



DEVELOPMENT BANK OF NORTH MACEDONIA JSC SKOPJE

**ANNUAL REPORT
OF THE DEVELOPMENT BANK OF
NORTH MACEDONIA OPERATIONS IN
2022**

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| Version no.1 | Number of pages: 65 | |
| Prepared by: | Approved by: | Adopted by: |
| Management Board | Supervisory Board | General Meeting of Shareholders |

March, 2023

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REALIZED BUSINESS ACHIEVEMENTS IN 2022

- **93** million EUR in total loans to the economy
- **20** million EUR in interest-free loans and low-interest loans for overcoming the consequences from the energy, economic and price system ~ L500 loaned companies
- **1500** credited companies
- **12000** supported employments
- **237** million EUR net-credit portfolio
- **103** million EUR insured receivables
- **9** million EUR redeemed receivables from factoring
- **10** million EUR guaranteed amount of loans from the Guarantee Fund
- **11%** growth of assets
- **16%** increased net-credit portfolio
- **12%** increased net-profit
- **0.2%** rate of non-functional exposure
- **5** new products and programs
- **Exceeding** the basic balance sheet items vs. the projections from the financial plan for the year
- **Realization** of the main planned goals and tasks from the development plan and the business policy for the current year

FUNDAMENTAL FINANCIAL INDICATORS

| In thousands MKD | 2022 | 2021 | Index |
|---|------------|------------|-------|
| Total Assets | 16.107.054 | 14.497.599 | 111,1 |
| Net Loans | 14590.529 | 12.621.694 | 115,6 |
| Equity and reserves | 3.540.115 | 2,875.840 | 123,1 |
| Net-loans/Total Assets (%) | 90,6 | 87,1 | |
| Net interest income | 100.454 | 74.044 | 135.7 |
| Total net income | 154.845 | 118.434 | 130.7 |
| Operating expenses | 84.933 | 72.215 | 117.6 |
| Net profit | 44.275 | 39.554 | 111.9 |
| Net income from interest/total net income (%) | 64,9 | 62.5 | |
| Net-interest margin (%) | 0.62 | 0.51 | |
| ROAA (%) | 0.29 | 0,30 | |
| ROAE (%) | 1.38 | 1,43 | |
| Operating expenses/total net income (%) | 54.9 | 61.0 | |
| Liquid assets / total assets (%) | 11.7 | 16.2 | |
| Liquid assets / total liabilities (%) | 15.1 | 20,5 | |
| Equity adequacy (%) | 25.55 | 29,93 | |
| Credit line exposure by risk categories | | | |
| A | 99,48 | 99,39 | |
| B | 0,34 | 0,20 | |
| C | 0,00 | 0,02 | |
| D | 0,00 | 0,00 | |
| E | 0,18 | 0,03 | |
| Number of employees (at the end of the year) | 52 | 44 | 8 |

Pursuant to Article 18 paragraph 3 of the Law on Development Bank of North Macedonia ("Official Gazette of RM" no.105/09 and "Official Gazette of RNM no.77/21), Article 93 of the Law on Banks ("Official Gazette of RM" no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16 and 7/19 and "Official Gazette of RNM" no. 101/19 and 122/21), Article 352 of the Law on Trade Companies ("Official Gazette of the RM" No. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15 192/15, 217/15, 6/16, 30/16, 6/16, 64/18, 120/18, 195/18, 239/18, Official Gazette of RNM no. 290/20 and 215/21) and Article 80 of the Statute of the Development Bank of North Macedonia JSC Skopje, the Board of Directors hereby delivers the following:

**ANNUAL REPORT OF
THE DEVELOPMENT BANK OF NORTH
MACEDONIA OPERATIONS
IN 2022**

Summary

During 2022, the Development Bank of North Macedonia JSC Skopje (hereinafter referred to as DBNM or the "Bank") worked in accordance with the adopted Financial Plan for the current year and the strategies defined by the Development Plan and Business Policy for the period 2022-2024, while adjusting the current operations to the market, economic and non-economic conditions in the country. The Bank continued its role as an active actor in implementing part of the anti-crisis measures of the Government of the Republic of North Macedonia, related to overcoming the energy, economic and the price crisis, caused by external non-economic factors. The Bank kept the dynamics of its operations and demonstrated its ability to respond to the challenges and help the companies to overcome the crisis. Under such conditions, the Development Bank placed loans in total amount of

EUR 92.6 million as follows:

- EUR 62.1 million from EIB credit lines under exceptionally favorable credit balances with interest rates lower than market rates;
- EUR 8.0 million from the Bank's own assets and
- EUR 22.5 million in loans from credit line commissions.

The bank also showed solid results in the field of credit insurance, where the volume of insured claims amounted to EUR 1,03 million, and the results were similar in the factoring sector, where a 4% increase in secured claims was observed. The issuance of guarantees also gained momentum. A loan with a total value of EUR 10 million was guaranteed from the Guarantee Fund, and the exposure based on customs guarantees reached EUR 1.2 million.

This year, the Bank's activities were aimed at the introduction and implementation of five new products and programs that were put to use in domestic campaigns:

- Interest-free credit line for working capital for companies affected by the energy and economic crisis;
- Interest-free credit line for working capital for increased energy prices;
- Credit line for financing projects for energy efficiency (EE) and renewable energy sources (RES);
- Subsidization of loan interests given by the commercial banks to companies that reinvested the profit and
- Credit line for working capital for companies hit by the energy and price crisis.

In addition, the conditions for the enterprises of the credit line for the production, processing and export of agricultural products have been eased.

Towards the end of the year, the Decision of the Government of the Republic of North Macedonia to increase the founding capital of DBNM by an additional ten million euros was realized, which means that the Bank strengthens the potential for further support of the real sector in the country and a possibility for domestic

companies for easier access to favorable loans. The funds from the recapitalization are intended for the extension of credit lines for energy investments, and investments in renewable energy sources, as one of the country's measures to deal with the effects of the energy and price crisis.

In conditions of unpredictability of the international and domestic financial markets, DBNM mainly exceeded the projected financial targets, realized the operational tasks, and at the same time preserved the required level of liquidity and profitability and the highest rates of stability and solvency.

I. GENERAL DATA AND INFORMATION

1. Business environment

1.1 Macroeconomic environment

In 2022, the domestic and world economies were under strong negative impact caused by the energy, economic and price crisis caused by the military conflict in Ukraine. According to the data of the State Statistics Office, the gross domestic product grew by 2.1%, the annual rate of inflation measured according to the CPI index was 14.2%. while the unemployment rate at the end of the year was positioned at 14%. In conditions of strong price pressures, DBNM adjusted the monetary policy quite a few times, so that the basic interest rate increased from 1.25% at the beginning to 4.75% at the end of the year. The exchange rate of the MKD denar was stable and without significant oscillations. International credit rating agencies have maintained the country's credit rating, i.e., Fitch Ratings at BB+ with a negative outlook and Standard & Poor's Ratings on BB- with a stable outlook.

Globally, all major foreign trade partners of North Macedonia felt the crisis. Under the impact of the crisis, the European Central Bank (ECB) increased the interest rate on the basic operations a few times, which at the beginning was 0.00% and reached 2.50% at the end of the year. The three-month EURIBOR from the previous negative values ended 2022 at a level of 2.132%.

1.2 Banking sector

Banks in 2022 operated in conditions of energy, economic and price crisis, emphasizing risks from the volatility of the markets of primary products and inflation. At the end of the year, the number of banks in North Macedonia was thirteen, including five large, five medium and three small banks. According to the ownership, nine are in foreign ownership, while four are predominantly in domestic ownership. The total assets of the banking system MKD 684.3 billion (+7.1%) with a noticeable concentration of the assets in the large banks at 81.5%.

The DBNM's assessment is that as of December 31, 2022, liquidity monitors are at a satisfactory level and they further refer to the appropriate management of

banks with liquidity risk. The solvency and capitalization of the banking system are at a stable level with a capital adequacy ratio of 17.7%, which is the highest level in the last ten years. The profitability of the domestic banking system is still stable with a rate of return on assets of 1.46% and a rate of return on capital of 12.2%. Regarding the realization of the credit risk, the assessment of the DBNM is that it is controlled. The level of total non-functional loans at the end of 2022 is 2.9%, while the rate of non-functional and corporate loans is 3.9%.

As of December 1, 2022, the amount of loans to non-financial entities is MKD 421.1 billion, compared to MKD 206.0 billion for the corporate sector (48.9%). The credit portfolio grew by 9.4% on an annual level (11.5% in the corporate sector) and is stable. The deposit base is MKD 491.5 billion or 4.9% more than the previous year. The interest rates in the domestic banking system in 2022 followed the monetary policy measures of DBNM, as well as the global trend of the movement of interest rates.

| Interest rates in % | 31.12.2022 | 31.12.2021 |
|-------------------------------------|------------|------------|
| Total loans | 4,44 | 4,37 |
| Total deposits | 0,86 | 0,74 |
| Interest rate spread (p.p) | 3,58 | 3,63 |
| Newly approved loan | 4,83 | 3,61 |
| Newly received deposits | 1,34 | 0,70 |
| Interest rate spread (p.p) | 3,49 | 2,91 |
| Total loans (corp. sector) | 3,84 | 3,48 |
| Newly approved loans (corp. sector) | 5,02 | 3,22 |

2. Profile and position of DBNM in the banking sector

The Development Bank of North Macedonia JSC Skopje is the only development bank in the Republic of North Macedonia established by a special Law on the Development Bank of North Macedonia (Official Gazette of RM No. 105/2009 and Official Gazette of RNM no. 77/21). The provisions of the Law on Banks DBNM are appropriately applied on DBNM unless otherwise regulated with the Law on DBNM. The supervision of the operation of DBNM within its competencies is performed by the NBRNM. In the part of the operations that DBNM

performs on behalf and for the account of the Republic of North Macedonia, supervision is performed by the Ministry of Finance. DBNM is responsible for its obligations with all its property. DBNM is a medium bank with 100% domestic capital, where the sole shareholder of the Bank is the Republic of North Macedonia.

The Bank operates in accordance with the strategic policies, goals and priorities of its shareholder - the country. The Bank's mission is promoting and offering favorable financial products tailored to the needs of micro, small and medium-sized enterprises in order to create an ambient to improve domestic competition, support import, economic development and growth. DBNM uses two sources of funds to accomplish its mission: own funds and foreign funds, i.e., assets secured from international financial institutions etc. The Bank performs commission operations on behalf and on the account of the country. The Bank's strategy is to be guided by the principle of providing long-term high-quality sources of funds under favorable financial conditions. At the same time, it plans and monitors the concentration of exposure by sources of funds and makes constant efforts to diversify it, taking into account the maintenance of profitability, optimal liquidity and solvency, minimizing risks and preserving the interests of its major shareholder. DBNM may legally accept deposits from legal entities and individuals, but only if they serve as collateral for the payments in relation to DBNM's activities, i.e., the deposits are excluded as a possible source for financing business activities.

In order to achieve the basic mission and goals, while following the principles of non-competition of commercial banks, non-discrimination of users, transparency, profitability, efficiency and economic justification of the financed investments, DBNM performs its activities through commercial banks – participators and/or directly to the end users. DBNM's reasons for building such a business model lie in the need for:

- Direct or indirect support to important sectors which the need for additional funding has been identified for;
- Establishing a partnership with commercial banks to overcome the differences in the supply and demand of loans, especially loans with favorable conditions;
- Supporting economic stability, growth and development;

- Improving standards by promoting activities for environment protection and social responsibility.

