithstanding any other provisions of this Policy, an identified employee shall not be entitled to the variable remuneration in relation to a specific position in a business year in which their first term of office or employment started, if the period of such term of office or employment in the relevant business year was shorter than 6 months.

From 1.1.2025, in relation to remuneration relating to the period from 1.1.2025 onwards, regardless of any other provisions of this policy, the variable part of the salary does not belong to the identified employee for the financial year in which he first acquired the status of identified employee, if his status as identified employee in this financial year together with the time when he previously had the status of employee of any member of the NLB Group, which, within the framework of its powers or duties and activities, can significantly influence the risk profile of the NLB Banka AD Skopje, lasts less than 6 months.

From 1.1.2025, in relation to remuneration relating to the period from 1.1.2025 onwards, Supervisory Board of the Bank may decide that this restriction does not apply to an individual member of the management body in the function of Management Board of the Bank.

Unless stipulated otherwise in the employment contract, during the probationary period, an identified employee shall only be entitled to variable remuneration not exceeding 50% of the variable part of the salary they would otherwise be entitled to under this Policy, if not in probationary period.

10. Monitoring and assessment of performance of the employees and the role of individual stakeholders in the process

Article 20

1. Identified employees

As a rule, the efficiency of the identified employees is monitored semi-annually or in accordance with the agreement with the superior. The performance of the identified employees shall be assessed once a year for the previous business year by no later than 31 March of the current business year or when the business results for the previous business year are known.

2. Other employees

The performance of the employees working under the collective agreement shall be monitored in accordance with the internal rules regulating the process of monitoring, assessing and remunerating performance.

Table: Presentation of the schedule of setting goals, monitoring and remunerating employees

Setting and monitoring goals for:		
- identified employees	from January to March	- Management Board of NLB AD Skopje
- identified employees in control functions of NLB Banka AD Skopje	from January to March	- Supervisory Board of NLB Banka AD Skopje
- Members of the Management Board of the NLB Banka AD Skopje	from January to March	- Supervisory Board of NLB Banka AD Skopje

- other employees of NLB Banka AD Skopje	in accordance with the internal rules	- Superiors
Performance assessment of		
- identified employees	- by no later than 31 March or when the performance results are known.	- Management Board of the NLB Banka AD Skopje
- Members of the Management Board of the NLB Banka AD Skopje	- by no later than 31 March or when the performance results are known.	- Supervisory Board of NLB Banka AD Skopje
- other employees of NLB Banka AD Skopje	- In accordance with the internal rules	- in accordance with the internal rules
Assessing performance of identified employees in control functions		
- identified employees in control functions of NLB Banka AD Skopje	- by no later than 31 March or when the performance results are known	- The Supervisory Board of NLB Banka AD Skopje based on the proposal of the Remuneration Committee and the competent member of the Management Board of NLB Banka AD Skopje

The roles of individual stakeholders in the assignment, assessment and remuneration of efficiency of identified employees

Activity	Management Board of the Bank	Remuneration Committee	Supervisory Board of the Bank	Risk Committee
Definition of goals for:				
identified employees	Goals are aligned at the level of the Management Board of the NLB Banka AD Skopje and the members of the Management Board assign them directly to their inferior identified employees			
Management Board of NLB Banka AD Skopje		Proposes the goals for the MB's Members of NLB Banka AD Skopje to be adopted by Supervisory Board of NLB Banka AD Skopje	Adopts the goals	
Control functions of NLB Banka AD Skopje	CRO - Competent Member of Management Board of NLB Banka AD Skopje proposes the goals for the heads of control functions	proposes the goals for the employees holding control function to be adopted by the Supervisory Board of NLB Banka AD Skopje	Adopts the goals	

