

Item on the agenda: **8**  
Proposer: **Management board**

## **Material for the Annual Shareholders Assembly of NLB Banka AD Skopje**

### **Annual report on the work of the Management Board of NLB Banka in 2024**

The Management Board of NLB Banka proposes to the Assembly of Shareholders of NLB Banka AD Skopje to adopt the following:

### **Annual report on the work of the Management Board of NLB Banka in 2024**

In addition:

- Annual report on the work of the Management Board of NLB Banka in 2024
- Proposal-Decision for adoption of the Annual Report on the work of the Management Board of NLB Bank in 2024.

Skopje, May 2025

## **Annual report for the work of the Management Board of NLB Banka AD Skopje for 2024**

In accordance with the Law on Banks, the Statute of NLB Banka AD Skopje and the Bank's Corporate Governance Code, the Bank's Management Board represents the Bank and manages its operations.

In 2024, the Management Board consistently operated with a composition of 3 members, namely:

- Branko Greganović, President of the Management Board until 02.09.2024
- Toni Stojanovski, President of the Management Board from 03.09.2024
- Igor Davchevski, member of the Management Board
- Peter Zelen, member of the Management Board

### **Change in the composition of the Management Board**

On 07.06.2024, Mr. Branko Greganović resigned from the position of President of the Management Board of NLB Bank AD Skopje.

His mandate ended on the day of receiving a Consent from the Governor for the appointment of a new President of the management Board. Namely, on 03.09.2024, the National Bank of Republic of North Macedonia issued a Decision for granting prior consent for the appointment of Mr. Toni Stojanovski as a member of the Management Board of NLB Banka AD Skopje for a period of 2 years.

The mandate of the members of the Management board is 4 years except if NBRNM decides otherwise with the Decision for granting prior consent.

The mandates of the current composition of members of the Management Board are as follows:

- Toni Stojanovski, President of the Management Board = 2 years until 03.09.2026
- Peter Zelen, member of the Management Board = 4 years until 03.01.2026
- Igor Davchevski, member of the Management Board = 4 years until 02.01.2026

With the Decision of the General Assembly of Shareholders on 05.09.2024 for amendments and supplements to the Statute of NLB Banka AD Skopje, the number of members of the Management Board has been increased from three to four members due to the initiation of opening a procedure for the appointment of a new fourth member of the Management Board.

Namely, on 07.10.2024, NLB Banka AD Skopje submitted a request for prior consent from NBRNM for the appointment of Mrs. Katerina Jankovikj as the fourth member of the Management Board of NLB Banka AD Skopje. As of 31.12.2024, the appointment process was still ongoing.

On 29.01.2025, National Bank of Republic of North Macedonia issued a Decision for granting prior consent for the appointment of Mrs. Katerina Jankovikj as a member of the Management Board of NLB Banka Skopje for a period of 1 year until 29.01.2026.

### **A new segregation of responsibilities and change in the method of representation of the Bank**

Additionally, corresponding to the increase in the number of members of the Management Board, a new division of responsibilities between the members of the Bank's Management Board was made, by specific areas of operation, as follows:

- I. President of the Management Board** - responsible for areas: Chief executive functions , Financial management functions and Management functions with corporate banking, Assistants to the Management Board, by areas/divisions under his authority, Advisors to the Management Board by area.

- II. **Member of the Management Board** - responsible for the area Risk management functions, Assistants to the Management Board, by areas/divisions under his authority, Advisors to the Management Board by area.
- III. **Member of the Management Board** - responsible for the area Operations management functions, Assistants to the Management Board, by areas/divisions under his authority, Advisors to the Management Board by area.
- IV. **Member of the Management Board** - responsible for area: Management functions with retail banking, Assistants to the Management Board, by areas/divisions under his authority, Advisors to the Management Board by area

Additionally, with the change in the number of members of the Management Board, there was also a modification in the quorum required for the functioning and decision-making of the Management Board.

Following the amendment to the Statute of NLB Bank AD Skopje on 05.09.2024, it was stipulated that the Bank shall be represented by two members of the Management Board, one of whom must mandatorily be the President of the Management Board. In the event of the President's absence, they may delegate this authority exclusively to another member of the Management Board.

On 19.09.2024, the National Bank of the Republic of North Macedonia (NBRNM) issued a Decision granting prior approval for the amendments and supplements to the Statute of the Bank.

### **Meetings of the Management Board**

The Management Board held sessions during the reporting period, which were generally held once a week. The Management Board holds both open and closed sessions. A closed session is designated for decisions with a certain degree of confidentiality "confidential" and "strictly confidential" according to the internal acts of the Bank. Besides regular and closed sessions, the Management Board also made decisions via correspondence with written consent by all members of the Management Board.

During the reporting period, the Management Board held about 122 regular, closed, extraordinary and correspondent sessions.

Most of the Management Board meetings were held live, while the rest were held hybrid, live and through the Bank's digital channel - Microsoft Teams.

During the management of the Bank's operations, the Management Board performs the following work:

In the management with the Bank's business, the Management Board shall perform the following activities:

- Management of the Bank;
- Representing the Bank;
- Organizing the preparation of the proposals on general acts, decisions and other acts subject to deciding by the Bank's Assembly;
- Execution of the decisions of the Assembly and the Supervisory Board of the Bank, that is, taking care of their implementation;
- Taking initiatives and producing proposals on improvement of the Bank's business;
- Appointing and dismissing the Bank's persons with special rights and obligations pursuant to this Statute and the provisions of the Banking Law, defining their salary and concluding contracts with them, as well as the other employees of the Bank on Expert and Management positions for which management agreements are concluded
- Preparing the business policy and the development plan of the Bank;
- Preparing the Bank's financial plan
- Preparing the policy on security of the Bank's information system
- Preparing annual report on the Bank's business and submits it to the Supervisory Board;

- Preparing the Code of Conduct of the Bank;
- Deciding in case of veto / prohibition by the Risk Management Member of the Credit Committee, for making decisions on the Credit Committee for credit exposures towards individual persons up to 10% of the Bank's own funds and shall notify the Bank's Supervisory Board of any decision taken at the next regular session;
- Approving acquisition of capital parts and purchase of securities less than 5% of the Bank's own assets, as well as purchase of securities issued by the National Bank of the Republic of North Macedonia;
- Deciding on employment, allocation and awarding of the employees pursuant to the legal provisions and the Bank's general acts;
- Deciding on granting and borrowing loans for liquidity guarantees, endorsements and letters of credit within the frame of the limits stipulated by law, the act on the Bank's business policy and the Decision on the crediting policy delivered by the Supervisory Board;
- Defining proposals on decisions and other acts subject to decision by the Bank's Supervisory Board;
- Informing of Bank's shareholders;
- Directing and organizing the operation of the Bank's divisions, especially with regards to the timely and professional execution of tasks;
- Delivers the act on organization and definition of workplaces in the Bank;
- Decides on establishment of organizational units
- Decides on issues in the field of protection of employee's rights
- Delivering of the Rules of Procedure for the Management Board and informs the Supervisory Board about its amendments and supplements on a regular basis
- Delivering of individual acts of the Bank;
- Establishing inventory committees for assets and sources of funds, a committee on expenditures and alienation of assets and small inventory, and on requirement, also other committees and operational bodies and appointing their members and
- Reviews and adopts the report on the annual inventory
- Performing other operations stipulated by Law, the present Statute and other general acts of the Bank.

## **Expansion of the competencies of the Management Board in 2024**

During 2024, the competences of the Management Board were amended and supplemented. Namely, in accordance with the changes to the Statute approved by the Shareholders Assembly on 29.05.2024, the responsibilities of the Supervisory Board of the Bank, have been assigned as responsibilities of the Management Board to:

- Delivers the act on organization and definition of workplaces in the Bank;

In addition a change was implemented to streamline the operations of the Supervisory Board, taking into consideration that the Labor Law does not envisage the competence of the Supervisory Board to decide in a second-instance procedure for resolving appeals. Instead, the second-instance decision can be made by another unit within the Bank

## **Introduction of an electronic platform for conducting sessions and decision-making of the Management Board of NLB Banka AD Skopje**

At the end of 2024, with the aim of improving the process of conducting sessions, an electronic platform was introduced for monitoring and decision-making during the sessions of the Management Board of NLB Bank AD Skopje. Through this platform, the methods of managing and conducting the Board's sessions were digitized. It also streamlined the process of proposing agenda items, submitting and reviewing materials, and making decisions based on them.

With the new method of conducting Management Board sessions, greater efficiency was achieved in obtaining signatures, materials, decisions, and other internal acts.

For the adopted decisions voted on through the platform/software solution, persons from the Bank's Secretariat within the Legal Affairs and Secretariat Department were authorized, by a decision of the Management Board, to formally sign the adopted decisions on behalf of the Management Board.

The authorization not apply to decisions intended for external use before competent authorities and institutions, as well as decisions submitted to the National Bank of the Republic of North Macedonia in accordance with the applicable regulations and they will be signed by the members of the Management Board.