As of December 31, 2022, DBNM participates with 2.4% in the total assets of the banking sector and compared to last year, it has increased its market share for 0.1 percentile point making it the eighth bank in the country according to the volume of assets. At the same time, 7.1% of the total loans of the banking sector to non-financial corporations are placed with funds from DBNM, compared to 6.8% from last year.

3. Achieving the goals from the Development Plan and Business Policy for 2022

The operations of DBNM are based on the principles of compliance with the legislation, following the principles of liquidity, stability, solvency, profitability, efficiency and professionalism in the operation as well as flexibility to the needs of loan applicants. The measures and activities that DBNM undertakes in order to achieve the projected business goals and objectives are defined in the Development Plan and Business Policy of the Bank, having in mind the following: the nature, type and scope of financial activities; risk management; resource management; cost control; conducting the credit policy; insurance policy; personnel policy; the business and macroeconomic environment and the expectations for the movements in the economy.

During 2022, the Bank fully fulfilled the main planned objectives of the Development Plan and Business Policy

| objective | Realization |
|---|--|
| Withdrawing and placement of the rest of assets from the EIB-6 credit line in amount of EUR 40.9 | Assets have been withdrawn and placed in the economy |
| Increase of the subscribed capital of the Bank by MKD 620,000 foreseen by the RNM Budget for 2022. | The subscribed capital of the Bank has increased and the funds allocated to increase the credit potential. |
| Creation of a new modern website of the Bank. | The website is made and functional. |
| Starting with the realization of the project for subsidizing the interest on loans given by commercial banks to companies that already reinvest the profit with total funds in the amount of MKD 120,000. | The project has been started and is in the final phase of implementation. Funds are currently being paid to the end users. |
| Starting with the implementation of the | The funds from the Development Fund are |

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| Development Fund in the amount of MKD 610,000. | made available to companies in the form of a credit line for financing investments in the field of energy efficiency and renewable energy sources, which is currently being implemented. |
| Dynamization of activities in the area of issuing guarantees from the Guarantee Fund, as a product to support micro, small and medium traders, as well as large traders who export. | The issuance of guarantees gained momentum in 2022, and as of December 1, 2022, the amount of guaranteed loans is in the total value of MKD 603,890. |
| Redesign and placement of free funds from commission credit lines. | In cooperation with the Government of RNM, three new commission credit lines have been introduced from free funds to support companies in conditions of energy, economic and price crisis in a total value of MKD 1,230,000. |
| Development and improvement of information technology and implementation of new software solutions in order to achieve a complete and integrated system of records, analysis and reporting that will cover all phases and organizational units in the Bank. | Changes are made in accordance with the regulatory requirements, optimization of the goal of the processes according to the needs of the organizational units and procurement of hardware and software with a higher technological level. |
| Finding new and favorable sources of financing. | Negotiations with the EIB for a new EIB-7 credit arrangement have been completed. The guarantee agreement is in the stage of approval by the Assembly of the RNM, and activities are underway to realize a credit arrangement with two other financial institutions. |
| Dynamization of sales activities in order to efficiently use the total credit-guarantee potential of the Bank. | The bank's credit portfolio has increased by 16% compared to the previous year. |
| Increasing the volume and number of clients in credit insurance | The volume of credit insurance in 2022 is EUR 103 million. |
| Increasing the volume of redeemed receivables and expanding the customer base of the factoring service. | Factoring exposure has increased by 35%, and the volume of redeemed receivables by 6% compared to the previous year. |
| Intensification of promotional activities through direct and indirect channels of marketing and promotion. | An annual plan for promotional and marketing activities has been developed, according to which marketing and |

| | |
|---|---|
| | promotion activities are carried out. |
| Maintaining the high quality of the credit portfolio. | The rate of non-performing exposures as of December 31, 2022 is 0.2%. |
| Continuous improvement of the risk management system, i.e. their identification, assessment, monitoring and control. | Risk management systems are maintained and continuously improved according to needs and regulations. |
| Conducting a policy for efficient cost management. | Realized operating costs are 13% lower than projected with the financial plan for the current year. |
| Maintaining the value of the capital and increasing it through the policy of setting aside the net profit for reserves. | The realized net profit is allocated to the Bank's capital and reserves. |
| Continuous maintenance of an adequate level of own funds in function of maintaining the internally defined capital adequacy rate. | The capital adequacy ratio is continuously maintained above the legally prescribed level and within the internally defined values. |
| Human resource management and continuous upgrading of their knowledge and expertise. | The Bank has a Human Resources Service. For the needs of even more adequate management of human resources and processes. In 2022 a new Rulebook was adopted for the organization and systematization of work and tasks in the Bank. |

II. CORPORATE MANAGEMENT

4. Management bodies and other bodies

Managing DBNM in 2022 was carried out in accordance with the Banking Law (Official Gazette of RM No. 67/07, 88/07, 118/08, 42/09, 90/09, 67/10, 26/13, 13/14, 15/15, 153/15, 190/16, 7/19, 101/19, 107/20, 122/21 and 125/21), the Law on Development Bank of North Macedonia (Official Gazette of RM No. 105/09 and Official Gazette of RNM no. 77/21), the Decision on the rules for good corporate management adopted by the Council of the NBRNM and the Code of Corporate Management adopted by the General Meeting of the Development Bank of North Macedonia JSC Skopje. The assessment of the Bank's management should reflect the unique business model of the Bank as a development bank fully owned by the Republic of North Macedonia.

During 2022, DBNM carried out its activities through the following bodies of the Bank: **General Meeting, Supervisory Board, Audit Commit, Management Board, Risk Management Committee and Credit Committee**

Entities with special rights and responsibilities in the Bank (natural person who is a member of the Supervisory Board, member of the Management Board, member of the Audit Committee, member of the Risk Management Committee and other managers in the Bank, in accordance with the Statute of the Bank) did not report any conflict of interest or affiliation with third parties in accordance with the Banking Law, during 2022.

4.1. General Meeting

The Republic of North Macedonia is the sole shareholder of DBNM. The sole shareholder manages the Bank through the General Meeting, i.e. the members of the Supervisory Board who are representatives of the state capital in the General Meeting of the Bank in accordance with the Law on Development Bank of North Macedonia. The Bank's General Meeting performs the following activities:

- adopts the Statute and the amendments to the Bank Statute;
- discusses and adopts the Annual Report on the Bank including the written opinion thereon, prepared by the Supervisory Board;
- discusses and adopts the Report of the auditing company and the written opinion thereon, prepared by the Supervisory Board;
- adopts the annual account and the financial statements of the Bank;
- decides on the use and allocation of the profit or loss coverage;
- decides on a new issue of shares of the Bank;

- decides on the status changes of the Bank;
- selects an audit company and decides on a proposal to terminate the contract with the audit company;
- decides on other issues of importance for the Bank's operations provided by the Bank Statute.

The Bank's General Meeting works at sessions that are held as needed, and at least once a year. The Annual General Meeting of Shareholders must be held not later than six months of the calendar year for the previous year. During 2022, the General Meeting of Shareholders held 3 (three) regular sessions.

At the meeting held on 30.05.2022, the General Meeting adopted the following acts:

- Annual Report on the Bank's operations in 2021, with a Decision to adopt it;
- Annual report on the work of the Supervisory Board of the Bank in 2021, with an evaluation of its own work in terms of individual members and collectively;
- Report from the Audit Company Grant Thornton DOO Skopje for performed audit of the Bank's financial statements for the year that ended 31.12.2021 and the written opinion thereon prepared by the Supervisory Board of the Bank, with a Decision to adopt it;
- Decision on adoption of the annual account of the Bank for 2021;
- Decision on the use and allocation of the realized profit for 2021.

At the meeting held on 09.09.2022, the General Meeting adopted the following acts:

- Decision on electing an Audit Company that will audit the financial reports and accounts of the Bank for the years ending on 31.12.2022 and 31.12.2023;
- Decision on the adequacy of Business Rules of Procedure of the Shareholders' Meeting of the Bank.

At the meeting held on 12.12.2022, the General Meeting adopted the following acts:

- Decision on increasing the founding capital of the Bank (change of the Statute of the Development Bank of North Macedonia JSC Skopje of 24.12.2009).

4.2. Supervisory Board

Pursuant to the Law on Development Bank of North Macedonia (Official Gazette of RM No. 105/09 and Official Gazette of RNM No. 77/21), the Supervisory

Board of the Bank consists of 5 (five) members.

The Government of the Republic of North Macedonia appoints the members of the Supervisory Board, three on proposal of the Minister of Finance, one on proposal of the Deputy Prime Minister in charge of economic affairs and one on proposal of the Minister of Economy. The Government of the Republic of North Macedonia appoints the members of the Supervisory Board upon prior consent of the Governor of the NBRNM. The Government of the Republic of North Macedonia dismisses the members of the Supervisory Board.

During 2022, the Supervisory Board of the Bank, pursuant to the decision of the Government of the Republic of Macedonia for appointing members of the Supervisory Board of the Development Bank of North Macedonia AD Skopje, number 24—5926/1 from 24.7.2019, Decision for appointment of members of the Supervisory Board of DBNM JSC Skopje, number 14—8429/1 from 30.07.2021, registered in DBNM on 09.08.2021, no. 03—7777/1 and Decision no. 14 – 130641/1 from 21.12.2021, registered in DBNM under 03-24/1 on 03.01.2022, worked in the following composition:

- **Magdalena Simonovska** – President
- **Vjollca Ejupi**– member
- **Elena Pagovska Peltekovski** - member
- **Millaim Ameti** – member
- **Sonja Petrusheva** – member

The Governor of the NBRNM, with Decision no. 15— 2128/7 dated 31.03.2022; issued prior approval for the appointment of Elena Pagovska Peltekovski as a member of the Supervisory Board of the Bank for a period of 4 (four) years, starting from the date of acceptance of the decision, i.e. 13.04.2022.