Assessment and allocation of the variable part of remuneration				
identified employees	Approves final assessments and allocates the variable part of remuneration			As a rule, checks appropriateness 1x per year
Members's of the Management Board of NLB Banka AD Skopje		Proposes the assessment and amount of the variable remuneration to the bank's Supervisory board of NLB Banka AD Skopje for adoption	adopts assessments and allocates the variable remuneration	As a rule, checks appropriateness 1x per year
Control functions of NLB Banka AD Skopje	CRO - Competent member of the Management Board of NLB Banka AD Skopje submits proposal to the Remuneration Committee	Proposes the assessment and amount of the variable remuneration to the Supervisory board of NLB Banka AD Skopje for adoption	adopts assessments and allocates the variable remuneration	As a rule, checks appropriateness 1x per year

For other employees, the process of defining goals, assessment and remuneration is defined in the rules regulating the process of monitoring, assessing and remunerating performance.

11. Performance assessment scale

Article 21

Assessment of other employees

The assessment and distribution of the variable part of the salary for other employees is conducted according the rules regulating the process of monitoring, assessing and remunerating performance.

Article 22

Assessment of identified employees

Each criterion shall be assessed on a 4-grade scale used for assessing the achievement of goals, as follows from Table 1.

Individual goals are assessed on a scale from 1 to 4 and not as %.

If the average grade is equal to or higher than 1.5, 2.5 and 3.5, the identified employee is assigned a higher grade (e.g. an average grade of 1.5 of an identified employee is rounded up to a total grade of 2). If the average grade is equal to or lower than 1.4, 2.4 and 3.4, the identified employee is assigned a lower grade (e.g. an average grade of 1.4 of an identified employee is rounded down to a total grade of 1).

Table 1: The scale for assessing the achievement of goals

OVERALL ASSESSMENT	Descriptive OVERALL assessment	Amount of variable remuneration
4	All goals are exceeded (110% or more)	Above 80% to including 100% of the maximum variable remuneration
3	The goals are achieved (from 99% to 109.9%)	Above 60% to including 80% of the maximum variable remuneration
2	The goals are partly achieved (from 91% to 98.9%)	Above 40% to including 60% of the maximum variable remuneration
1	The goals are not achieved (below 91%)	The identified employee is not entitled to the variable part of remuneration

The assessment scale for individual indicators used in the NLB Banka AD Skopje is set upon the annual goal-setting.

12. Award of variable part of salary

Award of the variable part of salary to identified employees

Article 23

The identified employees shall be entitled to the annual variable part of the salary which shall be awarded and/or paid based on their meeting of the financial and non-financial performance criteria and other terms and conditions specified in this Policy.

The decision whether the performance criteria have been achieved for the members of Management Board of the Bank and control functions of the Bank is adopted by the Supervisory Board of the Bank, whereas for other identified employees in the Bank these decisions are adopted by the Bank's Management Board.

Pursuant to the first and the second paragraphs of this Article, prior to awarding variable remuneration to an identified employee, the Bank shall make an adjustment of such variable remuneration to performance and risks, taking into account the adjustment criteria based on the KPI and KRI goals, and the criteria listed in the table below. The table below shows the cases in which the Supervisory Board of the Bank reduces the amount of variable remuneration (potentially down to zero) of the members of Management Board of the Bank and identified employees in control function of the Bank, as well as the Management Board of the Bank reduces the amount for the other identified employees of the Bank, respectively, due to the preliminary risk adjustment prior to the awarding. If reduction to zero is not mandatory according to the table below, the competent body determines the reduction of the variable remuneration on the basis of the circumstances of each case.

Ser. no.	Circumstances	Mandatory reduction of variable remuneration to zero	Reduction of variable remuneration, potentially to zero
1.	The performance of the Bank and/or NLB Group shows material negative trends that result from the decisions adopted by the identified employee in the accounting period to which the variable remuneration refers	X	
2.	Fraud or abuse by the identified employee	X	
3.	Severe violations of the Bank's regulations or internal documents by the identified employee	X	