### **Regular activities of the Management Board**

In order to regularly inform regarding the Bank's operations, an agenda, minutes of the previous session, as well as materials from the Bank's Organizational Units are prepared for each session of the Management Board.

The members of the Management Board attended and were part of the sessions of the Risk Management Committee, while being able to regularly follow the complete operations of the Bank, directly to give directions, duties and tasks.

In addition, the members of the Bank's Management Board attended the sessions of the Supervisory Board and the Audit Committee.

In addition, the Management Board reviews, on a monthly basis, the reports of the Compliance and Integrity Centre, namely from: Regulatory Segment, the Segment for Prevention of Money Laundering and Financing of Terrorism, Segment for ensuring the security of the information system and Segment for personal data protection, as well as audit reports on the conducted audits and the recommendations provided by the Internal Audit Division

The Management Board informs the Supervisory Board at least once quarterly of its operations through the Information on Current Activities.

At its regular sessions, within its competencies, the Management Board assumes a large number of activities and adopts a large number of Rules, Instructions, Procedures, Plans and Decisions.

The Management Board, during its regular sessions, also made decisions within its competencies across all segments of the Bank's operations, with the following standing out:

#### **I. Offer Development and Marketing**

##### **1. New products/services**

The credit offer during 2024 experienced several changes in terms of commercial conditions. In the case of interest rates and conditions of housing loans, in June, changes were made in the amount of interest rates in accordance with the movements in the financial markets as well as competitive offers, while in the case of consumer loans, changes in the interest rate were made in December. The credit activity during 2024 was mainly directed towards the sale of housing loans and consumer loans, where the highest results were obtained

- Change in the type of interest rates in consumer loans to individuals, i.e. introduced fixed interest rates for the entire repayment period in consumer loans to individuals
- Change in interest rates in housing loans for individuals: The change refers to a reduction in fixed interest rates in housing loans for individuals, while the amount of variable interest rates remained unchanged.
- Increasing the application fee from 300 MKD to 600 MKD, for each instant loan application submitted through the credit intermediary Neptun Macedonia

- Increasing the amount and term of NLB mClick / eBank loan (on-line consumer loan that is placed through mobile and electronic banking)
- Introducing housing loan products in MKD currency for individuals from 2019 - Introducing a combined interest rate for mortgage loans with 5 and 10 years of fixed interest rates
- **Non-banking products**
  - A significant part of the Bank's broad offer is NLB Bancassurance or the sale of life and non-life insurance policies, as well as the sale of other non-banking products, investment funds and pension insurance. In the area of investment fund sales, the Bank achieved significant sales results with the introduction of the new combined product NLB Investment Pair, i.e. the package product of a term deposit with an equity investment fund.
- **Digitalization**

Key activities in the Digitalization and Channel Strategy section that were implemented in 2024 are:

- Implementation of the Garmin Pay digital wallet enabled on a smartwatch from the manufacturer Garmin
- Introduction of Smart POS – software in the form of a mobile application for accepting payment transactions based on a payment card
- The PayByLink service intended for small e-commerce merchants who are not able to develop their own web store and integrate it with a Bank that will provide them with a virtual POS terminal on the online store itself

## **2. Marketing campaign**

During 2024, several promotional campaigns for individuals and legal entities products were conducted:

### **For legal entities:**

- Promotional campaign for the introduction of NLB Smart POS
- Promotional campaign for the introduction of NLB Pay by link
- Promotional campaign for NLB Proklik e-banking and for NLB mProklik m-banking for legal entities;
- Frame of Help project

### **For individuals:**

- NLB Loans (consumer, green consumer, housing, mortgage) throughout the year;
- Loan via mKlik application up to 1.500.000 mkd for 95 months;
- Promotional campaign for Violet PLUS consumer loans with decreased interest rate
- NLB mKlik promotional free mobile banking
- Caravan for financial advice for non-banking products;
- Double cashback with NLB Happy credit cards
- Promotional NLB Super Deposit;
- Payment with Garmin Pay;
- NLB Visa Credit Cards with promotional interest rate
- NLB Savings Month;
- NLB Insurance Month;

## **3. Sponsorship and donation**

NLB Banka Skopje is strongly focused on implementing activities aligned with the United Nations Sustainable Development Goals, which are the basis of the Sustainability Strategy adopted at the level of the NLB Group. In 2024, the Bank supported number of projects and activities in the form of donations and sponsorships. The Bank awarded donations in total amount of **244.838 EUR** and sponsorships in total amount of **141.622 EUR**. **74%** of allocated funds support the UN's sustainability goals.

At the level of the **Management board**, the following sponsorships/donations were proposed and approved:

- PHI University Clinic for Gynecology and Obstetrics in Skopje - donation of funds for the purchase of medical equipment in total amount of 30. 000 EUR (the funds were allocated by NLB d.d.)
- Red Cross of the Republic of North Macedonia – donation of funds, assistance to Bosnia and Herzegovina after the floods in the country in total amount of 100.000 EUR

At the level of the **President of the Management board**, the following sponsorships/donations were proposed and approved:

- Handball Club "Vardar 1961" – sponsorship in total amount of 23.600 EUR
- "Open Fun Football Schools" for the second season of the project "Growing Up into Champions", donation in total amount of 25.000 EUR
- Special Olympics of Macedonia, donation to support the annual program in total amount of 20.000 EUR
- Red Cross of the City of Skopje, donation of funds for the purchase of food products for socially vulnerable populations in total amount of 10.000 EUR
- Handball Club "Vardar 1961" – sponsorship in total amount of 23.600 EUR
- Basketball Club "Gostivar", sponsorship for the club in total amount of 11.800 EUR

## **II. Sales Network**

### **Branch Network Division**

The branch network in 2024 remained the dominant channel for servicing customers and selling banking products and services.

The number of branches in the network is 48 branches and 1 counter. During 2024, the Center branch was renovated and transformed from a traditional to a modern banking facility, offering increased comfort and innovative services. It is a business concept that provides customers with access to a new digital experience, where the branch's cashier operations were replaced by cashless operations, and cash withdrawals and deposits, payment of overhead costs and other banking transactions are fully serviced through the 24/7 hour zone in which there are three ATMs for cash withdrawals and deposits. The "Center" branch has an area of 230 m<sup>2</sup>, and it houses interactive zones for consultation with banking experts for financial advice, lending and personal banking.

The focus of the branch operations in 2024 was the increased placement of new loans in order to increase market shares. The lending activity was mainly focused on the sale of housing loans and consumer loans. In the retail lending segment, new, record, highest amounts of loans sold to date were achieved, which resulted in an increase in the Bank's market share. Of the total loans disbursed in 2024, 94% of the total amount of loans disbursed was disbursed through the branches. In 2024, continuous work was carried out to improve the credit process and encourage and facilitate sales, by maintaining a database of potential clients for loans and other products, developing the LOPA process, and organizing training for employees. As part of the activities related to retail loans, the branches continue to be involved in collection activities and maintaining the quality of the portfolio.

During 2024, changes were made to the interest rates in accordance with the movements in the financial markets and competition. During the year, loans were offered without a handling fee, while a promotional campaign without notary fees for housing loans began in June 2024 and was valid until the end of the

year. The bank also changed the method of receiving Notary Acts by notaries. Notary acts arrive at the Legal Division by email electronically, followed by a second legal opinion. Then, they also arrive in original paper form, after which they are archived. This way of working contributes to a more efficient process of paying off loans secured by a mortgage.

To increase interest and placement for housing loans, the possibility of starting cooperation with Real Estate Agencies was adopted, as a channel for selling housing loans. As a reward for the submitted housing loan applications to the Bank, a fee was adopted for the agency for each application or approved application. The fee is 3,000 MKD for an application submitted and a total of 9,000 MKD for an application and an approved application.

**Personal Banking** is a special offer of the Bank that provides clients with first-class treatment in the performance of banking services, flexibility and simplified communication through a personal banker. During 2024, the personal banking service for individuals was offered in 40 branches, and the total number of individual clients who used the service as of 31.12.2024 was 5,699.

A significant part of the Bank's wide offer is NLB Bancassurance or the sale of life and non-life insurance policies. The branches continued to actively work on the sale of insurance policies in free and tied sales with banking products. In 2024, cooperation with NLB Fondovi was intensified and a new product Investment Pair was introduced, with successful sales results.

In 2024, a new version of the LOPA application, LOPA Standard Process, was introduced, through which consumer loans, credit cards, and overdrafts are approved for all clients, with the inclusion of soft collateral and with the approval of the items by decision-makers at the appropriate approval level, in addition to automatic approval. In addition, electronic signing of the documentation generated through the LOPA MVP application and its storage in a digital archive was introduced.

In 2024, the application of the Miter Greeter concept began by engaging external practitioners for the activity.

Traditional activities such as loan sales, deposit acceptance, domestic and international payment transactions, cash operations, exchange operations and "first line of defense" activities in accordance with the Policy for the Prevention of Money Laundering and Financing of Terrorism, remain a significant part of the activities in the branch network.