At the constitutive session of the Supervisory Board, held on 20.12.2021, Magdalena Simonovska was appointed as the President of the Supervisory Board. The Supervisory Board supervises the operations of the Management Board, adopts the policies for carrying out financial activities and supervises their enforcement. The supervisory board is responsible for ensuring good operation, management and stability of the Bank, as well as timely and accurate financial reporting to the NBRNM. The Supervisory Board of the Bank also performs the following tasks:

- adopts the Bank's business policy and development plan and monitors its
- enforcement;
- appoints and authorizes members of the Bank's Management Board;
- appoints and authorizes members of the Risk Management Board;
- appoints and authorizes members of the Audit Committee;

- appoints and authorizes members of the Bank's Credit Committee;
- adopts the Bank's financial plan;
- organizes an Internal Audit Office;
- approves the annual plan of the Internal Audit Office;
- adopts the security policy of the information system and monitors its application;
- adopts the bank's risk management policies and monitors their application;
- adopts a policy to avoid conflicts of interests with which they identify the possible conflicts of interest and the measures and activities for their prevention and monitors its application;
- adopts a remuneration policy in accordance with the business policy, the development plan, the financial plan and the conflict avoidance policy of the Bank's interests and monitors its application;
- adopts and implements a policy on the method of selection, monitoring the operation and dismissal of the members of the Supervisory Board, the Risk Management Board, Audit Committee and Management Board;
- reviews the reports on the operations of the Bank's Management Board;
- reviews the reports of the Risk Management Board;
- reviews the reports of the Audit Committee;
- reviews the reports of the Internal Audit Office;
- reviews the reports of the person/Compliance Control Office of the operation of the bank with the regulations;
- approves the annual account and financial statements of the Bank;
- approves exposure to a person of more than 20% of the Bank's own funds, with the exception of exposure based on the purchase of securities issued by the National Bank and the Republic of North Macedonia;
- approves transactions with persons related to the Bank in exports of more than MKD 6,000,000;
- approves the acquisition of capital transactions and the purchase of securities, greater than 5% of the Bank's own funds, except for the purchase of securities issued by the National Bank and the Republic of North Macedonia;
- decides on the purchase and sale of real estate greater than 5% of the Bank's own funds;
- approves the proposal of the Audit Committee for the appointment of an audit firm, or the proposal for terminating the contract with the audit firm and is responsible for ensuring an appropriate audit;
- adopts the internal audit policy and monitors its implementation;
- reviews the supervision reports, other reports delivered by the National Bank, the Public Revenue Authority and other relevant institutions and proposes, that is, undertakes measures and activities to overcome the identified

- inconsistencies and weaknesses in the Bank's operations;
- approves the annual report on the Bank's operations and submits a written opinion on it to the Bank's Shareholders' Meeting;
 - reviews the report of the Audit Company and submits a written opinion on it to the Bank's Shareholders' Assembly;
 - adopts the corporate management code that regulates the Bank's management and supervision rules and monitors its application;
 - adopts the Bank's code of ethics and monitors its application;
 - establishes the acceptable level of risk;
 - establishes and monitors the implementation of the risk management system;
 - establishes and monitors the implementation of the internal audit and monitors the work of the Audit Committee;
 - monitors the Bank's financial operations and the manner in which financial reporting is carried out;
 - monitors the Bank's remuneration system and evaluates whether it is in accordance with the Bank's remuneration policy, risk culture and risk-taking capacity;
 - monitors the implementation of the Bank's internal acts on protected reporting;
 - Gives consent to conclude reinsurance contracts;
 - determines the general conditions for credit insurance against commercial and political risks;
 - gives consent to conclude contracts with the Republic of North Macedonia;
 - decides on the Bank's membership in organizations and institutions in the country and abroad;
 - gives consent for business trips outside the country, if more than three employees travel;
 - adopts the report on inventory of funds and sources of funds;
 - decides on the write-off of receivables;
 - reviews the reports on restructured claims and on claims for which the deadline for delivery has been extended;
 - monitors the execution of the decisions, decrees and guidelines passed by the Assembly of shareholders of the Bank;
 - decides in the second instance on a complaint of disgruntled workers against a decision of the Bank's Management Board or on a judgment for reconsideration of the decision;
 - approves the exposure limits of individual types of risks;
 - approves the introduction of a new product, activities or system that have a significant impact on the acceptable level of risk and the risk profile of the Bank;
 - approves the policy for publication of reports and data by the Bank;

- reviews the self-assessment and evaluation reports of the members of the Risk Management Board, the Audit Committee and the Management Board in accordance with the policy on the method of selection, monitoring of the work and dismissal of the members of the Supervisory Board, the Risk Management Board, the Audit Board and the Management Board;
- approves the establishment and organization of the internal control system;
- conducts and other works in accordance with the legal and by-laws, the Statute and the general acts of the Bank.

At least once a year, the Supervisory Board evaluates its own work from the point of view of individual members and collectively and reports it to the Bank's Shareholders' Assembly.

The Supervisory Board forms boards, committees, and other decision-making bodies in the field of activities that the Bank carries out on behalf and at the expense of the Republic of North Macedonia.

With the Decision passed by the Assembly of the DBNM, the members of the Supervisory Board were given a monthly remuneration for work in the Supervisory Board of the Bank.

In the period January - December 2022, the Supervisory Board held a total of 16 (sixteen) sessions.

Within the framework of the responsibilities established by law, the Supervisory Board undertakes a large number of activities and passed several acts related to the regular operation of the Bank.

Most notable acts are given as follows:

1. Decision to adopt the Report on the inventory of assets, claims and liabilities as of 31/12/2021;
2. Decision to adopt the Financial Plan for the operation of the Development Bank of North Macedonia JSC Skopje in 2022;
3. Decision to approve the unaudited financial statements of the Development Bank of North Macedonia JSC Skopje, prepared in accordance with the Law on Commercial Companies and the regulation of the NBRNM, for the year ended on 31/12/2021;
4. Decision to approve the Plan and Work Program of the Internal Audit Office for 2022;
5. Decision to approve the Annual Account for 2021;
6. Proposal — Decision on the use and distribution of the realized profit for the year 2021;

7. Decision to adopt the Development Plan and Business Policy of DBNM JSC Skopje, for the period 2022-2024;
8. Decision on dismissal and appointment of a member of the Commission for authorization for approval and remission of debt from the Fund for micro and small enterprises (Covid 3);
9. Decision on the appointment of members of the Audit Committee;
10. Regulations for the organization of the work and tasks of the internal audit office in the Development Bank of North Macedonia JSC Skopje;
11. Decision on the interest rates of DBNM;
12. Decision to dismiss Klementina Poposka from the post of member of the Audit Committee;
13. Decision to consent to enter into an Agreement for the administration of a credit line for working capital, for companies affected by the energy and economic crisis, through direct lending by DBNM with the Government of the Republic of North Macedonia;
14. Decision to consent to conclude an Agreement for the administration of a credit line for working capital, for increased energy prices through participating banks with the Government of the Republic of North Macedonia;
15. Decision to consent to conclude a contract for the administration of the Development Fund with the Government of the Republic of North Macedonia;
16. Decision for DBNM to borrow money from the European Investment Bank - EIB 7 credit line;
17. Decision to approve the Annual Report on the operations of the Development Bank of North Macedonia JSC Skopje in 2021 with a written opinion thereon;
18. Decision to approve the audited financial statements of the Development Bank of North Macedonia JSC Skopje for the year ending on December 31, 2021;
19. Decision to supplement the Commercial Risk Insurance Policy;
20. Decision on the division of responsibilities among the members of the Management Board;
21. Decision to establish a committee to decide on credit requests from the credit line for working capital for companies affected by the energy and economic crisis, through direct lending from DBNM;

22. Decision to establish a committee to decide on credit requests from the credit line for working capital for increased energy prices through participating banks;
23. Decision to establish a committee to decide on credit requests within the framework of the Development Fund;
24. Decision to establish a commission to decide on requests for subsidizing the interest on loans given by commercial banks to companies that already reinvest profits;
25. Decision to appoint a member of the Audit Committee, with an individual and collective assessment of the suitability of the candidate for a member of the Audit Committee;
26. Decision on the appointment of the head of the Internal Audit Office, with an individual and collective assessment of the suitability of the candidate for the head of the Internal Audit Office;
27. Decision to approve the Audit Plan for the period July - December 2022;
28. Decision to add to the Policy for the insurance of claims from commercial risks and supplement for the insurance of goods and services before delivery;
29. Decision to approve the Audit Committee's proposal for the appointment of an audit firm that will audit the Bank's financial statements for the years ending on December 31, 2022 and December 1, 2023;
30. Decision to enter into an Agreement for the administration of a credit line for working capital for companies affected by the energy and price crisis through direct lending by DBNM;
31. Proposal-decision to increase the founding capital of the Bank (Proposal-decision to amend the Statute of the Development Bank of North Macedonia JSC Skopje dated 24.12.2009);
32. Refined text of the Statute of the Development Bank of North Macedonia;
33. Decision to approve exposure limits;
34. Decision to form a commission to approve working capital for companies affected by the energy and price crisis through direct lending by DBNM;
35. Decision to enter into a Reinsurance Contract for 2023.

4.3 Audit Committee

The Audit Committee consists of 5 (five) members. The Audit Committee Members are appointed and dismissed by the Supervisory Board. Three members in

the Audit Committee are elected from among the members of the Supervisory Board, and two are independent members. At least one member of the Audit Committee should be an authorized auditor. The members of the Audit Committee elect from amongst their ranks a President, responsible for the organization of the operations of the Audit Committee.

The Audit Committee of DBNM, during 2020 worked in the following composition:

- **Sonja Petrusheva** – President
- **Klimentina Poposka** - member
- **Lenin Prculovski** - member

With Decision no. 02-546/7 dated 23.02.2022. the following have been appointed as members of the Audit Committee:

- **Magdalena Simonovska** – member
- **Vjollca Ejupi** – member

With Decision no. 02-877/2 dated 25.03.2022. the following has been dismissed from the post of member of the Audit Committee:

- **Klimentina Poposka** – member

With Decision no. 02-2219/3 dated 23.06.2022. the following has been appointed as a member of the Audit Committee:

- **Biljana Sekulovska** – member

As of 23.06.2022 and in accordance with the newly occurred changes, the Audit Committee continues to operate in the following composition:

- Sonja Petrusheva – President
- Magdalena Simonovska – member
- Vjollca Ejupi – member
- Lenin Prculovski – member
- Biljana Sekulovska – member

The Audit Committee performs the following activities:

- discusses the financial statements of the Bank and takes care of the accuracy and transparency of the published financial information for the Bank's operations in accordance with the accounting regulations and international accounting standards;
- discusses and evaluates internal control systems;
- monitors the work and evaluates the efficiency of the Internal Audit Department;
- monitors the Bank's audit process and evaluates the work of the audit

- company;
- adopts the accounting policies of the Bank;
 - monitors the compliance of the Bank's operations with the regulations related to the accounting standards and financial statements;
 - maintains a relationship with the Management Board, the Internal Audit Department and the audit company regarding the identified non-compliances with the regulations and weaknesses in the Bank's operations;
 - discusses the Risk Management Committee's reports;
 - proposes the appointment of an audit company and termination of agreement with an audit company; and
 - reports to the Bank's Supervisory Board on its operations at least once quarterly.

During 2022, at the meetings of the Audit Committee, the financial statements of the Bank were reviewed and the objectivity of the disclosed financial information on the Bank's operations was determined, as well as their compliance with the accounting regulations and the international accounting standards. The Audit Committee monitored the work of the Internal Audit Department and evaluated the work of the audit company, which as an independent auditor audited the financial statements of the Bank for 2022. The Audit Committee discussed the risk profile of the reports, analyzing each risk separately to which the Bank is exposed during its operations.

4.4 Management Board

The Management Board of the Bank consists of 2 (two) members, appointed by the Supervisory Board of the Bank, based on the previously issued consent by the Governor of the NBRNM. The members of the Board are appointed as: Chief Executive Officer and Chief Operating Officer.