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4.	The conduct of the identified employee shows signs of a criminal offence	X	
5.	The conduct of the identified employee in the accounting period to which the variable remuneration refers show signs of a minor offence		X
6.	An action of the identified employee in the accounting period to which the variable remuneration refers reduces or damages the Bank's reputation		X
7.	Violation of obligations arising from the employment relationship by the identified employee in the accounting period to which the variable remuneration refers		X
8.	Uneconomical practices of the identified employee which are intentional or arise from severe negligence in the accounting period to which the variable remuneration refers, causing material damage to the Bank and/or the NLB Group	X	
9.	An action of the identified employee in the accounting period to which the variable remuneration refers results in a conflict of interest with the Bank's business interests	X	
10.	Corruptive actions of the identified employee resulting in or increasing the non-transparency in the adoption of business decisions	X	
11.	Involvement of the identified employee in or their responsibility as a identified employee for actions leading to significant losses for the Bank and/or the NLB Group	X	
12.	The fit & proper assessment of the identified employee is negative		X
13.	The conduct of the identified employee is in contravention of the Code of Conduct of the NLB Group		X
14.	The Bank's and/or the NLB Group's solid capital base could be at risk due to awarding and/or paying the variable remuneration		X
15.	Considering the financial position of the Bank as a whole and/or of the NLB Group as a whole, the variable remuneration would not be sustainable		X
16.	Financial performance of the Bank and/or the NLB Group and/or the business unit in which the identified employee is employed is bad or negative		X
17.	The Bank and/or the Group and/or the business unit in which the identified employee is employed is particularly unsuccessful in the area of risk management		X

18.	The actions of the identified employee in the accounting period to which the variable remuneration refers contributed to the Bank being imposed a regulatory fine		X
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Note: The cases in which an individual option can be used are marked with a cross.

The amount of the variable remuneration to be awarded, its composition, the share of variable part of the remuneration to be deferred and the period of payment deferment pursuant to this Remuneration Policy shall be determined by the Supervisory Board of the Bank for the members of the Management Board and identified employees in control functions of the Bank and by the Management Board of the Bank for other identified employees in the Bank.

Article 24

Award of the variable part of salary to other employees

The variable part of salary is awarded to other employees in accordance with the rules defined by the law, the collective agreements and the internal rules.

The variable part is paid to other employees according to the internal rules regulating the process of monitoring, assessing and remunerating performance.

13. Planning funds for the variable part of employees' salaries

Article 25

Planning funds for the variable part of other employees' salaries

The volume of funds, intended for the allocation of the variable part of salary for the performance of other employees is defined by the Management Board of the Bank.

Planning funds for the variable part of salary and basis for its accounting for identified employees

When planning, the labour costs for the identified employees shall be included in the labour cost plan which is approved by the Supervisory Board of the Bank every year.

The calculation of the funds needed for the payment of the variable remuneration of the identified employees in accordance with the Remuneration Policy shall be made according to the bottom-up approach and shall be based on the following:

- the envisaged number of the identified employees in an individual business year,
- the average salary of an individual identified employee in an individual business year,
- the estimated amount of the variable remuneration of an individual identified employee,
- based on the estimate of the foreseen amount of the variable remuneration, variable remuneration paid in instruments is additionally calculated for the cases where the assessed foreseen amount of the variable part of an identified employee for an individual business year exceeds the amount of EUR 50,000.00 and/or comprises more than 1/3 of their total remuneration for that business year,
- the calculation of the bonus for the paid part of the variable remuneration in instruments and consideration of the increase in costs due to the calculation of duties in accordance with the Personal Income Tax Law.

The amount of variable remuneration with included additional costs due to bonus calculation in the case of part of the variable remuneration is paid in instruments represents the quota for the payment of the variable remuneration.

The basis for the calculation of the amount of the variable part of the salary of an identified employee for a business year is the average (monthly) gross salary of the identified employee for the period of their term of office in this business year. Regardless of the previous sentence, if the employment contract of an identified employee stipulates a different basis for the calculation of the amount of their variable part of the salary for an individual business year, the other base is used for such purpose. In this Policy, the term "salary" is also used for the basis for the calculation of the variable part of the salary for an identified employee for an individual business year, from the first or the second sentence of this paragraph.