Efforts to transform branches into sales showrooms of high value-added products and transfer simple transactions and services to electronic channels continued in 2024 and remain relevant as a continuous process during 2025. Digitalization remains the main focus of the Sales Network Management Business Sector, with further motivating customers to use digital services on the one hand and transferring customer needs to the Offer Development Sector for the introduction of new functionalities.

### **III. Information Technology**

In 2024, the Bank dedicated its efforts to achieving strategic goals concentrating on the enhancement and advancement of information systems to fortify and optimise support banking operations, digitization of banking services, data management, automation and optimization of banking processes and harmonization within the NLB Group.

All this was supported by continuous improvement of the IT infrastructure (network, system and servers) and ensuring reliability and security of the systems.

The most significant work areas in 2024 were:

#### **1. Process Digitalization**



In 2024, the Retail Loan Origination Process in Branches underwent a significant upgrade. Built upon the bank's Digital-first IT architecture, it now supports a comprehensive suite of retail banking products and services, incorporating:

- Retail Unsecured Loan origination (all standard retail loans, including higher approval limits and soft collaterals),
- Credit and Debit cards origination,
- Card limit adjustments,
- Overdraft origination and overdraft limit adjustment,
- Loans with embedded accident and life insurance,
- Refinancing,
- Business Rule Engine powering the Scoring model, upgraded with PD models
- Real-time integration with external data sources for client credit history and additional client insights
- Client onboarding/updates,
- Smooth and fully compliant KYC process
- Account opening,
- Digital documentation signing with e-pen, no paper required
- Digital archiving in an accredited electronic archive

## 2. Core Banking Transformation to ensure a sound foundation for the digital transformation of the Bank: Prioritize Efficiency, Minimize Customization, and Decouple New Functionalities on External Platforms.

- Enhancing database performance through database procedures reengineering, including corporate loans, IOS reporting, Intermodular TRS-to-KDR database process, N Clearing messages, General Ledger reports, etc.
- Reduced System Load by Migrating Resource-Intensive Reports to a Dedicated Reporting Server. Migrated over 561 reports, including heavy reports such as AML, D-1 reports and Data validations, etc.
- Online archiving solution implemented, now available for all Core Banking modules, ensuring uninterrupted system usage.
- Automated key processes, streamlining operations and reducing manual effort: SWIFT message generation, Payment card due days, Siron AML alerts, Automation of foreign currency payments by order of legal entities from e-bank, Automation in creating remittances, Automation of scheduling of manually added inflows and daily forced collection reporting.

## 3. Building a Data Driven Bank

- Establishment of DWH (Data Warehouse) as a central reporting system, as well as a database for the implementation of modern solutions to support banking processes:
  - Implemented Payment Statistics Report Set
  - Implemented Credit Registry Report Set
  - Migration of heavy reports from Core banking system to DWH – BCBS 239 reporting
  - Implementation of ISIDORA Project – Central Bank Report Set
- Self-service BI – establishment of an analytical layer of data and greater utilization of BI tools
- Advanced analytical solutions - developing predicative models:
  - Propensity to Buy,
  - Hunting & Farming model,
  - Scoring model
- DWH optimization - New optimized ETL process developed in internal resources, without dependence on suppliers
- Continuous improvement of data quality, through appropriate validations and control mechanisms.

## 4. Channels Development

- Implemented Open banking platform and Strong Customer Authentication (SCA) for eBank & mBank clients

- Increased the maximum amount of mKlik loan
- Developed an annual report for private individuals within NLB mKlik and NLB Klik, detailing all payment service fees
- Launched a dedicated "My Bank" public website to provide clients with easy access to information about our payment services.
- Implementation of new NLB Group Contact center platform - Viber channel integration

## 5. Regulatory compliance

The year 2024 presented significant regulatory challenges, demanding a delicate balance between compliance, business priorities, and IT strategic goals. Despite these complexities, we successfully implemented all regulatory requirements planned for the year:

- Law on Payment Services and Payment Systems
- Introducing a new platform for Swift's payments, aligned with ISO20022
- New Decision by NBRSM for Credit Registry Report
- Changes in reporting to NBRSM - ISIDORA reporting,
- Extension to CSKP reporting, according to the Basel III standard,
- Implementation of BCBS 239 principles

## 6. Stable, scalable and efficient IT infrastructure

During 2024, the IT infrastructure and security Center focused on providing a secure and stable IT infrastructure, easily upgradeable, with sufficient capacity to meet business needs and future growth, as well as technological advancement and fulfilment of the Group IT Strategy. Special emphasis was placed on increasing the level of IT security, to raise the level of protection of IT systems and data, as well as the uninterrupted functioning of the systems through the implementation of various systems and measures:

- Increasing the level of server virtualization, greater efficiency in the IT infrastructure:
  - Virtualization of the core banking system - technological improvement of the core banking system through its migration to a higher version of the OS and SQL, virtualization and ensuring high availability and business continuity, in accordance with the Group IT Strategy for cloud-ready infrastructure.
  - Implementation of a new server infrastructure for the virtualization platform.
- Business continuity in the event of a disaster
 

This year, for the first time, we seamlessly transferred the production system to the backup disaster recovery location and returned the central banking system back to the primary location, without any interruptions or delays for users or clients in performing their transactions.
- Secure IT infrastructure with sufficient capacity to meet business needs and future growth:
  - New server infrastructure for the virtualization platform.
  - Replacement and virtualization of core banking servers.
  - Network equipment renewal with a new according to the Group standard for network equipment:
    - new switches per branches
    - new floor switches in the Headquarters
    - new distribution switches in the Headquarters data centre
    - new routers for connecting to external partners
  - Archiving of the databases of the core banking systems and the audit trail system.
  - Implementation of E-signing pads in Branches.
  - Digital Signage solution
- Secure and resilient IT infrastructure:
  - Implementation of the 802.1x standard.
  - Cisco ISE posture (automatic blocking of unpatched workstations).
  - Migration of servers with outdated operating systems.
  - Identity Awareness – network access by user.
  - Implementation of centralized monitoring and analysis of firewalls.
  - Privileged Access Management (PAM) solution.
  - MS Defender endpoint Application control solution.

- New Internet access solution (Fortinet proxy).
- Defender for Office 365 (email security).
- We have reached the target level of cybersecurity according to and compliance with the National Bank and NLB Group.

## 7. Enhance IT Security

The IT infrastructure and security Center has dedicated significant effort to increasing the level of IT security. The goal was to raise the level of data protection and ensure the uninterrupted functioning of systems through the implementation of various systems and measures:

- Building Security base on security events from implemented security solution (Operational security)
  - SIEM alerts and reports
  - Guardium alerts and reports
  - NDR, alerts and reports
- Building Security base on threat Intelligence
  - SOC Centre, regular monitoring of threats
  - Microsoft defender
- Building Security base on Protection of the publicly exposed assets
  - DDoS protection Radware
  - Threat intelligence Security Score card
- Building Security base on Zero Trust
  - PAM (privileged access management) Wallix
  - DLP (data linkage prevention) Microsoft
  - Active IT security monitoring
  - Firewall Proxy, Forti net
  - NDR Extra hop
  - Microsoft Defender
  - Firewall analyser –Tufin
- Building Security base on secure by design - Security check and vulnerability assessment of new assets and services before production
- Building Security base on IT security standards and practices
  - Group Policy for IT security management
  - Network security standard
  - NAC 8021x Security standard device configuration
  - Group Patch management policy
  - Group ATM IT security requirements
- Building Security base on Vulnerability assessment
  - Qualys, regular vulnerability assessment
  - External Pen Test
  - Regular vulnerability assessment

## IV. Human resources management

During 2024, NLB Bank remained committed to caring for people through the ongoing introduction of innovative practices in human resource management that contributed to greater efficiency and value for the organization and employees. The implemented activities were aimed at supporting strategic initiatives and responding to modern challenges in order to provide a dynamic and supportive environment that inspires and motivates employees and helps them realize their potential.

The following is an overview of the key projects, programs and activities that contributed to the continuous improvement of the organizational culture that promotes engagement, building next gen leaders, continuous growth and development, improving the employee experience and strengthening the brand of a desirable employer in a modern business environment.