During 2020, the Management Board of the Bank worked in the following composition:

- **Kire Naumov** - Chief Executive Officer
- **Faruk Ismaili** - Chief Operating Officer

Kire Naumov, as a member of the Management Board - Chief Executive Officer of the Bank was appointed by Decision of the Supervisory Board no. 02—2254/1 dated 16.9.2019 and was reelected for this function with a Reelection

Decision no. 02-7741/4 dated 05.08.2021. With this Decision, the CEO has been appointed for a tenure of 6 (six) years. The Governor of the NBRNM calling upon Decision number 15—26453/8 from 19.11.2021, issued a consent for the appointment of Kire Naumov as a member of the Board - Chief Executive Officer for a period of six years.

Faruk Ismaili, as a member of the Management Board - Chief Operating Officer of the Bank was appointed with Decision no. 02—2516/2 dated 10.10.2019, by the Bank's Supervisory Board, and was reelected with Reelection Decision no. 02-7741/5 dated 05.08.2021. The Chief Operating Officer has been appointed for a tenure of 6 (six) years. The Governor of the NBRNM, calling upon Decision no. 15-26452/6 dated 19.11.2021, issued consent for the appointment of Faruk Ismaili as a member of the Board - Chief Operating Officer for a period of six years.

The Board is performing the following activities:

- manages the Bank;
- represents the Bank;
- enforces the decisions of the General Meeting of Shareholders and the Supervisory Board of the Bank, i.e. ensures their implementation;
- takes initiatives and gives proposals for promoting the Bank's operations;
- appoints and dismisses individuals with special rights and responsibilities, in accordance with the provisions of the Law on MBDP and the Statute of the Bank;
- prepares the development plan and business policy of the Bank;
- prepares a financial plan of the Bank;
- prepares a information security policy;
- prepares an annual report on the Bank's operations and submits it to the Supervisory Board;
- prepares a Code of Conduct;
- determines the internal organization and systematization of works and tasks in the Bank and decides on the establishment of employment, promotion, redeployment, professional development, determination of salary and salary remuneration, remuneration for special engagement, pronouncement of disciplinary measures for material liability of employees and termination of employment;
- performs other activities that are not under the jurisdiction of the Supervisory Board of the Bank.

The Management Board, within its competencies determined by Law and the Statute, has adopted all necessary internal acts that provide the working conditions for the Bank in compliance with the laws and bylaws. For its activities, the Management Board submitted reports on its work to the Supervisory Board.

Pursuant to the Statute of the Bank and the Decision by the Supervisory Board, the competencies of the members of the Management Board were divided into separate segments of operations of the Bank, as follows:

- The Chief Executive Officer shall be responsible for business policy and planning, the Bank's financial statements and analysis, human resources, lending and credit insurance, guarantees, credit insurance, factoring, general and legal affairs, financial and accounting operations, and public relations.
- The Chief Operating Officer shall be responsible for risk management, information technology, regulatory compliance, prevention of money laundering and financing of terrorism, information system security, liquidity, and payment operations in the country and abroad.

4.5 Risk Management Committee

The Risk Management Committee consists of 5 (five) members. The members of the Risk Management Committee are elected from among the persons with special rights and responsibilities in the following organizational units: assets and liquidity, credit insurance, lending and guarantees, information technology and legal and administrative affairs. The Chief Operating Director as a member of the Management Board is a member and president of this Risk Management Committee. The members of the Risk Management Committee, in addition to the requirements for appointment of persons with special rights and responsibilities, must have at least three-years' experience in the field of finance or banking; to be knowledgeable about the Bank's operations, its products and services and about the risks to which the Bank is exposed. The tenure of the members of the Board is for 6 (six) years with the possibility of reelection.

During 2022, the Risk Management Committee operated in the following composition:

- **Faruk Ismaili** – President
- **Aleksandar Stanojkovski** – member
- **Darko Stefanovski** – member
- **Faadis Rexhepi** – member
- **Gjorgji Kokinovski** - member

The Risk Management Committee performs the following activities:

- permanently monitors and assesses the level of risk of the Bank and identifies the acceptable level of risk exposure in order to minimize the Bank's losses as a result of the Bank's risk exposure;
- establishes risk management policies and monitors their implementation;
- follows the NBRNM regulations related to risk management and the Bank's compliance with these regulations;
- evaluates the risk management systems in the Bank;
- determines short-term and long-term strategies for dealing with certain types of risks which the Bank is exposed to;
- analyzes the Bank's risk exposure reports prepared by the Bank's units that perform risk assessment and proposes strategies, measures and instruments for risk protection;
- monitors the efficiency of the functioning of internal control systems in risk management;
- analyzes the effects of risk management on the Bank's performance;
- analyzes the effects of the proposed risk management strategies, as well as the proposed strategies, measures and instruments for risk protection;
- assesses the compliance of the prices of the products and services offered by the Bank with the level of risk taken, in accordance with the Bank's business policy and the development plan;
- quarterly reports to the Supervisory Board on the changes in the risk positions of the Bank, the changes in the risk management strategy, the risk management effects on the performance of the Bank, as well as the undertaken measures and instruments for hedging risks and effects thereof;
- approves exposure to a person/entity from over 10% to 20% of own funds of the Bank.

The Risk Management Committee makes self-assessment of its operations at least once a year in regards of the individual members and jointly and submits it to the Supervisory Board of the Bank. During 2022, the Risk Management Committee made decisions at meetings that were held at least once a week and in accordance with the Banking Law, submitted reports on its operations to the Bank's Supervisory Board.

4.6 Credit Committee

The Credit Committee is composed of 3 (three) members, of which the Management Board Members are members of the Credit Committee in accordance with the Bank's Statute, while the third member is appointed and dismissed by the Bank's Supervisory Board. The Credit Committee of the Bank in 2022 operated in

the following composition:

- **Kire Naumov** - President
- **Faruk Ismaili** – Member
- **Toni Petroski** - Member

The Credit Committee has the following tasks and responsibilities:

- approves credit exposure, balance and/or non-balance, up to 10% of the Bank's own funds;
- determines the special conditions for credit insurance against commercial and political risks, including insurance limits for buyers;
- approves conclusion of the insurance policy/contract;
- adopts Rules of procedure;
- performs other activities of the credit policy determined in accordance with the Law on DBNM, the Banking Law and the Statute of the Bank.

During 2022, the Credit Committee held meetings at which they discussed and approved credit and factoring applications submitted by the banks - participants in the loan programs of DBNM and the insured entities.

Pursuant to the Decision of the Supervisory Board on concluding an Agreement with the Republic of Macedonia for transferring the competence on managing and disposing of the funds from the Compensation Fund from foreign aid and Compensation Fund from other foreign aid, the Supervisory Board authorized the Credit Committee to decide upon submitted credit applications for using funds from the foreign aid Compensation Fund and the Compensation Funds from the other foreign aid, worth over EUR 150,000 in MKD, according to the middle exchange rate of the NBRNM on the day of approval.

4.7 Information on membership in other bodies of supervision and/or management of the members of the Supervisory Board, Risk Management Committee, Audit Committee, and the Management Board

In 2022, information on membership of the members of the Supervisory Board, Risk Management Committee, Audit Committee and the Management Board in other bodies of supervision and/or management are given in the following table:

| | |
|-----------------------------|---|
| Magdalena Simonovska | President of the Supervisory Board Member of the Audit Committee |
| Term of office | 10.12.2021 - 10.12.2025 |

| | |
|---|---------------------|
| Name of employer | Ministry of Finance |
| Salary, compensation to salary, bonus, insurance and other rights | MKD 677,316 |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|---|--|
| Vjollca Ejupi | Member of the Supervisory Board Member of the Audit Committee |
| Term of office | 10.12.2021 - 10.12.2025 |
| Name of employer | Ministry of Economy |
| Salary, compensation to salary, bonus, insurance and other rights | MKD 561,346 |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|---|--|
| Millaim Ameti | Member of the Supervisory Board |
| Term of office | 10.12.2021 - 11.12.2025 |
| Name of employer | Government of the Republic of North Macedonia General Secretariat |
| Salary, compensation to salary, bonus, insurance and other rights | MKD 738,800 |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|---|---|
| Sonja Petrusheva | Member of the Supervisory Board President of the Audit Committee |
| Term of office | 13.09.2019-13.09.2023 |
| Name of employer | Law firm PETRUSHEVA |
| Salary, compensation to salary, bonus, insurance and other rights | MKD 1,100,000 |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|---|---------------------------------|
| Elena Pagovska Peltekovski | Member of the Supervisory Board |
| Term of office | 13.04.2022-13.04.2026 |
| Name of employer | General Secretariat |
| Salary, compensation to salary, bonus, insurance and other rights | MKD 698,544 |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|--|---|
| Klimentina Poposka | Member of the Audit Committee |
| Term of office | 27.12.2012-25.03.2022 |
| Name of employer | Institute of Economics – Skopje University Ss Cyril and Methodius in Skopje, Institute for Business and Economy |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | Horizonti Mikrokreditiranje – Board of Directors |

| | |
|--|--|
| Lenin Prculovski | Member of the Audit Committee |
| Term of office | 23.04.2019- |
| Name of employer | National Group for Insurance AD Osiguritelna Polisa – Skopje |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|--|-------------------------------|
| Biljana Sekulovska | Member of the Audit Committee |
| Term of office | 23.06.2022 - |
| Name of employer | Solutions Fenix Nova |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|--|---|
| Aleksandar Stanojkovski | Member of the Risk Management Committee |
| Term of office | 18.12.2008- |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|--|---|
| Faadis Rexhepi | Member of the Risk Management Committee |
| Term of office | 21.12.2021 - |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|--|---|
| Darko Stefanovski | Member of the Risk Management Committee |
| Term of office | 20.07.2021 - |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|--|---|
| Gjorgji Kokinovski | Member of the Risk Management Committee |
| Term of office | 20.07.2021 - |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|---|---|
| Kire Naumov | Member of the Board of Directors |
| Term of office | 21.11.2019- |
| Name of employer | Development Bank of North Macedonia AD Skopje |
| Salary, compensation to salary, bonus, insurance and other rights | |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

| | |
|---|---|
| Faruk Ismaili | Member of the Board of Directors |
| Term of office | 07.12.2019- |
| Name of employer | Development Bank of North Macedonia AD Skopje |
| Salary, compensation to salary, bonus, insurance and other rights | |
| Membership in other supervisory bodies | / |
| Membership in other management bodies | / |

4.8 Information and data related to the implementation of the Bank's remuneration policy

The remuneration policy contains clear and transparent rules and criteria for determining the amount of the total compensation, and especially for clearly defining and distinguishing between the fixed and the variable part of the total compensation. The remuneration policy stipulates that the variable portion of the fee must not exceed 25% of the fixed part of the total fee paid to each employee or member of the Bank's body on an annual basis. In accordance with this policy, the Supervisory Board approves the amount of the total fee for the members of the Management Board by concluding the mining agreements. For the persons in charge of the control functions, the Supervisory Board approves the amount of the total fee only in case of determination of a variable part of the fee. The Management Board determines the total compensation for the persons with special rights and responsibilities and for the employees of the Bank.

The remuneration policy does not provide for the payment of compensation in the form of shares or other rights that enable the acquisition of shares.

The Supervisory and the Management Board of the Bank have not made a

Decision on determining a variable part of the compensation for the members of the Management Board of the Bank, i.e. for the persons with special rights and responsibilities in the Bank.

In the reported year, the gross amount of MKD 1,386 was paid to the members of the Supervisory Board on the grounds of membership fees, and gross amount of MKD 502 thousand was paid to the members of the Audit Committee. There is no compensation for membership in the other bodies of the Bank planned or paid.