The payment of the variable part of the salary is conducted by principle "gross salary paid in net amount". From the gross amount of the variable part of the salary that is about to be paid out, the Bank withholds and pays the calculated contributions and taxes and the remaining net amount is paid out to the identified employee.

The Bank's Supervisory Board approves the total remuneration amount for each member of the Management Board of the Bank as well as each control function.

The total amount of the annual variable remuneration is adopted by the Supervisory Board of the Bank, based on proposal by the Remuneration Committee.

The value of the variable part of the salary by any circumstances may not exceed 100% of the fixed annual remuneration.

14. Payment of the variable part of salary to identified employees

Article 26

The decision whether all the criteria have been achieved to pay the variable part of salary to the Members of Management Board of the Bank and identified employees in control functions of the Bank shall be adopted by the Supervisory Board of the Bank, whereas for other identified employees in the Bank this decision shall be adopted by the Management Board of the Bank which reports to the Bank's Supervisory Board on the matter.

If this is permissible under regulations, the variable remuneration of an identified employee for an individual business year shall be awarded in cash, provided that (i) it does not exceed EUR 50,000.00 gross; and (ii) is not higher than one-third of their total remuneration for the respective business year. However, if that is not permissible under regulations, it shall be awarded by applying, mutatis mutandis, the third paragraph of this Article.

If the variable remuneration of an identified employee for an individual business year (i) exceeds EUR 50,000.00 gross; and/or (ii) is higher than one-third of their total remuneration for the respective business year, at least 50% of it must consist of Instruments, and the identified employee may only transfer these Instruments upon the Bank's permission, which may only be issued after at least three years have passed since the acquisition. The provision of the previous sentence relates to the non-deferred and the deferred part of the variable remuneration from the previous sentence.

If the variable remuneration of an identified employee for an individual business year (i) does not exceed EUR 50,000.00 gross; and (ii) is not higher than one-third of their total remuneration for the respective business year, no part of that variable remuneration shall be deferred, if that is permissible under regulations. However, if that is not permissible under regulations, the fifth paragraph of this Article shall apply to that variable remuneration mutatis mutandis.

If the variable remuneration of an identified employee for an individual business year (i) exceeds EUR 50,000.00 gross; and/or (ii) is higher than one-third of their total remuneration for the respective business year, at least 50% of that variable remuneration (or at least 60%, if it exceeds 15-times the average annual gross remuneration in NLB Banka AD Skopje for the business year prior to being awarded¹) shall be deferred for at least 5 years from the date when the non-deferred part of that variable remuneration is paid.

The non-deferred part of variable remuneration is paid no later than 3 months after cumulative fulfilment of following conditions:

- a) Adoption of Annual Report of the NLB Group for the business year to which the variable remuneration relates;
- b) Adoption of Annual Report of the NLB Banka AD Skopje for the business year to which the variable remuneration relates;
- c) Supervisory Board of NLB d.d. adopts a decision on the allocation (or non-allocation) of the variable remuneration for the members of the Management Board of NLB d.d. for the mentioned business year.
- d) Supervisory Board of the NLB Banka AD Skopje adopts a decision on the allocation (or non-allocation) of the variable remuneration for the members of the Management Board of NLB Banka AD Skopje for the mentioned business year.

The deferred part of the variable remuneration shall be paid in proportion. It shall be paid under the terms and conditions of this Policy, in fifths, as follows:

- *the first fifth* of the deferred part of the variable remuneration shall be paid no later than three months after one year has passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the first fifth of the deferred part of the variable remuneration is paid: (i) one year has lapsed after the payment of non-deferred part of the variable remuneration; and (ii) the NLB Group has adopted its annual report for the financial year before the financial year in which one year lapses after the day of payment of non-deferred part of the variable remuneration; and (iii) the Supervisory Board of NLB d.d. has decided on the payment of the variable remuneration to the members of the Management Board of NLB d.d. which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as the part of the variable remuneration indicated in this indent; (iv) the Supervisory Board of the NLB Banka AD Skopje has decided on the payment of the variable remuneration to the members of the Management Board of the NLB Banka AD Skopje which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as part of the variable remuneration indicated in this indent.
- *the second fifth* of the deferred part of the variable remuneration shall be paid no later than three months after two years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the second fifth of the deferred part of the variable remuneration is paid: (i) two years have lapsed after the payment of non-deferred part of the variable remuneration; and (ii) the NLB Group has adopted its annual report for the financial year before the financial year in which two years lapse after the day of payment of non-deferred part of the variable remuneration; and (iii) the Supervisory Board of NLB d.d. has decided on the payment of the variable remuneration to the members of the Management Board of NLB d.d. which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as the part of the variable remuneration indicated in this indent; (iv) the Supervisory Board of the NLB Banka AD Skopje has decided on the payment of the variable remuneration to the members of the Management Board of the NLB Banka AD Skopje which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as part of the variable remuneration indicated in this indent.

¹ each individual member of the NLB Group uses 15 times the average annual gross remuneration in that member of the NLB Group in its remuneration policy

- *the third fifth* of the deferred part of the variable remuneration shall be paid no later than three months after three years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the third fifth of the deferred part of the variable remuneration is paid: (i) three years have lapsed after the payment of non-deferred part of the variable remuneration; and (ii) the NLB Group has adopted its annual report for the financial year before the financial year in which three years lapse after the day of payment of non-deferred part of the variable remuneration; and (iii) the Supervisory Board of NLB d.d. has decided on the payment of the variable remuneration to the members of the Management Board of NLB d.d. which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as the part of the variable remuneration indicated in this indent; (iv) the Supervisory Board of the NLB Banka AD Skopje has decided on the payment of the variable remuneration to the members of the Management Board of the NLB Banka AD Skopje which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as part of the variable remuneration indicated in this indent.
- *the fourth fifth* of the deferred part of the variable remuneration shall be paid no later than three months after four years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the fourth fifth of the deferred part of the variable remuneration is paid: (i) four years have lapsed after the payment of non-deferred part of the variable remuneration; and (ii) the NLB Group has adopted its annual report for the financial year before the financial year in which four years lapse after the day of payment of non-deferred part of the variable remuneration; and (iii) the Supervisory Board of NLB d.d. has decided on the payment of the variable remuneration to the members of the Management Board of NLB d.d. which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as the part of the variable remuneration indicated in this indent; (iv) the Supervisory Board of the NLB Banka AD Skopje has decided on the payment of the variable remuneration to the members of the Management Board of the NLB Banka AD Skopje which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as part of the variable remuneration indicated in this indent.
- *the fifth fifth* of the deferred part of the variable remuneration shall be paid no later than three months after five years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the last fifth of the deferred part of the variable remuneration is paid: (i) five years have lapsed after the payment of non-deferred part of the variable remuneration; and (ii) the NLB Group has adopted its annual report for the financial year before the financial year in which five years lapse after the day of payment of non-deferred part of the variable remuneration; and (iii) the Supervisory Board of NLB d.d. has decided on the payment of the variable remuneration to the members of the Management Board of NLB d.d. which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as the part of the variable remuneration indicated in this indent. (iv) the Supervisory Board of the NLB Banka Banka has decided on the payment of the variable remuneration to the members of the Management Board of the NLB Banka AD Skopje which (a) refers to the same financial year as the part of the variable remuneration indicated in this indent, and (b) falls due in the same financial year as part of the variable remuneration indicated in this indent.

If the competent body of the Bank defines a deferral period that is longer than 5 years, the previous paragraph applies mutatis mutandis.