- Building and nurturing an **organizational culture** as a fundamental supporter of all strategic initiatives, aimed at fulfillment, entrepreneurship, accountability, growth and development, remained in focus in 2024. In order to objectively monitor and appropriately promote it, an assessment was conducted at the end of the year by an external consultant, which included a significantly higher number of employees. An innovation in the measurement method was the in-depth analysis by segments, which will enable significantly higher quality of information and enable a targeted approach and specifically directed future activities. Meanwhile, the previously established action plan and its main pillars included an increased scope of activities:

- **Development of leadership competencies - "Leadership Journey"**. As a continuation of the activities initiated in 2022, when an assessment of the leadership competencies of 112 managers was conducted using the Boyden methodology, in 2023, individual feedback to managers and an analysis of needs based on the conclusions obtained were initiated. Furthermore, towards the end of the year, discussions began with 120 managers at all levels as an introduction to defining individual development plans (IDPs) that were completed in 2024. Based on the development plans, a structured leadership development program was defined, individual training was delivered and Udemy licenses were provided for attending the relevant trainings.
- **Promotion and establishment of NLB values**. The values that were defined in previous years remained the foundation of many activities that took place throughout the year. In addition to marking specific dates in accordance with each of our values, a large number of activities were carried out that support employee development, entrepreneurial spirit and local businesses, as well as the general well-being and health of all of us. Thus, the Bank organized a series of activities that represented a combination of classic training, e-learning and mentoring, which together resulted in the implementation of 280 trainings, a total of about 54.940 hours of training, or an average of 56,6 hours of training per employee. Of the 16.547 participants, 1.183 were in the domain of AI and Data Management, while 363 were in the ESG segment. In 2024, Udemy licenses were also provided to all employees. In the area of caring for the environment and people, 3 blood donation campaigns were organized and several recognitions were received from the Red Cross, a donation was made for cystic fibrosis patients at the children's clinic in Skopje, a donation was made for the fight against fires in Pehchevo, lectures held during the months of women's and men's health, planting of honey plants by each employee, supporting a significant number of sports events for employees, but also beyond (sports activities for the youngest, participants in the Special Olympics and professional sports events), two environmental clean-up actions were organized, organized cooking of meals for socially vulnerable categories of citizens, a donation to SOS Children's Village and a significant number of other donations and activities.
- **Breaking the silos**. In 2024, emphasis was also placed on improving communication and building a positive team spirit through the organization of 14 teambuilding activities with a total of 1229 participants. Some of the activities were carried out within teams (60 employees), where the focus was on sales network employees, but some were also among employees involved in various intersectoral processes. The year was also marked by the NLB Picnic, where more than 630 employees participated to their mutual satisfaction.
- **A future-oriented work environment**. Considering the development of the surroundings and the new digital ways of working that have become commonplace in recent years, in 2024 there was a transition from an informal to a formally established remote working model that follows modern practices and anticipates the needs of employees. The new approach allowed employees to choose between full remote working, a flexible combined model and constant presence at the workplace, while contributing to easier evaluation, monitoring, and potential optimization of the process itself, with higher benefits for employees.

- Closely related to organizational culture are activities for **building a desirable employer brand** (employer branding), which remained a key focus in 2024. In addition to continuing the practice of conducting employer brand measurement, some of the activities implemented in this area were around cooperation with educational institutions (4 domestic faculties, 2 recognizable companies for informal education, 2 international educational institutions). There was also participation in local and regional job fairs, guest appearances by NLB Bank employees as lecturers and panelists at a series of events organized by local faculties and other organizations (over 10 events in the area of human resources and development alone). Traditionally, the NELA summer internship program was held, in which more than 30 children of the Bank's employees were involved. Additionally, the paid internship project continued, involving almost 100 young people.
- During 2024, the focus was also on activities related to **talent and succession management**, i.e. the selection and calibration of a new generation of employees who would be included in a structured program that would offer a range of development activities aimed at accelerating growth towards future leaders and experts.
- In accordance with practice, at the end of 2024, a measurement of **employee engagement** was conducted through an "Engagement Assessment Survey" following the established Gallup methodology. The response rate of the survey was at a high level with the participation of about 88% of the employees. It aimed to provide insight into the impact of the measures implemented during the year and showed an increase in overall engagement, with an increase in all individual categories and most of the divisions. The percentage of actively engaged employees as a driver of progress is a significant 41%. After a detailed analysis, the plan of activities will be revised with the aim of continuing growth in the coming year.

Recognizing the connection between culture, employer brand, and employee engagement and the initiated master plan that addresses these three areas, in 2024 it continued with the implementation of a series of additional activities divided into 4 different pillars, including:

- **Bringing our people together:** social media communication campaign "Our people, our stories"; New Year's cinema and entertainment for the employees' children.
  - **Team spirit and energy:** a series of mini activities to celebrate the seasons (fruit smoothie for the day of spring, ice cream in summer, seasonal fruit strudel in autumn, hot tea to celebrate the beginning of winter and decorating the Christmas tree); celebrating the month of women's and men's health with guest doctors at panel discussions, World Chess Day, organizing an "NLB Picnic" under an open sky, a New Year's celebration under the motto "let it sparkle".
  - **Gratitude and well-being:** private health insurance, remote work, flexible working hours and the possibility of leaving early on Fridays; less formality in the dress code; use of a day off for a birthday; personalized e-birthday card; gift for a newborn; wishes for good health for employees on long-term sick leave; election of "best colleague"; second Sustainability Festival, numerous sports activities.
  - **Employment and onboarding in the company:** acquisition of new staff through cooperation with companies for informal education, collaboration with external companies for recruiting specific profiles, expanding the team by 1 recruiter, provided LinkedIn recruiter licenses, certification and use of the Hogan assessment tool; welcome coffee for new employees with members of the Management Board, defined welcome package.
- In order to adequately respond to modern challenges in human resources management and achieve the desired goals, the Human Resources Management Department has also focused on its **structural aspect** in terms of proper staffing and digitalization. Namely, during 2024, intensive work was carried out on the implementation of a **new modern HR information system - Cornerstone**, which will enable the development and improvement of the implementation of future human resources practices in line with global trends. In addition, it will enable standardized and unified data, thus providing a strategic and analytical overview of the HR function and employees at NLB Group level. At the same time, the Department strengthened its team by 3 employees in the development segment of operations in order to continuously improve the processes that will enable care, self-actualization, personal and professional growth of our employees.

Appreciating the key role of people in the development and growth of the Bank, our vision for the future remains to support the long-term strategy of the organization and to continue to be a leader in introducing modern practices for the development and care of employees, thereby encouraging them to be active creators of their own growth and development, towards achieving their own potential and leading to sustainable success and growth of the company.

## V. Organization and business process management department

- **Changes and advancement in the Organizational Structure of NLB Bank**
  - ✓ In order to promote and improve the processes within the B2B area for working with corporate clients, additional changes have been made to the organizational structure, namely: modification, addition and transfer of competencies between the organizational units Corporate Sales Support Division and Corporate Client Division.
  - ✓ Abolition of the portfolio management segment in the Securities Services Department, Financial Markets and Treasury Division, due to the amendment of the National Bank Decision (PT No. 15-35271/2), and the Decision of the Securities Commission, which exclude the service "investment advice" and the service "securities portfolio management by order and for the account of an individual client".
  - ✓ In order to formally regulate the management areas of the Board of Directors by dividing the organizational units into appropriate areas: chief executive functions, financial management functions, marketing management functions, risk management functions and operations management functions.
  - ✓ Change of responsibilities in the Offer Development and Marketing Division, transfer from the Product, service and channels development department to the Strategic marketing, crm and communication department. The transfer of responsibilities is aimed at completing the reporting section within the Strategic marketing, crm and communication department.
  - ✓ Separation of the IT Maintenance and Information infrastructure Management Department and Information Technology security Department, from the Information Technology Division into the Center for IT Infrastructure and Security Center, due to the need for a reliable and stable information system that will support the work of the management and employees.
  - ✓ Improvement of the Bank's structure in relation to the following:
    - o Change in the number of members of the Board of Directors from three to four members and redistribution of responsibilities;
    - o Division of the CMO area into 2 areas: CMO area/corporate banking and CMO area/retail banking;
    - o Introduction of a Center for Organization, Business Processes and Project Office (separation of the Organization and Business Process Management Service from the Human Resources and Organization Sector, due to the need and focus on supporting development in terms of achieving the Bank's strategic goals)
- Activities for **continuous optimization of processes and improvement of operational efficiency**

- ✓ During 2024, the Bank continued to optimize and improve its operations, in accordance with the implementation of RPA (robotic process automation). This activity continues during the following year with active detection of candidate processes for RPA and their implementation.
- ✓ In 2024, NLB Bank AD Skopje improved the established change management process (projects). In addition, the number of employees in the process with business analysts was increased, for more efficient management of change requests, and user guidelines for defining the process were adopted.
- ✓ At the same time, the Project Management Methodology was adjusted in accordance with the changes in the process, i.e. the inclusion of CDO in data-related projects, the opinion of Compliance as well as Risks in the planning phase.

## ✓ **Project Management**

During 2024, NLB Bank AD Skopje carried out activities within the framework of several projects at the initiative of NLB d.d., in order to achieve the strategy of the NLB Group, and as part of certain changes at the initiative of the Bank. All of them were coordinated and monitored at the level of the NLB Group and by the Bank's management.

### ✓ **Group Project - local initiative LOPA (Loan Origination Process Advancing across NLB Group)**

The main goal of the initiative is to establish a unified and optimal credit process at the level of the entire NLB Group, with NLB Bank AD Skopje being the leader in the implementation of the project throughout the NLB Group.

During 2024, the expansion of the offer of credit products that are processed and disbursed through the new platform continued. This significantly shortened the time for the realization of requests and the waiting time for clients was reduced to a minimum.