In the reported period, on the grounds of gross salary, salary compensation, bonus, insurance and other rights, the current members of the Management Board were paid an amount of 5,075 MKD, and 12 persons with special rights and responsibilities were paid an amount of 13,928 MKD.

5. Organizational structure

DBNM is organized in five divisions, five departments and six units. The divisions in the Bank are as follows: Credit and Guarantee Division; Credit Insurance Division; Treasury and Liquidity Division; Risk Management Division, and Information Technology Division.

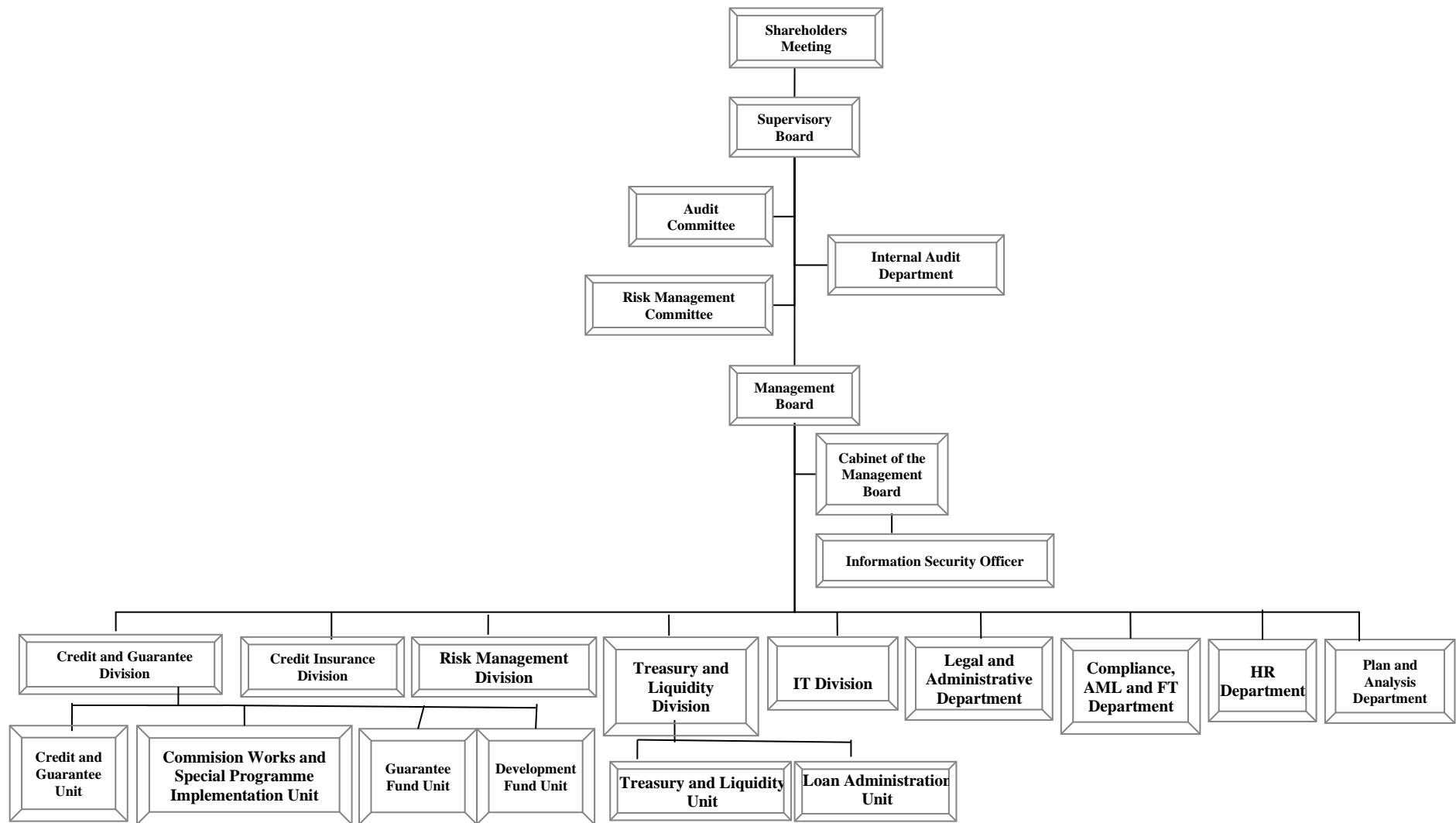
The Bank's Departments are as follows: Internal Audit Department; Legal and General Affairs Department; Department for Compliance Control of the Bank's operations with the regulations and prevention of money laundering and financing terrorism; Planning and Analysis Department and HR Department.

The Units in the Bank are as follows: Lending and Guarantees Unit, Commission work and special program implementation Unit, Guarantee Fund Unit, Development Fund Unit, Funds and Liquidity Management Unit and Administration Unit.

The Bank has also appointed a person responsible for information system security.

At the end of the year a new Rulebook has been adopted on the organization and systematization of operations and tasks in the Bank, entering into force on 01.01.2023.

The Bank doesn't not have branch offices.
As of December 31, 2022, DBNM has had 52 employees.



6. Shareholders structure

Pursuant to the Law on the Development Bank of North Macedonia (Official Gazette of RM no. 105/2009 and Official Gazette of RNM no. 77/21), DBNM is a joint stock company in which the Republic of North Macedonia is the sole shareholder. The Government of the Republic of North Macedonia is registered in the Bank's Book of Shareholders with a total of 643,134 ordinary voting shares and a nominal value of MKD 3,108.00 per share.

7. Other information and data in relation to the code of corporate management

The Code of Corporate Management of the Development Bank of North Macedonia JSC Skopje no. 02-258/8 from 28.1.2022 has been prepared in accordance with the Decision on rules on good corporate management by the Council of NBRNM.

DBNM, i.e. the management bodies of the Bank and the employees during 2022, fully adhered to the principles of corporate management accepted in the Code of Corporate Management, as follows:

- Principle of protection of the rights and interests of the sole shareholder;
- Principle of efficient management;
- Principle of effective control of financial and economic activities;
- Principle of transparency and objectivity in publishing information about DBNM;
- Principle of legality and ethics;
- Principle of social responsibility;
- Principle of segregation of responsibilities;
- Principle of solving corporate conflicts;
- Principle of effective interaction with employees and fair compensation;
- Principle of diligence and responsibility;
- Protection of personal data;

8. Information and data on the bank's conflict of interests protection policy

The basic postulates of the policy are laid down in the Bank's Code of Conduct no. 02-1401/8 dated 06.6.2018, the Decision on amendment no. 02—8786/4 from 29.11.2021 and in the Code of Ethics of DBNM no. 02—1470/8 from 12.6.2018; the Decision to amend the Code of Ethics no. 02-240/4 dated 23.01.2019 and 02-1424/9 dated 06.6.2019. The Policy on avoiding conflict of interests and the

Code of Ethics are reviewed by the Bank's Supervisory Board at least once a year.

Pursuant to the legal provisions and the provisions of the Bank's conflict of interests policy, persons with special rights and responsibilities in the Bank shall regularly give a written statement every six months on existence, i.e. non-existence of conflict of their personal interest with the Bank's interest. The members of the Supervisory Board and the Management Board of the Bank, and the persons with special authorizations are not present in making decisions that bring their objectivity, due to a conflict between their personal interest and the interest of the Bank through the content of the decision to be made by the relevant authority. Members of the Supervisory Board and the Management Board, and the persons with special authorizations prior to deciding on matters regarding their conflict of interest, leave the meeting and give a written statement stating the grounds on which the conflict of interest arises.

9. Information on use of outsourcing

DBNM uses outsourcing services that are relevant to the Bank's operations, i.e.:

- maintenance of factoring software;
- maintenance of software for integrated banking system IBIS;
- maintenance of ICT infrastructure;
- maintenance of anti-money laundering and anti-terrorism financing software.

In accordance with the policy for use of outsourcing services, the Bank has concluded annual maintenance agreements with external entities, which are eligible for providing such services to the bank.

III. FINANCIAL OUTCOMES FROM THE OPERATIONS

10. Balance Sheet

| BALANCE SHEET (in thousands MKD) | Plan 31.12.2022 | Status 31.12.2022 | Index |
|-------------------------------------|--------------------|----------------------|-------|
| Cash | 1.056.610 | 1.480.098 | 71.4 |
| Net loans | 14.590.529 | 14.466.848 | 100.9 |
| Fixed assets | 106.847 | 108.890 | 98.1 |
| Total assets | 16.107.054 | 16.066.124 | 100.3 |
| Liabilities for loans | 12.518.817 | 12.513.087 | 100.0 |
| Total liabilities | 12.566.938 | 12.542.311 | 100.2 |
| Total cash and reserves | 3.540.116 | 3.523.812 | 100.5 |

The total net balance amount on 31.12.2022 is MKD 16,107 million, with dominant share in the structure of assets of 90.6% being credit activities. The growth of assets by 11.1% and net loans by 15.4% compared to the previous year are generally due to full placement of the EIB 6 credit line in domestic exports of EUR 100 million as well as the recapitalization of the Bank.

The plan for the assets was exceeded by 0.3%.

The decrease in cash and cash equivalents is mainly due to an increase in lending. Part of the cash was directed to placements in government securities as a result of the regulator's decision to amend the by-laws for the implementation of monetary operations by which DBNM is no more allowed to place liquid funds in treasury records, available deposits over the counter and up to 7 days and foreign currency deposits with the DBNM.

The ongoing level of cash and cash equivalents continues to satisfy regulatory and internal liquidity indicators.

The net value of the fixed assets, which include real estate, equipment and intangible assets, is within the Bank's operational needs.

The Bank's total liabilities as of 31.12.2022 reach an amount of MKD 12,567 million, in which the dominant rate continues to be the liabilities under loans with a share of 99.6%, of which the majority are liabilities under long-term loans to the EIB.

The special reserve for potential losses for off-balance sheet rates amounts to MKD 34 million and results from the classification of the credit exposure of off-balance sheet activities based on issued credit insurance policies and the provisions for potential liabilities based on litigation.

The total capital and the reserves that make up the founding capital, the reserves formed from the profits made in previous years and the profit from the

current period amount to MKD 3,540 million and account for 22.0% of the Bank's liabilities. Compared to the previous year, they marked a growth of 23.1%, mostly as a result of the increase in the Bank's founding capital. The plan at this rate has been exceeded by 0.5%.