Before paying the portion of the deferred part of the variable remuneration from each indent of the one before the previous paragraph, the Bank shall re-assess the performance and the risks assumed and, if necessary, adjust this portion of the deferred part of the variable remuneration, taking into account the adjustment criteria based on KPI & KRI targets as well as the criteria specified in the table in Article 27 hereof. When assessing the conduct of the identified employees, the Bank shall apply the

principle of zero tolerance (i.e. every circumstance from the table in Article 27 hereof shall be treated in accordance with this table). The decisions from this paragraph in relation to the variable remuneration of members of Management Board of the Bank and identified employees in control functions of the Bank shall be adopted by the Bank's Supervisory Board and those in relation to the variable remuneration of other identified employees of the Bank by the Management Board of the Bank.

NLB Banka AD Skopje may not decide on the allocation of variable remuneration of its employees who can significantly impact the risk profile of NLB Banka AD Skopje and/or the risk profile of the NLB Group within the framework of their powers, tasks or activities, prior to:

- the adoption of the Annual Report of the NLB Group for the business year to which the variable remuneration refers (the Supervisory Board of NLB d.d. approves and thus adopts the Annual Report; if the Supervisory Board does not adopt it, it must be adopted by the General Meeting),
- the adoption of the annual report proposal of NLB Banka AD Skopje by the Supervisory Board for the business year to which the variable remuneration refers,
- the adoption of a decision of the Supervisory Board NLB d.d. on the allocation or non-allocation of the variable part of remuneration for the business year in relation to which the variable remuneration is related to the members of the Management Board of NLB d.d.,
- the adoption of a decision of the Supervisory Board of NLB Banka AD Skopje on the allocation or non-allocation of the variable part of remuneration for the business year in relation to which the variable remuneration is related to the members of the Management Board of NLB Banka AD Skopje,

In relation to individual part of the deferred part of variable remuneration, NLB Banka AD Skopje may not re-assess the performance and the assumed risks and/or decide on the payment of that part of variable remuneration before the following conditions are cumulatively met:

- (i) expiry of the period of deferral for this part of variable remuneration;
- (ii) adoption of the annual report of the NLB Group for the business year prior to the business year of the expiry of the period of deferral for this part of variable remuneration;
- (iii) adoption of the annual report proposal of the NLB Banka AD Skopje by the Supervisory Board for the business year prior to the business year of the expiry of the period of deferral for this part of variable remuneration;
- (iv) the Supervisory Board of NLB d.d. adopts a decision on the payment or non-payment of the part of deferred variable remuneration to the members of the Management Board of NLB d.d. relating to the same business year as that part of variable remuneration and falling due in the same business year as that part of variable remuneration,
- (v) the Supervisory Board of the NLB Banka AD Skopje adopts a decision on the payment or non-payment of the part of deferred variable remuneration to the members of its Management Board of NLB Banka AD Skopje relating to the same business year as that part of variable remuneration and falling due in the same business year as that part of variable remuneration.

15. Malus, retention and return of variable remuneration (clawback) of identified employees

Article 27

The table below sets out the cases in which the Supervisory Board and the Management Board of the Bank reduces the amount of the portion of the deferred part of the variable remuneration to be paid out in monetary amount of members of the Management Board and the identified employees in control functions and to other identified employees, respectively, or the number or value of the instruments constituting an individual portion of the deferred part of the variable remuneration (potentially to zero). If reduction to zero is not mandatory according to the table below, the competent body shall determine the reduction of an individual portion of the deferred part of the variable remuneration on the basis of the circumstances of each case.