### ✓ **Project – Implementation of the Law on Payment Services and Payment Systems**

In order to comply with the EU directives and regulations relevant to payment services and payment systems, in 2022 the Law on Payment Services and Payment Systems was adopted, the application of which will begin in 2023. The implementation process of the law will take place over a period of 3 years and is planned to be completed by the end of 2025. In the Bank, the project activities are defined to enable timely implementation of the new Law in accordance with defined timeframes, but also to determine a response strategy for the Bank in implementing the Law in order to overcome the potential negative effects of the imposed restrictions and take advantage of the opportunities.

### ✓ **Project Development of mKlik (mKlik Development)**

In order to fulfil the Bank's digitalization strategy, the goal of the project is to apply for and increase the credit card limit through the mKlik application.

### ✓ **Branch Network Transformation Program**

The Branch Network Transformation Program includes 3 projects, namely:

- CDSs (Cash deposit services) daily turnover entry of cash deposit devices for legal entities
- eSign & eArchive Phase II (signing documentation on electronic devices and accepting it on e-mail-paperless)

- Branch renovation & transformation (renovation of branches and their adjustment in accordance with the Bank's digitalization strategy).
- **Web developments – Web Update of PI Data (OneID)**

The project concerns enabling updating of data of legal entities via the website, with OneID.

- ✓ **Digital Origination**

The project aims to develop a digital platform for instant loans from credit intermediaries, enabling E2E (end to end) approval of instant loans to clients through credit intermediaries.

- ✓ **Loyalty Network**

The project aims to expand and improve the e-commerce service for customers and merchants, promote the use and expansion of the POS terminal network, improve cooperation with merchants for additional services, increase the presence of the NLB brand in merchants' stores, increase the level of attractiveness of existing credit card products and increase the turnover of credit card instalments from the Bank, increase the number of salary recipients and credit card holders, higher level of customer loyalty through the use of more banking products enabled by appropriate cross-selling.

- ✓ **Reshape of Collateral process for PI&LE**

The project aims to improve the collateral management (CM) process.

- ✓ **KYC Automatization**

The project aims to determine criteria (data mart) for updating individual customers with a certain deadline in the near future, without presence in the Bank.

- ✓ **EIB's Technical Assistance**

The project aims to implement criteria/standards for setting the process and procedure for IFRSS22 risk components, covered by the NBRSM for ESMS.

- ✓ **PS report – payment statistics**

The project is for the preparation of a payment statistics report in accordance with the new Law on Payment Services and Payment Systems.

- ✓ **Implementation of a new Cornerstone platform**

The project concerns the development of a human resources platform-system, to facilitate the HR workflow.

- ✓ **Centralization of the Bank's safes**

The project concerns the reorganization and improvement of the standards for bank safes.

- ✓ **Statistical models in Sales for PI, SME and Micro**

The project concerns the development of statistical models for individuals, micro and small and medium-sized enterprises and the development of scoring models.

- ✓ **New web portals in NLB Group**



The project concerns the introduction of a modern web portal of the bank, aligned with the Group.

✓ **New NBRSM decision on credit register report**

The project concerns change in reporting to NBRSM, new attributes, procedure updates and changes in CRIS.

✓ **Determination of criteria (data marts) and ISIDORA reports**

The project refers to changes in reporting to NBRSM – ISIDORA reporting.

✓ **Basel III changes – CSKP notifications**

The project refers to extensions in CSKP reports, in accordance with BASEL III standards.

✓ **Financial Gateway (FGW)**

The project refers to the introduction of a new SWIFT payment platform, in accordance with ISO20022 standards.

✓ **Change in direct marketing consents**

The project refers to changes in direct marketing consent, in accordance with GDPR.

## **VI. Compliance and Integrity Center**

During 2024, there was no organizational change in the Compliance and Integrity Center. The organization of the Center is aligned with the target organization.

### ➤ **Regulatory Compliance Segment**

- During 2024 the Regulatory Compliance Segment undertook activities aimed at ensuring compliance and integrity in the Bank's operations through timely identification and meeting of the requirements and commitments regarding integrity and compliance that apply to the Bank, prevention, detection and elimination of violations or deviation from regulations, internal documents and other prescribed or assumed commitments.
- NLB Banka AD Skopje performed compliance risk assessment on the Bank's level (ECRA - Enterprise Compliance Risk Assessment) and on this base the Management Board has reviewed and acknowledged the Report of Compliance and Integrity Center for the results of the general Compliance Risk Assessment in NLB Banka AD Skopje for 2024 and the proposed measures for managing the identified risks presented within the Report were confirmed.
- The Compliance and Integrity Center conducted two Ethics and Compliance Surveys in NLB Banka AD Skopje in accordance with guidelines from NLB d.d., with the aim of understanding the attitude of the employees in relation to aspects related to the compliance of the Bank's operations with regulations and ethical culture, as well as understanding the opinion and experience of the employees in relation to the current practice in the Bank and receiving proposals for the expectations of this area in the future.
- The Management Board is acquainted with all important identified risks and performed activities of the Center, during the presentation by the Center on monthly basis.
- Significant activities were performed on the Bank's level regarding the process of implementation of the new or amended existing legal regulations that are important for the operation of the Bank, with particular emphasis on the activities for the implementation of the new laws and decisions made by the NBRNM. In accordance with the prepared analyzes of the changes, guidelines and

recommendations were given for harmonizing the Bank in separate OUs and it was properly controlled and coordinated.

- The Regulatory segment undertook activities in the area of assessing the adequacy of the key functions holders in the Bank, managing conflicts of interest, preventing bribery and corruption, as well as adequate activities upon received reports of suspicions of harmful behavior in the Bank.
- In accordance with the communication plan and with the aim of increasing employee awareness, the Regulatory Segment prepared announcements for communication with the employees, regarding the areas within the Compliance and Integrity Center.
- Regular activities were performed regarding the fulfillment the Annual Plan for trainings and Annual Plan for controls for 2024.

## ➤ **Anti Money laundering and financing of terrorism Segment**

- On AML Segment's proposal, the Management Board adopted updated version of the internal act Policy on the implementation of restrictive measures (financial sanctions and embargo), that regulate the Bank's obligations in terms of preventing risks concerning international restrictive measures, in accordance with the Group's guidelines.
- Activities were undertaken in the area of updating the Bank's customers data, as well as updating the methodology for calculating the risk category from the money laundering and financing terrorism of the customers, which were supported and overseen also by the Management Board.
- Risk assessment on the risk of money laundering and financing of terrorism of NLB Banka has been prepared, based on Methodology of the NBRNM and NLB Group Methodology.
- Activities regarding the Plans for trainings and operational controls for 2024 were performed.
- Review of scenarios for transaction monitoring was executed and scenarios were optimized.
- Regular activities regarding prevention of money laundering were performed.

## ➤ **Information Security Segment**

- Operational field controls were performed according to annual plan.
- Information security awareness program was performed according to annual training plan
- Annual process of Information Risks Analyses was implemented. Summary report with identified risks and mitigation measures was presented to Risk Management Committee and the Management Board, prior it's submission to the local regulator (National Bank).
- Process of annual external independent penetration testing has been implemented. An action plan with defined measures was prepared for mitigating penetration test findings.
- Information security governance framework was updated.
- Targeted Cybersecurity maturity level was reached and maintained during 2024.
- Risk assessment of outsourcing providers was performed from information security perspective.
- Opinions were given for implementation of new products with ICT component
- Regular independent reporting to Bank's Management Board and Supervisory Board of undertaken activities

## ➤ **Personal Data Protection Segment**

- In September 2024, a regular supervision was initiated by the Personal Data Protection Agency (PDPA), which is still ongoing. Within the scope of this supervision, the Data Protection Officer (DPO) is actively cooperating by providing the requested documentation and participating in working meetings with representatives from the PDPA and the relevant departments of the Bank subject to supervision. The purpose of this activity is to assess the Bank's compliance with legal regulations in the field of personal data protection.

- During 2024, the Bank continued its efforts to update the existing personal data protection documentation (policies, procedures, guidelines), with a focus on further improving compliance with the legal framework. Two new internal acts and a new version of the Bank's Privacy Policy were adopted in this period.
- Throughout 2024, the Personal Data Protection Segment carried out regular activities aimed at ensuring compliance with applicable legal regulations through the prevention, identification and removal of violations of the provisions of the Personal Data Protection Law in relation to complaints received from clients.
- Active collaboration and communication with the PDPA to establish higher standards for respecting the right to personal data protection.
- Active participation in the work of the Personal Data Protection Commission at the Macedonian Banking Association (MBA). As part of the collaboration with the Commission and their invitation, the DPO prepared a professional article that was published in the MBA e-bilten.
- During 2024, regular risk assessment of external suppliers was performed in terms of Personal Data Protection.
- In 2024, the DPO conducted regular and extraordinary control in several branches and departments of the Bank. The controls focused on assessing compliance with legal regulations in the field of personal data protection, resulting in recommendations being provided to the relevant departments to improve compliance.
- A regular risk assessment of external suppliers from the perspective of personal data protection was carried out in 2024.
- Four Legitimate Interest Assessments (LIA) for personal data processing and three Data Protection Impact Assessments (DPIA) were completed for various processes within the Bank's operations.
- In order to raise employee awareness for personal data protection, a total of 7 trainings were carried out throughout the year covering 289 employees.