In the case of off-balance sheet liabilities, the total potential liabilities resulting from issued insurance policies for the insured's claims from commercial and non-commercial risks covered by reinsurance contracts, liabilities based on factoring and liabilities based on customs guarantees, at the end of 2022 amount to MKD 877 million.

| BALANCE SHEET (in thousands MKD) | Plan 31.12.2022 | Status 31.12.2021 | Index |
|--|--------------------|----------------------|--------------|
| Cash and cash equivalents | 1.056.610 | 1.706.269 | 60.0 |
| Loans and receivables from banks | 14.478.967 | 12.548.505 | 115.4 |
| Loans and receivables from other entities | 111.562 | 73.189 | 152.4 |
| Investments in securities | 343.433 | 0 | |
| Income tax receivables (current) | 0 | 98 | 0.0 |
| Other receivables | 9.635 | 7.637 | 126.2 |
| | 1.470 | 2.076 | |
| Intangible assets | | 105.826 | 70.8 |
| Real estate and equipment | 105.377 | | 99.6 |
| TOTAL ASSETS | 16.107.054 | 14.497.600 | 111.1 |
| Liabilities for loans | 12.518.817 | 11.590.697 | 108.0 |
| Special reserve and reservation | 33.962 | 14.598 | 232.6 |
| Income tax liabilities (current) | 628 | 1.272 | 49.4 |
| Other liabilities | 13.532 | 15.192 | 89.1 |
| TOTAL LIABILITIES | 12.566.939 | 11.621.759 | 108.1 |
| Registered capital | 1.998.862 | 1.378.862 | 145.0 |
| Other reserves | 1.496.978 | 1.457.425 | 102.7 |
| Retained earnings/accumulated losses | 44.275 | 39.554 | 111.9 |
| Total equity and reserves | 3.540.115 | 2.875.841 | 123.1 |
| TOTAL LIABILITIES AND EQUITY AND RESERVES | 16.017.054 | 14.497.600 | 111.1 |
| Potential assets | 0 | 0 | |
| Potential liabilities | 876.724 | 916.750 | 95.6 |

11. Income statement

| INCOME STATEMENT (in thousands MKD) | Plan 01.01.2022 31.12.2022 | Realization 01.01.2022 31.12.2022 | Index |
|--|----------------------------------|---|-------|
| Net income/interest expense | 100.454 | 82.202 | 122.2 |

| | | | |
|-------------------|---------|---------|-------|
| Total net income | 154.845 | 134.068 | 115.5 |
| Operational costs | -84.933 | -97.374 | 87.2 |
| Net-profit | 44.275 | 27.971 | 158.3 |

In 2022, DBNM achieved a net positive financial result in amount of MKD 44.3 million, i.e. it marks an annual growth of 11,9%. The increase in profit has the greatest impact on the increased net income from regular operations as a result of the intensification of the Bank's activities. The profit target was exceeded by 58.3%.

The net interest income, which represents the main component in the formation of the Bank's total income, in the current year reached the level of MKD 100.5 million, i.e. marked an annual growth of 35.7%, mainly as a result of increased lending. The net income from provisions and fees from credit insurance activities and commission work amounted to MKD 37.1 million.

The certain reduction in this rate compared to the previous year is mainly due to the reduction of a larger exposure in the area of credit insurance.

The remaining revenues from the operation amount to MKD 21.3 million and are mostly the result of capital gains from the sale of foreclosed property.

The correction of impairment of financial resources, on a net basis, showed a net export expenditure of MKD 20.5 million, and it is mostly due to the need to comply with the Decision on amending the Decision on the methodology for credit risk management by the DBNM ("Official Gazette of RNM" no. 153/22) in relation to the fixed expected loss for country risk in credit insurance.

General and administrative expenses and depreciation were realized on exports of MKD 84.9 million, which is an increase of 17.6% compared to 2021, primarily as a result of increased overhead costs (office supplies, electricity, heating and cooling), increased costs for maintaining computer equipment, depreciation, etc. Compared to the plan for 2022, operating costs decreased by 12.8%, which is a reflection of rational management of operating costs by the Bank.

| INCOME STATEMENT (in thousands MKD) | 01.01.2022 | 01.01.2022 | Index |
|--|------------|------------|--------|
| | 31.12.2022 | 31.12.2022 | |
| Interest income | 191.138 | 123.443 | 154.8 |
| Interest expenditures | -90.684 | -49.455 | 183.4 |
| Net interest income/expenditures | 100.454 | 73.988 | 135.8 |
| Income from commissions and compensations | 80.231 | 72.501 | 110.7 |
| Expenditures for commissions and compensations | -43.137 | -29.176 | 147.9 |
| Net income/expenditures from commissions and compensations | 37.094 | 43.325 | 85.6 |
| Net income/expenditures from exchange differences | -4.094 | -2.099 | 190.9 |
| Other income from the activity | 21.305 | 3.163 | 673.6 |
| Correction of value of cash, net-basis | -20.451 | -1.831 | 1116.9 |
| Loss due to impairment of non-financial assets, net basis | 0 | -101 | 0.0 |
| Expenditures for employees | -50.032 | -43.047 | 116.2 |

| | | | |
|---------------------------------------|---------------|---------------|--------------|
| Depreciation | -6.457 | -5.330 | 121.1 |
| Other expenditures from the activity | -28.444 | -23.838 | 119.3 |
| Profit/Loss before tax | 49.461 | 44.230 | 111.8 |
| Income tax | -5.186 | -4.676 | 110.9 |
| PROFIT/LOSS FOR FINANCIAL YEAR | 44.275 | 39.554 | 111.9 |

IV. BUSINESS ACTIVITIES

12. Lending

In 2022, DBNM maintained the combined model of lending to customers through commercial banks and directly. Commercial banks with which DBNM has concluded contracts for the realization of credit activities are:

- Halk Bank AD Skopje
- Sparkasse Banka AD Skopje
- Komercijalna Banka AD Skopje
- NLB Banka AD Skopje
- Prokredit Banka AD Skopje
- Centralna Kooperativna Banka AD Skopje
- Stopanska Banka AD Bitola
- Stopanska Banka AD Skopje
- TTK Banka AD Skopje
- UNI Banka AD Skopje

Part of its credit activities (loans to agriculture, projects for processing of agricultural products, exports, municipalities for the project of IPA component and lending to entities affected by the energy, economic and price crisis), were realized by DBNM directly without the mediation of commercial banks.

The credit activities of DBNM are financed by using own sources of funds, and other sources i.e. provided by international financial institutions, and commission operations assets.

12.1 Credit lines from DBNM's own funds

From DBNM's own funds, several credit lines have been created in order to meet the development goals of the Bank, as follows: credit line for development of micro, small and medium-sized enterprises (amount up to EUR 500,000 with a repayment period of up to 1 year); credit line for financing production intended for export (amount up to EUR 2,000,000 with a repayment period of up to 2 years); credit line for financing of fixed working capital (amount up to EUR 300,000 and a repayment period of up to 3 years) and credit line for financing municipalities for implementation of projects financed under the EU IPA component (amount up to EUR 300,000 with a repayment period up to 2 years).

12.1 Credit lines from foreign financial institutions

12.2.1 EIB Credit lines

In 2022, DBNM already implemented the EIB credit line 6, and at the same time continued to use and implement the rest of the credit lines from the revolving fund of the credit lines from the first to the fifth arrangement with the EIB.

The loans from the EIB 6 credit line in total amount of EUR 100 million are intended for financing fixed assets, permanent working capital and mid-cap companies and they are placed to end users under extremely favorable conditions, with a fixed interest rate of up to 1.6% annually. The funds from this credit line support the following credit programs:

| Name of credit program from EIB 6 | Amount of separate credit to the end users | Repayment period | Grace period included | Intention |
|--|--|------------------|-----------------------|---|
| Investment loans for SMEs with 250 employees | From EUR10.000 To 3.500.000 | Up to 12 years | Up to 2 years | Support for identified projectson: <ul style="list-style-type: none"> • purchase of tangible assets: real estate (except land); equipment; working capital (not exceeding 30% of the loan value) and • investments in intangible assets |
| Loans for permanent operating assets for SMEs with 250 employees | From EUR5.000 to666.700 | Up to 3 years | Up to 6 months | Support for requests for permanent increase of the working capital inconditions of expansion of business activities for the company |
| Loans for mid-caps | To EUR 6.000.000 | Up to 12 years | Up to 12 years | Support for companies with a number of employees between 251 and 3000. |

12.2.2 Credit loan for financing micro, small and medium-sized enterprises from the German Development Bank –KfW

The funds from this credit line consist of three phases in total. DBNM is appointed as the Head of the Fund formed from the funds of the credit line from the first phase (KfW1), while in the second and third phase (KfW2 and KfW3), DBNM also appears in the role of a borrower. The funds were placed through commercial banks and saving houses. The amount of loans is up to EUR 300,000, the repayment period is up to 11 years. Beneficiaries of the loans are micro and small-sized enterprises, individual entrepreneurs, craftsmen, private traders, market stalls and other micro and small business entities.

12.3 Other credit lines and projects

12.3.1 Project entitled "Lending for self-employment"

In 2008, the implementation of the project "Lending for self-employment" started (the project has been carried out by the Employment Agency of the Republic of North Macedonia). The aim of the project is to create an efficient system of economic and social support and productive engagement of the unemployed people in the country. The credit program is aimed at supporting the long-term unemployed beneficiaries and first-time employing young people. The loans are approved with a fixed interest rate of 1% per year, during which the interest is not paid in the grace period, and the beneficiaries of funds from this program are obliged not to be able to return to the register of unemployed at least during the loan repayment period.

12.3.2 Renewable Loan Fund/Agricultural Credit Discount Fund (RLF/ACDF)

This credit line has been implemented since 2003 through financial institutions-participants (banks and saving houses). Starting from the middle of 2010, with the Agreement on administration reached with the Ministry of Finance, administration of "RLF/ACDF" credit line has been transferred by the Ministry of Finance to DBNM. The repayment period and the grace period are negotiated with financial institutions - participants, the interest rate is fixed and the purpose is for primary agricultural production, processing of agricultural products, export of primary agricultural products and their products. The ACDF credit line also supports individual farmers registered in the respective register.

12.3.3 Compensation Funds: Credit line for production, processing and export of agricultural products

The credit line for production, processing and export of agricultural products (Credit Line from Compensation Funds) started its implementation in 2012 and was established in order to directly support companies engaged in the production, processing and export of agricultural products. Loans are placed at a fixed annual interest rate of 1%; repayment period is up to 10 years with included grace period of up to 2 years for fixed assets, i.e. up to 2 years with included grace period of up to 1 year for working capital.

12.3.4 Credit line for working capital for companies affected by the energy and economic crisis through direct lending by DBNM (Measure 1)

On April 17, 2022, the DBNM and the Ministry of Finance concluded an Agreement for the administration of a credit line for working capital for companies affected by the energy and economic crisis through direct lending by the DBNM (Measure 1 of the Government of the RNM). Loans from this credit line were placed with a

repayment term of 12 months including a grace period of 6 months or with a repayment term of 18 months including a grace period of 6 months. For the borrowers of this credit line, a grant component is provided, which consists of the release of a part of the principal amount of 10%, i.e. of 20% depending on the term of the loan, provided that there is no delay in servicing obligations for more than 60 days and for exports greater than MKD 10,000.

12.3.5 Credit LINE for working capital for companies affected by the energy and economic crisis through participating banks (Measure 2)

On April 7, 2022, DBNM and the Ministry of Finance concluded an Agreement for the administration of a credit line for increased energy prices through participating banks (Measure 2 of the Government of the RNM). The maximum amount of the loan per end user is MKD 60,000,000 (DBNM and the participating bank jointly participate in the structure of the loan in a ratio of 50:50), while the maximum repayment terms are 36 months, including a grace period of 12 months.