Ser. no.	Circumstances	Mandatory reduction of an individual portion of the deferred part of the variable remuneration to zero	Reduction of an individual portion of the deferred part of the variable remuneration, potentially to zero
1.	The Bank's and/or the NLB Group's performance in the period of deferred payment shows material negative trends that result from the decisions adopted by the identified employee	X	
2.	Fraud or abuse by the identified employee	X	
3.	Severe violations of the Bank's regulations or internal documents by the identified employee	X	
4.	The conduct of the identified employee shows signs of a criminal offence	X	
5.	The conduct of the identified employee in the accounting period to which the variable remuneration refers show signs of a minor offence		X
6.	An action of the identified employee in the accounting period to which the variable remuneration refers reduces or damages the Bank's reputation		X
7.	The nullity of the annual report is established with a binding effect and the grounds for nullity refer to the items or facts on which the variable part of the salary is based		X
8.	Violation of obligations arising from the employment relationship by the identified employee in the accounting period to which the variable remuneration refers		X
9.	Uneconomical practices of the identified employee which are intentional or arise from severe negligence in the accounting period to which the variable remuneration refers, causing material damage to the Bank and/or the NLB Group	X	
10.	An action of the identified employee in the accounting period to which the variable remuneration refers results in a conflict of interest with the Bank's business interests	X	
11.	Corruptive actions of the identified employee resulting in or increasing the non-transparency in the adoption of business decisions	X	
12.	It is established in a special auditor's report that the criteria for defining the variable part of the salary were applied incorrectly or that the critical accounting, financial and other data and		X

	indicators were incorrectly established or applied		
13.	The variable remuneration was not awarded in accordance with this Policy		X
14.	If a new fact is revealed that could change the decision on the award or the amount of the variable remuneration		X
15.	Involvement of the identified employee in or their responsibility as a identified employee for actions leading to significant losses for the Bank and/or the NLB Group	X	
16.	The fit & proper assessment of the identified employee is negative		X
17.	The conduct of the identified employee is in contravention of the Code of Conduct of the NLB Group		X
18.	The solid capital base of the Bank and/or the NLB Group could be at risk due to paying the variable remuneration		X
19.	Considering the financial position of the Bank as a whole and/or of the NLB Group as a whole, the variable remuneration is not sustainable		X
20.	Financial performance of the Bank and/or the NLB Group and/or the business unit in which the identified employee is employed is bad or negative		X
21.	The Bank and/or the Group and/or the business unit in which the identified employee is employed is particularly unsuccessful in the area of risk management		X
22.	The actions of the identified employee in the accounting period to which the variable remuneration refers contributed to the Bank being imposed a regulatory fine		X

Note: The cases in which an individual option can be used are marked with a cross.

If the circumstances of the case are not sufficiently clear to allow for deciding on whether a portion of the deferred part of the variable remuneration of the identified employee is to be paid out or not, or the amount that is to be paid, the Bank can decide that such portion of the deferred part of the variable remuneration shall not fall due upon initially set maturity and it may defer the decision on whether, in what amount and when it is to be paid until the circumstances are clarified. In the case referred to in the previous sentence, the Bank shall decide whether the portion of the deferred part of the variable remuneration is to be paid or not, the amount that is to be paid and when, once the relevant circumstances have been sufficiently clarified. The decisions from this paragraph in relation to the variable remuneration of members of the Management Board of the Bank and identified employees in control functions of the Bank shall be adopted by the Bank's Supervisory Board and those in relation to the variable remuneration of other identified employees in the Bank by the Management Board of the Bank.

If a circumstance from item 7, 12, 15 or 16 of the table in this Article 27 hereof occurs or is revealed and a part of the (non-deferred or deferred part of the) variable remuneration has already been paid, the Bank has the right to demand, within a period of 3 years from the payment of this part of the variable

remuneration, that the identified employee return such part of the variable remuneration, partially or in full, with mutatis mutandis application of this Article 27 hereof. Furthermore, the Bank has the right to demand, within a period of 3 years from the payment of the part of the variable remuneration, that the identified employee return such part of variable remuneration, partially or in full, if it is established after the payment that the identified employee significantly contributed to poor or negative financial performance of the Bank or used fraud or took any other intentional action or caused, through gross negligence, great losses to the Bank. The decisions from this paragraph in relation to the variable remuneration of members of Management Board of the Bank and identified employees in control functions of the Bank shall be adopted by the Bank's Supervisory Board and those in relation to the variable remuneration of other identified employees in the Bank by the Management Board of the Bank.