➤ **Physical and Technical Security segment**

- Regular revision, updating and drafting of new internal acts in the field of physical and technical security.
- Undertaking regular activities in the direction of compliance with local legislation and NLB group standards in the field of physical and technical security.
- Undertaking regular activities regarding the Plans for trainings and operational controls in 2024 in the field of physical and technical security.
- Undertaking regular activities in the development of solutions for construction, adaptation, and renovation projects at all locations of the Bank where technical, mechanical, and physical security measures need to be implemented.
- Security assessments for installation, monitoring and withdrawal of ATM devices.
- Revising and directions for the improvement of processes in the field of physical and technical security.

## **VII. Bank's Logitics**

### **Real estate management segment**

- Implementation of second phase of planning, organizing, and executing Facelift action in Bank's branches in order to continuously improve working conditions and increase both employees and customers satisfaction and increase the brand image.

Activities executed within the Branches Facelift are:

- Installation of decorative Veneer

- Installation of new internal aluminium partitions, in order to provide customers discretion
- Installation of sunshades for outside windows
- Implementation of system for digital signage on screens in Branches for presentation of marketing videos, with system for centralized content management
- Execution of Project for complete functional and client experience reconstruction of Branch Centar in modern “tellerless” concept, following the Group Strategy for digitization of services and CX.
- Initiated divestment of the remaining 4 business premises, that the Bank no longer uses for own operations, aiming at reducing the real estates that the Bank does not plan to use in the future.
- Project and execution of reconstruction of the entry hall in the main HO building, achieving complete redesign of the space in modern, client oriented, area and introducing concept of Meeter greeter for client’s reception and communication.
- Executed several small and medium reorganization construction activities in the Bank’s headquarters in order to adapt to the dynamic process of change in the organizational structure of the Bank and support the increased demand for operational working space.

## Procurement segment

- Executed total of 158 vendor selection procedures in 2024 (42% more than 2023), both group and local, with full amount of TCO (Total cost of ownership) of more than 7.5 mil EUR.
- Implementation and execution of E2E procurement process for vendor selection for digital signing on e-pads in Bank’s branch network. Including implementation of e-archive solution for digitally signed documents.
- The Bank has performed vendor selection for supply of fuel, thus achieving three benefits: lower price for fuel, resulting in cost optimization, significant expansion of network for car refueling, and implementation of card for control of the user and the vehicles that is loading fuel.

## Carbon footprint reduction

- Following the increased importance of reducing the Carbon footprint and Net zero Strategy of NLB Group, NLB Banka have performed RFP for procurement of 100% electricity from renewable sources, starting from 08.2024.
- Consumption of heating has been significantly reduced by 14,25% YoY, improving the Carbon footprint of the Bank.
- Completing the Project for transformation of the car fleet of the Bank aiming at substitution of ICE vehicles with new electric and/or hybrid vehicles, that should result in substantial decrease of the CO2 emission of the Bank’s car fleet.  
As addition, the ICE vehicles used by the Bank, were offered for purchase and sold to the employees of the Bank, enabling the employees to purchase well maintained vehicles for competitive prices

## Physical security segment

- Procurement and upgrade of the current under the counter cash registers, resulting in increased level of mechanical protection in all Bank's branches.
- Procurement and implementation of HO hall entry barriers with access control in the Bank's Head office.
- Implementation of Project for full centralization of the safes deposit boxes for clients on a single location in the Bank.  
As result of the comprehensive analyses, it has been decided that the Bank will discontinue offering decentralized service for safe deposit boxes on several locations. The service was discontinued in Bitola branch and the Project for centralizing of both Skopje locations (GTC branch and Headquarters branch) on a single location in Headquarters branch, along with upgrading of the technical and mechanical Group security standards.
- Continuous improvement of security standards in the Bank's facilities, thru implementation of modern mechanical and technical security standards.

## VIII. ESMS and ESG segment

NLB Banka Skopje is strongly focused on implementing activities which are aligned with UN sustainability objectives, which underlie the Sustainability Strategy adopted on the NLB Group level. It aims to integrate sustainability into banking activities and sustainable financial performance of the Bank, taking into account social and environmental aspects and the possibility of actively contributing to a more even and inclusive economic and social system through its business operations.

In this regard, during 2024, the Bank's Management Board proposed for adoption by the Supervisory Board the Sustainability Policy of NLB Banka AD Skopje. The Policy aims to demonstrate our commitment to our sustainability mission. In addition, the Policy provides an overview and guidance on how NLB Banka Skopje manages sustainability challenges in a responsible and efficient manner.

During 2024, the Bank's Management Board adopted Standard for sustainability management which supplements the Sustainability Policy. The Standard describes the mechanisms for harmonisation of sustainability- and ESG-related policies, the strategy framework, and processes at the Bank. It also describes specific roles and responsibilities of different bodies and sustainability expert profiles, including communication flows and reporting lines. Additionally, Management Board adopted the Standard on Prevention of Greenwashing. The Standard, is a comprehensive document that complements the Sustainability Policy, specifically addressing the issue of Greenwashing.

Additionally, the Management Board proposed for adoption by the Supervisory Board the amendments of:

- **Environmental and Social Transaction Policy Framework**
- Carbon footprint measurement and reporting policy

On the basis of these documents, the Management Board adopted several Manuals for their practical implementation, resulting with upgrading of already introduced Environmental and Social Management System (ESMS).

Additionally, the Management Board:

- included ESG criteria in defining and monitoring of KPI for Front Office (volume of new green loans),
- provided guidance on creating new green products from its own sources for retail segment,
- monitored Bank's Carbon Footprint (Scope 1, 2 and partly for Scope 3),
- provided guidance on increasing the energy efficiency of the Bank,

- provided guidance on harmonising the budget for donations and sponsorships to projects supporting UN SDG.

## **IX. Data Governance and Quality Management**

In our ongoing commitment to innovation, regulatory compliance, and data – driven decision making, in 2024 we have initiated several strategic activities aimed at strengthening the Bank's capabilities in data governance, quality management and AI integration.

Key initiatives include:

### **Data Governance and Quality Management:**

- The Bank is reestablishing a dedicated data governance and data quality team, recognizing its critical role in ensuring accurate, reliable data to support informed decision – making, regulatory compliance, and operational efficiency across the Bank.
- The Bank is undertaking key activities to ensure compliance with BCBS 239 standards, reinforcing commitment to enhancing data quality, risk management, and the reliability of regulatory reporting across the Bank.

### **Data Translation:**

- The Bank is organizing Data Translator workshops to present new use cases from the Bank, fostering collaboration between data and business teams to drive data – driven solutions and innovation.
- The Bank is launching a pilot project for Payment Statistics reporting to introduce the new role of Data Translator, emphasizing the importance of data modeling in bridging the gap between business needs and technical solutions.

### **Artificial intelligence:**

- On NLB d.d.'s initiative The Bank organized an AI workshop where the AI strategy was presented, complemented by hands – on activities designed to bring AI usage closer to participants and showcase its practical application.
- The first AI Use Policy was introduced and officially adopted, establishing a framework for responsible and effective utilization of AI within the organization.

Through these initiatives, we are not only addressing the immediate challenges of data management and regulatory compliance but also positioning the Bank for long – term success in an increasingly data – driven world. The adoption of the first AI use policy and the practical engagement through workshops reflect our proactive approach to innovation and responsible AI usage. Together, these efforts reinforce our commitment to excellence, collaboration, and adaptability, ensuring we remain at the forefront of technological and regulatory advancements.

## **X. Payment System**

Overview of key activities in 2024 and market shares by individual segments:

### **Domestic Payment Operation**

In 2024, the Domestic Payment Operations Department implemented several initiatives to enhance the efficiency and accuracy of the bank's domestic payment processes. Key improvements included:

**Data Exchange Optimization:** Strengthened data exchange protocols with the National Bank of the Republic of North Macedonia (NBRSM), Clearing Interbank Systems AD Skopje (KIBS), and other state institutions to ensure seamless and secure transactions.

**Payment Statistics Reporting:** Completed the development of a new reporting solution for payment statistics, featuring data marts and comprehensive documentation. This system, operational since January 1, 2024, has significantly improved data quality, accessibility, and transparency.

Based on the information presented above and the published data by the National Bank of the Republic of North Macedonia (NBRNM), for the period from January 1, 2024, to September 30, 2024, the market share of NLB Bank AD Skopje in the statistical segment of realized credit transfers was 19% and value share was 14% in the total domestic payment transactions.