12.3.6 Development Fund - Credit line for financing energy efficiency (EE) and renewable energy (RES) projects through participating banks (Measure 3)

On 07.04.2022, the DBNM and the Ministry of Finance concluded an Agreement for the administration of the Development Fund through which a credit line was introduced to finance projects for energy efficiency (EE) and renewable energy sources (RES) through participating banks (Measure 3 of Government of RNM). The maximum export of the credit per end user is MKD 18,450,000 for a credit for energy efficiency and MKD 29,520,000 for a credit for renewable energy sources, while the maximum terms of Repayment are 8 years with included grace period of 1 year for an energy efficiency loan and 12 years with included grace period of 2 years for a RES loan.

12.3.7 Credit line for working capital for companies affected by the energy and price crisis through Direct crediting from DBNM

On 15.11.2022, the DBNM and the Ministry of Finance concluded an Agreement for the administration of a credit line for working capital for companies affected by the energy and price crisis through direct lending by the DBNM. The maximum amount of the credit per end user is MKD 1,845,000 (micro, small and medium-sized trading companies) and MKD 615,000 (TE and craftsmen). Repayment terms are from 18 to 36 months, including a grace period of 6 months. The placements of these funds begin in 2023.

12.3.8 Other commission activities

On 30.12.2021, DBNM and the Ministry of Finance concluded an Agreement for subsidizing interest on loans given by commercial banks to companies that have reinvested profits. Qualified loans for which the interest is subsidized are those with a repayment term of up to 12 months, with an annual interest rate of up to 4%, the maximum export of the loan is up to MKD 30,000,000 and the amount of the loan is not greater than 20% from the realized profit which was reinvested in 2021. This measure is currently being implemented

During 2022, DBNM paid out loans with a total value of EUR 92.6 million to support 1,123 projects, with the following structure of credit lines:

| Item | Source | Amount in EUR | No. of projects |
|--------|------------------------------|-------------------|-----------------|
| 12.1 | Own funds | 8,000,000 | 33 |
| 12.2.1 | EIB | 62,094,749 | 289 |
| 12.3.1 | Self-employment | 1,609,756 | 402 |
| 12.3.2 | RLF/ACDF | 430.991 | 54 |
| 12.3.3 | LF (agriculture) | 1,765,532 | 10 |
| 12.3.4 | EEK (Measure 1) | 5.225.018 | 121 |
| 12.3.5 | ZCE (Measure 2) | 5,341,040 | 43 |
| 12.3.6 | Development Fund: EE and RES | 7.711.587 | 19 |
| 12.3.8 | Interest subsidization | 424.315 | 152 |
| | Total | 92.602.988 | 1.123 |

13. Insurance of claims

13.1 Claims instruments (export and domestic)

The Development Bank of North Macedonia is a development institution that carries out insurance of export and domestic claims against short-term commercial and political risks. The bank offers the following insurance tools:

- Insurance against short-term commercial risks:
 - before delivery of the goods, i.e. the services (bankruptcy);
 - upon delivery of the goods, i.e. services (bankruptcy, prolonged non-payment).
- Political risk insurance:
 - risk of war or similar events;
 - risk of license revocation;
 - termination of contract.

13.2. Reinsurance contract

In 2022, the Bank reinsured the total insured export and domestic portfolio. The reinsurance was carried out in accordance with the concluded quota (compulsory) reinsurance contract with the reinsurers Atradius RE based in the Republic of Ireland and Liberty Mutual Insurance Europe SE based in Luxembourg. With the quota contract for reinsurance, more favorable conditions were achieved in relation to the assumed risk, premium rates, insured risks, and other conditions compared to previous years. According to the quota contract for reinsurance, DBNM assumes 35%, and the reinsurers assume 65% of the insured risk of DBNM for approved credit limits up to EUR 1.500,000. For approved credit limits for buyers over EUR 1,500,000, DBNM assumes 20% of the insured risk, and reinsurers assume 80% of the insured risk. The individual assumption of the risk by the reinsurers is:

| | | | |
|-----|-------------|-----------------------------|-----|
| 60% | Atradius RE | Liberty Mutual Insurance SE | 40% |
|-----|-------------|-----------------------------|-----|

13.3. Insurance of short-term commercial risks

During 2022, DBNM signed policies for the insurance of export and domestic claims, claims from short-term commercial risks with 72 insured entities and approved credit limits for over 500 domestic and foreign buyers.

Claims with a total value of EUR 103 million were insured, of which foreign claims amounted to EUR 70 million in 33 countries, while domestic claims amounted to EUR 33 million.

At the same time, the Bank, due to the occurrence of insured events (bankruptcy and prolonged non-payment), was currently paying damages in favor of the insured.

14. Factoring

Factoring is a flexible financial instrument that enables improvement of the cash flow and liquidity of the company. Factoring is a specific form of short-term financing where DBNM in the role of "factor" and based on a contract concluded in writing assigns/purchases foreign receivables of another domestic entity (creditor) entitled to recourse. The contracting parties in factoring are Seller/Exporter of goods and services who issues an invoice; Debtor/Buyer of the goods or services and factor - entity/DBNM that performs the factoring, i.e. the purchase of the claim.

DBNM operates factoring with the right to demand export claims, and since March 2020, it has started with factoring in domestic claims.

Thus, the Bank contributes to beneficial short-term financing of companies for their needs, improving the cash flow, accelerating the business cycles, increasing the working capital and securing business growth and development, especially in the

export-oriented companies. Clearly defined factoring procedures and their consistent application enable establishment of clearly defined principles and procedures of operation and application of standard forms and models when conducting factoring, with a special emphasis placed on the creditworthiness of the Buyer/Debtor.

Factoring fully confirms its role as an alternative and specific way of financing that will be more and more popular and used, given the experiences abroad and the needs of Macedonian companies for working capital in order to finance their needs. During 2022, DBNM through factoring supported the liquidity of Macedonian companies with a total of over EUR 8.9 million in redeemed receivables. EUR 5.4 million of those were aimed at supporting export of Macedonian products and services, for redeeming receivables to buyers located in more than ten countries in the region and within EU.

15. Guaranties

15.1 Guarantee fund

According to the amendments to the Law on DBNM, with the Agreement on Issuance of Guarantees from the Guarantee Fund concluded by DBNM and the Ministry of Finance, a Guarantee Fund was established within DBNM. The purpose of the Guarantee Fund is to support micro, small and medium-sized enterprises in the Republic of North Macedonia, especially in conditions of economic, energy and price crisis, so that they can more easily obtain the necessary financial resources for normal functioning. The purpose of the Guarantee Fund is to support the private sector through banks and savings banks (portfolio guarantees) or directly (individual guarantees), by providing part of the collateral for issued loans. The maximum guaranteed percentage for portfolio guarantees is up to 80% for loans intended for working capital and up to 50% for loans intended for fixed assets. So far, ten banks and one savings bank are included in the state guarantee scheme. Beneficiaries of the individual guarantees are large traders who carry out export, i.e., trading companies in which the revenues based on exports have a share of at least 30% in the total realized revenues in the fiscal year that precedes the year in which the guarantee is approved. The maximum guaranteed percentage in individual guarantees is up to 50% of the amount of the loan.

As of December 31, 2022, DBNM has issued guarantees from the Guarantee Fund for disbursed loans in the total amount of EUR 9.8 million which supported 110 clients.

15.2 Customs guarantees during importation for the purpose of refinement

In order to support export companies that export services, that is, import goods for the purpose of refining and re-exporting, DBNM approves guarantees for customs debt when importing for refining. This is a financial instrument that companies, according to the current legal regulations, have the obligation to deliver it to the Customs Administration of the RNM, as security for any customs debt incurred during the importation of materials for refining. For companies that according to the main activity, belong to the manufacturing industry, the maximum amount for guarantee for customs debt is EUR 390,000, while for other small and medium-sized enterprises the maximum amount of guarantee is EUR 250,000. The guarantees are valid for up to 12 months.

As of December 31, 2022, the exposure of DBNM based on customs guarantees issued amounted to EUR 1.19 million for ten clients, which represents a growth of 63% compared to the previous year.

16. Risk management

Development Bank of North Macedonia JSC Skopje has a well-established risk management system and continuously manages risks in accordance with the nature, type and scope of financial activities it performs. The established risk management system includes efficient risk management process that is based on the defined acceptable level of risk and the established risk culture, appropriate organizational set-up of risk management, process of determining the internal capital and process of determining the internal liquidity.

DBNM has established a system for managing all material risks to which it is exposed. Material risks are determined in accordance with the internal methodology according to which a qualitative assessment is used, i.e., assessment of the impact of a certain operating risk, as well as historical data on the number of losses that can be associated with a particular risk. Risk is the probability that a certain activity or event will have a direct negative impact on the profit and/or own funds or cause difficulties in achieving the bank's goals. Risk is properly managed when it is identified, understood, assessed, monitored, and controlled. Appropriate risk management is based on internal acts for identification, assessment, control and follow-up of individual risks, rules for stress testing, rules for introducing a new product, rules for using outsourced services, as well as an appropriate information system. Additionally, risks are not identified and assessed in isolation, therefore one transaction may carry several types of risks and one type of risk may have the effect of increasing other risks. The Bank's risk management system covers at least the following:

- Credit risk;

- Country risk;
- Credit risk, risk arising from currency risk;
- Risk of concentration of Bank's credit exposure;
- Liquidity risk;
- Currency risk;
- Interest rate risk in the banking portfolio;
- Operational risk;
- Reputation risk;
- Strategic risk.

16.1 Credit risk

Credit risk is a risk of loss for the bank, due to the inability of the client or another contracting party to settle its liabilities in the agreed amount and/or agreed deadlines. Given the fact that all changes in macroeconomic indicators in a country lead to qualitative changes in customers, in addition to credit risk, the bank includes the risk of the country. Loans are the largest and most obvious source of credit risk. However, there are other sources of credit risk that exist from the performance of the bank's activities and are included in the balance sheet and off-balance sheet records.

DBNM controls credit risk by establishing policies and procedures that establish a system of internal controls with a risk-taking effect. Namely, the bank performs the activities on the basis of defined criteria for new credit risk exposures, as well as for the distribution of the existing credit risk exposures. Before approving any activity that has an impact on credit exposure, the bank shall assess the risk profile on an individual basis (client/transaction) which includes: assessment (quantitative and qualitative) of the creditworthiness of the client/other party and neatness of the client in settling their obligations. The Bank assesses the need and appropriate final impairment of the active balance sheet claims, i.e. it allocates a special reserve for the off-balance sheets items arising from each credit agreement by determining the present value of future cash flows arising from those claims. The Bank determines the amount of the expected credit loss at least once a month on an individual basis for all credit exposures.

As of December 31, 2022, the total amount of impairment/special reserve is 0.26% of the total credit risk exposure, whereas the exposure to credit risk within category E is 0.18%. These two indicators indicate a low level of risk of DBNM's portfolio.

16.2 Country risk

Country risk is the risk that economic, social and political environment and events in a particular foreign country will affect the bank's operations. In order to

address this risk, the bank establishes an adequate system of identification, assessment, monitoring and control, taking into account that the country's risk is not limited only to exposure to persons which domicile country is other than the Republic of North Macedonia, but also considers the factors which may affect the exposure to domestic entities, if the creditworthiness of the entity is under significant impact of events in another country. Country risk management is integrated with the credit risk management process. The purpose of the Bank's risk management policy is to provide the necessary preconditions for identifying the bank's risk exposure to the country and limiting the exposure according to the level of risk. Country risk exposure is calculated individually for each credit risk exposure. For each classification of the country, a percentage of loss is predicted in accordance with the Credit Risk Management Policy. Country risk is calculated as a percentage of net credit exposure.