16. Severance pay and compensation for the non-competition period for identified employees and pension benefits for all employees

Article 28

Severance pays for identified employees

Severance pays according EBA regulation for identified employees are considered variable remuneration.

The severance pays to the identified employees are paid by the Bank in accordance with the labour law regulations, the collective agreements and other regulation are therefore not considered in the calculation of the ratio between variable and fixed components of remuneration, thus not subject to deferment and payment in instruments.

Compensation for the non-competition period for identified employees

If a competition clause is included in the contract on the employment of an identified employee and applies after the termination of employment under that employment contract, a compensation for such competition ban may be agreed in the employment contract for the period after the termination of employment thereunder in which such ban applies. Such compensation for the non-competition period may not exceed the limitation stipulated in point 172 b (ii) of the EBA Guidelines. The compensation for the non-competition period hereunder is considered a variable remuneration. In the sense of point 172 of the EBA Guidelines, the compensation for the non-competition period hereunder is not considered in the calculation of the ratio between the variable and fixed components of the remuneration and it is not subject to deferment and payment in instruments. The details of the compensation for the non-competition period hereunder are defined in the employment contract.

Pension benefits

The bank pays the voluntary pension contribution for its employees on the basis of inclusion in the professional pension scheme and the rules of the professional pension scheme. The amounts paid are subject to tax relief to certain amount.

Therefore, this type of employee income is not considered discretionary, it is included in the routine employment package and considered fixed income.

17. Restriction of personal insurance against risks

Article 29

An identified employee may not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their variable remuneration.

Every year, an identified employee must also sign a written commitment in the sense of the previous paragraph separately from this Remuneration Policy and their employment contract, and hand it over to the Bank.

18. Transposition and implementation of the Remuneration Policy in the NLB Group

Article 30

The Supervisory Board of NLB Banka AD Skopje must ensure that the remuneration policy of NLB Banka AD Skopje is considered and implemented for all its employees.

19. Transitional and final provisions

Article 31

This Policy shall enter into force when it is adopted by the Supervisory Board of NLB Banka AD Skopje and shall apply as of 01/01/2024. This Remuneration Policy shall apply to and be used for the remunerations that refer to the period after 01/01/2024 and for the stated remunerations with the specified date, this remuneration policy replaces the Remuneration Policy for employees of NLB Banka AD Skopje (2nd edition, general internal act) and with this Policy, the Policy with. No.0405 – 168/2022 ceases to be valid. This Remuneration Policy shall be published in the Register of internal documents

20. Reference documents

Article 32

Companies Act
Banking Act (BA)
Employment Relationship Act (ZRO)
Remuneration Policy for employees of NLB d.d. and NLB Group from 07.11.2024
Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04 of 02/07/2021)
Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (EBA/GL/2016/06)
Guidelines on the remuneration policies and practices (MiFID) (ESMA/2013/606),
Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive
Decision on good bank governance rules issued by the National Bank of Republic of Macedonia, dated February 6, 2018 and No.113/2019
Collective Agreement for the Banking Industry
Collective Agreement of NLB AD Skopje
Collective agreement of private sector

for internal use only

33. Statement of the Custodian of the internal act for alignment and confirmation of the internal act:

"I, the custodian of the internal act, guarantee that the internal act was submitted for review, alignment and confirmation to all organizational units in the Bank to which the proposed internal act, i.e. its amendments, has an impact and was confirmed by them. With them, the internal act is aligned in a way that its content is clear, in accordance with other internal acts of the Bank and is not in contrary to other internal acts in the Bank."

Signer and role	Reason for signing	Date of signing	Signature
Lira Sekulovska, Human Resources Advisor, Human Resources Management Department	Prepared	13.12.2024	
Mateja Papež, Manager of Compliance and Integrity Center	Reviewed	13.12.2024	
Dejan Madzoski, Manager of Human Resources and Organization Division	Reviewed	13.12.2024	

Skopje, December 2024

Blaž Brodnjak
President of
the Supervisory Board