In 2024, the number of pensioners utilizing NLB Bank services continued to grow, resulting in a total number of 81.848 and participation rate of 23.96% by year-end. Regarding social protection rights beneficiaries, the Bank recorded approximately 42.000 beneficiaries (cumulative payments vary by month and type of payment). Throughout the year, the exchange and processing of files were carried out in accordance with signed agreements and protocols with Bank clients and the Public Revenue Office (PRO). As a modern payment tool, the automatic processing of XML MT101 files received through the SWIFT FileAct channel was actively utilized for customers with whom the Bank has established agreements.

The number of reported complaints for the period from 01.01.2024 to 31.12.2024 is 633, while in 2023 the total number of reported complaints is 661.

In line with the new legal requirements under the Payment Services and Payment Systems Law, the Domestic Payment Operations Department actively participated in implementing changes to payment order formats. These activities were conducted within a dedicated working group at the Bank, as well as through participation in the Payment Operations Group at the Macedonian Banking Association (MBA), involving numerous meetings and working visits to the NBRNM.

With the introduction of the new Single Register of Accounts and the development process for upgrading the exchange systems, a detailed mapping and analysis of changes were conducted to define new fields in the Bank's system. The process was executed through a series of organized meetings involving all relevant departments and data custodians. Furthermore, the Bank actively participated in meetings held at the MBA, NBRNM, and the Central Registry to ensure the successful implementation of these changes.

### **International payment operations**

During the past year, the International Payment Operations Department continued to work actively on two major processes, compliance with the Law on Payment Services and Payment Systems and migration to the new SWIFT standard ISO20022.

In September 2024, the bank received solution for migration to ISO20022 standard and by the end of the year, the new Financial Gateway solution was actively tested, with plans to implement the migration to the new standard in 1Q 2025. In the first phase, the following messages will be sent in the new MX format: pacs008, pacs009, pacs009cove, pacs004, and camt057. The next phase involves the gradual transition of the remaining MT messages to the MX format throughout the year. This will make the bank the first in the Republic of North Macedonia to operate according to the new ISO20022 standard.

Upgrades and system enhancements were implemented to ensure the long-term stability and security of the information system. These included solutions for the automation of processes within the department. Among the more significant improvements were the implementation of a request for OUR charges for payment orders that we received (loro payments) and automatic creations of our payment orders (nostro payments).

In November 2024, with the support of the department, the bank successfully migrated from the Safe Watch Filtering module to the new Safe Watch Screening module for prevention money laundering and financing of terrorism. The new module includes the Reply Decision option which is aimed at reducing the volume of transactions being scanned, as well as implementing the "four eyes" control.

As part of the project to update terminology and in accordance with the latest amendments to the Law on Payment Services and Payment Systems (PSPS), all existing guidelines were updated by the end of June 2024.

During 2024, foreign currency transactions, cross-border payments in international payment operations were executed as follows:

<b>Total</b>	<b>01.01-31.12.2024</b>
<b>Volume (in million EUR)</b>	<b>3.432,8</b>
<b>Number of transfers</b>	<b>237.268</b>
<b>Nostro payments</b>	
<b>Volume (in million EUR)</b>	<b>1.620,1</b>
Individuals	76,9
Legal entities	1.543,2
<b>Number of transfers</b>	<b>71.885</b>
Individuals	11.679
Legal entities	60.206
<b>Loro payments</b>	
<b>Volume (in million EUR)</b>	<b>1.812,7</b>
Individuals	206,6
Legal entities	1.606,1
<b>Number of transfers</b>	<b>165.383</b>
Individuals	97.074
Legal entities	68.309

Based on the published date from the National Bank of the Republic of North Macedonia (NBRSM), the average monthly share of NLB Bank AD Skopje in total foreign payment operations in the Republic of North Macedonia, as of September, is as follows:

- Total foreign payment operations: 14%,
- Total inflows from abroad: 14.26%
- Total outflows to abroad: 13.73%.

#### **Forced collection, blockades and distribution of self-service products**

The total number of the executed decisions on forced collection in 2024 is 35.041 and there is an increase of 7,5% compared to the previous year 2023.

In 2024, total revenues are 366.749 eur and there is increasing by 2,6%.

In 2024, the number of blocked payment accounts is higher than fully executed decisions on forced collection and unblocked customers payment accounts, given that at the end of 2024 the City of Skopje has delivered a larger number of decisions on forced collection (fees for firms).

Activity	2023	2024
executed blocked transaction	32.579	34.960



accounts		
executed unblocked transaction accounts	26.588	<b>17.277</b>
completely executed decisions	11.454	8.333
withdrawn solutions	7.480	3.269
solutions returned on various grounds	2.852	2.819

In 2024, a huge number of requests for data on the accounts of our customers, submitted by the competent authorities and institutions, have been applied and implemented. There was also an increased number of orders for previous and temporary measures related to freezing or limiting customer accounts and Bankruptcy solutions, as evidenced by the following data:

Year	2023	2024
Requests for data by the competent authorities and institutions	1.605	<b>1.532</b>
Orders for previous and temporary measures	135	<b>155</b>

In the area of **distribution of self-service products** in 2024, 3% more were distributed to the branch network and other banks compared to 2023:

distribution of the products	ordinary payment cards	renewal of payment cards	pins	cards trap in ATMs	certifications	cobrand cards	payment cards for TTK an Silk Road Banks	payment cards for NLB Podgorica	total of distributed products
<b>2023</b>	63.011	131.411	56	994	64	32	18.467	36.930	<b>250.965</b>
<b>2024</b>	61.296	123.055	7.636	717	5	13	23.019	42.599	<b>258.340</b>

In 2024 several application solutions were requested and obtained (they are in testing phase) to optimize and increase process efficiency, reduce/close operational risks, and automate certain processes. The RPA process has begun to set up certain processes in automatic processing, initially recording and analyzing a process in our OU, which is "Unblocking accounts on the basis of open/closed bankruptcy", also as automatic execution of decision on forced collection.

A Memorandum and Protocol with the Customs Administration (Investigation Department) was signed, for electronic exchange of data on the accounts and other products of customers in the Bank. The electronic exchange is provided and obtained appropriate user profiles in the Compliance reporting module. Coordination of a Memorandum and Protocol for the execution of electronic data exchange with the State Commission for the Prevention of Corruption is underway.

A detailed analysis of the Law of Payment systems and payment services was provided and delivered to our IT division for introducing an Electronic forced collection system, but due to a lack of technical specification, as well as appropriate bylaws, no software solution was sought. The deadline for implementation of EFCS is expected by 01/11/2025 at the latest.

### **Card Operations, Electronic and Mobile Banking**

In the period from 01.01.24 to 31.12.2024, within the Management and Support of Self-Service Products, the following activities related to card and digital services were completed:

- Payment with **Garmin Pay** has been enabled for all VISA and MasterCard card products issued by this Bank, making the Bank part of the group of banks that provide this service to their clients.
- In parallel, an upgrade to the existing virtual POS terminal application was introduced with the **NLB Pay by Link service**. PayByLink is a service that enables quick and easy payment through a link provided by the merchant, comparable to a virtual terminal, granting access to the e-commerce console to generate a link. The generated link is sent to the user through various channels such as SMS, Viber, or email.
- Deep Link Upgrade of the Smart POS mobile application for accepting payment transactions based on payment cards using NFC technology. This upgrade allows API access to our mobile application to connect with any other application for executing and tracking payments on Android devices. **Additionally, the application was upgraded with POS slip and End-of-day printing.**
- In parallel with the introduction of services, the Bank also worked on improving security mechanisms to better protect and prevent fraud in card operations. New rules were introduced for protection and prevention of possible misuse using the mobile wallet GPay and Garmin Pay, utilizing data from Google/Garmin as well as risk assessments from card schemes.
- Regarding the ATM network, the Bank worked on expanding, optimizing, and improving its network by acquiring **15 new ATM devices**.
- Work was done on implementing the module for **recycling banknotes received through the Cash in service at ATMs. The pilot phase is ongoing.**
- Implementation of EMV/Contactless functionality across the entire acceptance network (ATM and POS applications) was upgraded to accept contactless transactions from the Diners card network.
- Within the electronic and mobile banking services, the focus was on strengthening the security mechanisms of the services and aligning with the NBRM regulations **in the area of information system security and upgrading the mechanisms for enhanced authentication.**
- Increasing the maximum amount for applying for Online credit in electronic and mobile banking.
- **Implementation of an annual report on fees for payment services**, available for download through electronic and mobile banking for individuals.
- Enabling **access to NLB Funds and NLB Leasing through the mobile banking application for individuals.**

**In line with the compliance with the Law on Payment Services and Payment Systems, from 01.01.2024 to 31.12.2024, the Bank worked on the following activities, and for some of them, it continues to work in 2025:**

- Introduction of an Annual Report on Fees for individual clients and its availability through electronic and mobile banking, as well as at the counter in branches, along with updating its content based on additional clarifications received from the NBRSM.
- Preparations for adapting reports for Payment Statistics.
- Enabling account portability.
- Activities related to the implementation of Open Banking.
- Activities related to the introduction of the new electronic system for Forced Collection.
- Activities related to the introduction of the new Account Register.

- Activities related to the introduction of new forms of payment orders.
- Activities related to the introduction of a new standard for the exchange of items in Payment Operations
- Activities related to adapting the structure of payment accounts for legal entities—IBAN structure for some foreign currency payment accounts.
- Activities related to the introduction of enhanced authentication in digital services as well as in e-commerce.
- Activities related to the analysis of the law, participation in workshops at the MBA level, as well as workshops with the NBRSM.
- Introduction of a platform for notifying users related to payment services (tariff changes, general conditions, etc.) “My Bank”.
- Updating the internal act Regulation for managing security incidents and creating a detailed specification for a solution to measure the effects of the incident.
- Creating a Dedicated Agreement for an account for the protection of funds of a payment institution.

## **XI. Credit Risk Division**

In 2024, the Management Board played a pivotal role in overseeing and enhancing the Credit Risk Division's operations. Key activities reviewed and approved during the Management Board sessions include:

1. **Acknowledgment and Approval of Methodologies and Procedures:** The Board approved comprehensive methodologies and procedures for managing the bank's credit risk portfolio, ensuring robust risk management practices.
2. **Implementation of Statistical PD Models:** The Board approved the implementation of statistical Probability of Default (PD) models for private individuals, micro, and SME clients. This approval included the endorsement of the underlying methodologies, enhancing the bank's predictive capabilities and risk assessment accuracy.
3. **Procurement of Financial Reports:** The Board approved the procurement of financial reports for all legal entities for the fiscal year 2024 from Makedonsko Kreditno Biro, ensuring access to critical financial data for informed decision-making.
4. **Approval of EIB Technical Assistance for Climate Risk Management:** The Board approved the European Investment Bank (EIB) technical assistance for climate risk management, ensuring compliance with the IFRS S2 standard and regulatory requirements from the central bank. This initiative will enhance the bank's ability to manage climate-related risks effectively.

The Management Board's contributions in 2024 were instrumental in strengthening the bank's credit risk management framework. By endorsing key methodologies and procedures, implementing advanced statistical models, and securing essential financial reports, the Board ensured a proactive and data-driven approach to credit risk management. These strategic decisions have significantly supported the bank's ability to manage credit risk effectively, safeguarding its financial stability and fostering sustainable growth.

## **XII. Restructuring and workout Division**

In 2024, the most significant activity undertaken by the Restructuring and Problematic Assets Management Sector was an initiative by NLB Banka AD Skopje aimed at efficiently disposing of distressed portfolios through the sale of non-performing loan (NPL) claims. The project started in 2023 under the coordination of the Restructuring Division of NLB d.d. Ljubljana and involved multiple NLB Group entities, including NLB Banka AD Skopje. NLB Banka AD Skopje engaged an external international law firm to ensure sufficient legal support for the project.

The primary goals of Project Goldy were to reduce the NPL portfolio, achieve optimal pricing by accessing international markets, and minimize associated costs. The project involves selling NPL portfolios in two tranches: Tranche C, which includes legal entities, and Tranche D, which includes private individuals. The sales process began with the preparation of data tapes and the selection of potential investors. Bids were received from several investors, and after further analysis and negotiations, NLB Banka AD Skopje selected the preferred and best bidder for both tranches.

The project also includes a fairness opinion from an external advisor and risk analysis to ensure the bank remains within its risk appetite limits. Project was successfully closed on 23th of December 2024, when both parties signed the Sale and Purchase Agreement. The Management Board of NLB Banka AD Skopje played a crucial role in the review and approval of the structure and activities related to Project Goldy. Additionally, their involvement was key in negotiating the terms of the Sale and Purchase Agreement with the selected bidder.

### **XIII. Risk, evaluation and Control Division**

The risk governance consists of clear organizational structure and efficient internal control system in line with the local regulations on the rules for good corporate governance. The Bank has established an organizational structure, based on three lines of defence concept, that ensures clearly defined competencies and responsibilities between the persons and organizational units performing risk-taking activities on the one hand and the persons and organizational units performing risk management activities on the other. The organizational structure is created in order to prevent conflicts of interest and ensure a transparent and documented decision-making process. The Management Board establishes and executes adequate procedures for identification, measurement or assessment, monitoring, control or decrease of risks, establishes the information system, as well as the system intended for reporting to the Management Board and Risk Management Board concerning possible exceedings of the prescribed limits of exposure to individual risks, ensures conditions for efficient execution of the risk management process, including adequate and timely information of all employees in the Bank participating in the process of management of certain risks and other activities.

During 2024, the most significant activities for the Risk, Evaluation, and Control Sector, adopted/approved by the Management Board, are as follows:

- Adoption of results from the implemented bottom-up stress test;
- Information for the operational meeting held in NBRNM regarding the Questionnaire for Self-Assessment of the Implementation of the Climate Change Risk Management Guidelines (Form 1 Self-Assessment and Form 2 Action Plan);
- Approved opening of project for new reporting requirements in CSKP interfaces related to Basel III – RWA for credit risk
- Approved opening of project for new reporting requirements in implementation of changes in regulatory reporting – Credit Registry
- Action plan for update and data cleaning of property certification

### **XIV. Legal and Secretariat Division**

The Legal and Secretariat Division continuously monitors and evaluates the legal risk in the Bank. The quality implementation of the identification and assessment of legal risks, as well as their mastery, is ensured through active monitoring of court proceedings in which NLB Bank is involved as a defendant.

The legal risk in court proceedings, in which NLB Banka AD Skopje appears as a respondent party i.e. debtor, constitutes a risk of loss due to the occurrence of expenses in connection with the fulfilment of

the obligations that NLB Banka AD Skopje on the basis of (for her) negative court decision has to fulfill. NLB Banka AD Skopje during the whole time from the launching to the legal closure of any court procedure monitors and assesses the legal risk for each procedure separately and at the same time for all procedures together.

For the legal risk provisions, in cases in which NLB Banka AD Skopje is a respondent party, the Management Board of the Bank decides upon the proposal of the Legal risk tracking and allocating reservations commission. In the reporting period, the Commission regularly held sessions where it considered in detail the need for allocation and release of reservations.

On a semi-annual basis, based on a Report from the Legal and Secretariat Division for Court Proceedings in which NLB Bank is involved, the Bank's Management Board considered a Report for court cases with a value for dispute of over EUR 100,000. The report contains data on court proceedings and a description of their content, as well as an assessment of the risk/success of the court proceedings and an assessment of the need for allocation of reservations.

The Management Board proposed the adoption of a revised Legal Risk Management Policy which was previously agreed between the involved divisions in the Bank as well as with the competent business line in NLB Ljubljana.

At the end of 2024, with the aim of improving the process of conducting sessions, an electronic platform was introduced for monitoring and decision-making during the sessions of the Management Board of NLB Bank AD Skopje. Through this platform, the methods of managing and conducting the Board's sessions were digitized. It also streamlined the process of proposing agenda items, submitting and reviewing materials, and making decisions based on them.

With the new method of conducting Management Board sessions, greater efficiency was achieved in obtaining signatures, materials, decisions, and other internal acts.

For the adopted decisions voted on through the platform/software solution, persons from the Bank's Secretariat within the Legal Affairs and Secretariat Department were authorized, by a decision of the Management Board, to formally sign the adopted decisions on behalf of the Management Board.

The authorization does not apply to decisions intended for external use before competent authorities and institutions, as well as decisions submitted to the National Bank of the Republic of North Macedonia in accordance with the applicable regulations and they will be signed by the members of the Management Board.

### **Strategy and future outlook**

In the future, the Bank will continue to implement and promote good corporate governance, work organization and business processes. As part of the NLB Group, the Bank continually harmonizes its work with the Group and will jointly continue to be present on the market with the other members. Bank strives to be a sustainably profitable bank, which dominates with clients in the domestic market.

In 2024, the Management Board generally directed its work towards profitable operations of the Bank, while keeping the Bank's position in the banking sector in the Republic of North Macedonia and at the same time taking care of the legality of the Bank's operations, by complying its acts with the Law on Banks and the amendments to the laws and by-laws.

Skopje, May 2025

## **Annual Shareholders Assembly of NLB Banka AD Skopje**

### **Proposal-Decision for approval of Annual report on the work of the Management Board of NLB Banka AD Skopje in 2024**

Pursuant to Article 39 of the Statute of NLB Banka AD Skopje, the Assembly of NLB Banka AD Skopje adopted the following:

#### **Decision on the approval of Annual report on the work of the Management Board of NLB Banka AD Skopje in 2024**

1. The Annual report on the work of the Management Board of NLB Bank AD Skopje in 2024 is approved, annex to this Decision.
2. The decision comes into force on the day of adoption.

In Skopje, 29.05.2025

The decision shall be submitted to:  
Secretariat

Chairman  
of the Annual Shareholders Assembly  
of NLB Banka AD Skopje

**Executive Summary**

Pursuant to Article 39 paragraph 1 of the Statute of NLB Banka AD Skopje, the Shareholders Assembly approves the Annual Report on the work of the Management Board of the Bank.