16.3 Credit risk arising from the foreign exchange risk

Credit risk arising from foreign exchange risk to which the resident-loan beneficiary is exposed to is an integral part of the credit risk and is integrated into the risk management system. Credit risk arising from the exchange rate risk to which the resident-loan user is exposed is the current or potential risk to equity and profit arising from the inability of the resident-loan user to perform their obligations regularly in accordance with the loan agreement, and therefore, changes in the exchange rate negatively reflect, i.e. increase the borrower's liabilities. This risk is related to the currency in which loans or other placements are granted. Namely, credit risk arising from the exchange rate risk occurs in a non-adjusted foreign exchange position (non-compliant structure of foreign currency receivables and liabilities) of the borrower according to the currency and maturity. Currency induced credit risk is inherent in the bank because part of the assets and liabilities are denominated in foreign currency or in domestic currency but indexed to a foreign currency.

16.4 Concentration risk

Exposure concentration risk is any individual exposure or group of exposures that could potentially cause a sufficiently large loss and may affect the financial position of the Bank or the regular performance of its activities. The risk management is done by the Bank with establishment of exposure limits, as well as definition and monitoring of large 'exposure' to certain persons, in accordance with the criteria defined in the Law on DBNM and other bylaws.

16.5 Liquidity risk

Liquidity risk is a current or future risk when the Bank is not able to provide sufficient funds to settle its short-term liabilities at the time of their maturity or to provide the necessary funds at much higher costs. The basic principles and rules for liquidity risk management are set out in the Liquidity Risk Management Policy and Procedures. In order to manage liquidity, the bank maintains the required level of liquid assets, continuously monitors the current liquidity, and provides sufficient MKD and foreign currency funds for timely settlement of liabilities and payment of approved loans. The current surpluses of liquid assets are placed in liquid securities, in short-term loans of commercial domestic banks and in deposits with foreign banks.

The monitoring of the bank's liquidity is performed by the Treasury and Liquidity Department, which adjusts the inflows and/or outflows by currencies, undertakes activities for maintaining a portfolio of highly liquid assets, monitors the residual and expected maturity in order to achieve the bank's goals defined in the bank's strategy.

16.6 Interest rate risk in the banking portfolio

Interest rate risk in the portfolio of banking activities is a risk of loss arising from adverse changes in interest rates, which affect the items in the portfolio of the Bank's banking activities. The management of this risk, which has a direct impact on the income and the economic value of the bank's portfolio of banking activities, is part of the integrated risk management system in the bank. DBNM establishes a system for managing risk of interest rate risk in accordance with the scope and type of activities it performs, as well as the degree of exposure to interest rate risk.

16.7 Currency risk

Currency risk is a risk of loss due to changes in cross-currency exchange and/or changes in the value of the MKD in relation to the value of other foreign currencies. The Bank establishes a system of identification, measurement, monitoring and control of currency risk which is exposed in its operations, which covers all activities, and transactions that are recorded in the balance sheet and off-balance sheet records in foreign currency and MKD indexed in foreign clause.

DBNM usually places funds from foreign sources in the same currency or in MKD with FX clause in the currency of the origin of the funds. The policy of the Bank is to manage the positions in foreign currency or in MKD with foreign currency deposit in a way that enables monitoring, controlling and mitigating the negative impacts of the exchange rate changes on the stability of the financial

position of the bank.

16.8 Operational risk

Operational risk is the possibility of loss for the bank and a negative effect on the Bank's capital as a result of inadequate or weak internal processes, inadequate entities and inadequate or weak systems in the bank, as well as external events that may cause a loss. Compared to credit and market risks, this risk cannot generate higher returns. Operational risk includes:

- Legal risk - current or future risk on the Bank's profit and own funds, caused by breach or non-compliance with laws and bylaws, contracts, prescribed practices, ethical standards or as a result of misinterpretation of regulations, rules, contracts and other documents;
- Risk of money laundering and financing of terrorism - the bank intentionally or unintentionally engages in activities that in accordance with existing legislation and international standards, constitute money laundering or financing of terrorism;
- Risk of inappropriate information systems - is a risk of loss for the Bank due to loss, unauthorized use or unavailability of information, information assets and/or services offered by the Bank.

Operational risk management is part of an integrated approach to manage all the risks to which the bank is exposed. Operational risk management is implemented at every level within the organizational structure and at the same time it is integrated in the daily activities of DBNM. In this way it is possible to minimize the possibilities for the occurrence of loss events, to improve the quality of the work processes and the services of the bank, as well as the increase of the efficiency in performing the activities. Through constant training and education of employees, monitoring the frequency and prevention of errors, efforts are made to reduce the exposure to operational risk. Reputation risk and strategic risk are not included in the operational risk definition.

16.9 Reputation risk

Reputation risk is a current or future risk to the Bank's profit or own funds arising from unfavorable perceptions from customers, creditors, shareholders, investors and regulators of the bank's operations. It is the responsibility of all employees to protect the bank's reputation. A system of regular monitoring of the Bank's activities for reputation risk management has been established, as well as activities for reducing the probability for occurrence of some of the sources of this

risk. Given the shareholder structure, as well as the fact that reputational risk is a risk of losing confidence in the bank that affects profits and equity due to unfavorable business opinion regardless of whether there is a real basis for such an opinion, the impossibility of predicting this risk based on real indicators, as well as the lack of possibility for adequate quantification of this risk; the Bank establishes a proactive approach to the reputation risk management process.

16.10 Strategic risk

Strategic risk is the current or future risk to the Bank's profit or own funds, which arises from changes in the business environment, adverse business decisions, improper implementation of decisions or insufficient response of the bank to changes in the business environment. The Bank's policy is the adoption of strategic decisions to be a rational and objective process in function of strategic risk management, which will result in the same result regardless of who implements it. DBNM has established a system of regular monitoring of the Bank's activities for strategic risk management, as well as the activities for reduction of the probability of occurrence of some of the sources of this risk.

17. Capital adequacy

DBNM has established a policy for maintaining own funds in order to provide and continuously ensure an adequate level of own funds depending on the type and scope of financial activities and the amount of risks to which the bank is exposed as a result of those activities. The Bank's policy is to maintain its own funds in order to maintain the capital adequacy ratio in order to ensure that the bank will remain solvent in the long run.

As of December 31, 2022, the capital adequacy ratio of DBNM is 25.55%, which indicates a high solvency of the Bank.

18. Compliance of DBNM's operations with the legal regulations

The compliance control department independently performs identification and monitoring of the risks of non-compliance of the bank's operations with the regulations. In the course of 2022, the Office continuously monitored the compliance of the Bank's operations with the regulations and the prevention of money laundering and financing of terrorism in addition to the adoption of the draft regulations, the adoption of new laws and bylaws, amendments to the assessment of their impact on the Bank's operations. The members of the Supervisory Board, the Management Board and the employees of the Bank were promptly informed about

the changes in the laws and bylaws and were advised about their application. The necessary measures and activities were continuously undertaken, in order to harmonize the Bank's operations with the new/amended regulations. Also, adhering to the regulations related to the Bank's operations and the Bank's internal acts was monitored and the members of the Supervisory Board and the Management Board were informed about it.

In 2022, the Bank's compliance department, by making recommendations, actively participated in the preparation and revision of the Bank's internal acts in order to harmonize them with the new laws and bylaws. Internal trainings were conducted to inform the employees of the ways of implementation of the new legal regulations and internal acts of the Bank in their daily operation. Also, the fulfillment of the Bank's obligations in relation to the timely delivery of the reports to the external institutions and the internal reports was continuously monitored, giving opinions and recommendations in performing the current activities of the departments/services for consistent application and compliance with the laws etc. The Management Board and the Supervisory Board were regularly informed about the undertaken activities through monthly and semi-annual reports in order to exercise the function of control over the compliance of the Bank's operations with the regulations.

19. Activities pursuant to the law on prevention of money laundering and financing of terrorism

Pursuant to the Law on Prevention of Money Laundering and Financing of Terrorism (Official Gazette of RNM No. 151/2022), the Program for Efficient Reduction and Management with Identified Risk of Money Laundering and Financing of Terrorism, the Bank, as an entity that has an obligation to take measures and actions to prevent money laundering and financing of terrorism, has undertaken the following measures:

- Client's acceptance and analysis procedures;
- risk analysis procedures and risk analysis indicators;
- procedures for risk analysis of public office holders;
- procedures for recognizing unusual transactions and conspiracies against money laundering and financing of terrorism;
- procedures for storing data and recipients of unusual transactions and suspicion of money laundering and financing of terrorism;
- procedures for storing data and documents and submitting them to the Financial Intelligence Office (FIO);
- Plan for further training of DBNM employees in the areas of prevention of

- money laundering and financing of terrorism;
- manner of cooperation with FIO;
- procedures for a plan for performing internal control and audit of the implemented measures and actions for prevention of money laundering and financing of terrorism.

During 2022, the person in charge in the Bank of Prevention of Money Laundering and Financing of Terrorism attended a couple of working meetings with FIO and the Commission for Prevention of money laundering and compliance with the regulations for practical application of the amendments to the Law. The people for prevention of money laundering and financing of terrorism took part in the preparation of the banking sector for the on-site visit by the evaluation team of the Moneyval Committee within the Council of Europe which is an integral part of the full process of the 5th evaluation round of the AML/PFT of our country, in accordance with the methodology of FATF.

20. Information system security

The information system security policy defines the application of international security standards and protective mechanisms for reducing the risk of causing damage and minimizing losses, as well as operational risk management. It was created in order to ensure confidentiality, integrity and availability of information system assets, to ensure uninterrupted delivery of information, data and services and to protect employees from human error. The information system security policy has been expanded to include threats from the digital space.

DBNM has developed guidelines for risk assessment, which is the basis for conducting a successful and detailed risk assessment on the information system.

It follows world trends and is ready to respond accordingly. The bank also considers threats from the digital space as a risk. The qualitative method was applied in the assessment procedure. An analysis and assessment of the risks for the security of the information system, as well as at least two reports related to the security of the information system, are submitted to the management bodies on an annual basis. At least once a year, the Bank conducts a self-assessment of risks originating from threats in the digital space.

The plan for continuity of the Bank's operations provides for the establishment of a plan for continuation of operations in cases when a critical interruption of the business processes is caused, during which the Bank is not able to fulfill its business obligations. The plan includes strategies, activities and procedures for the continuation of business operations and functions related to the restoration of communications and information assets. The Disaster Recovery Plan is an integral

part of the Continuity Plan. The Bank has also a backup data center,

In DBNM, on a regular basis, the controls in the field of information system security are strengthened. It follows the world trends in the field of crime in the digital space (cybercrime) takes administrative, organizational, and technical measures to reduce these threats. Additionally, the Bank successfully implements measures, recommendations, managements, requirements, SWIFT controls, that have been introduced in order to strengthen the security of the local computer network as a point where hacker attacks are concentrated, which is in fact a global problem.

21. Information technology

During 2022, the Information Technology Department provided continuous ICT support to the business processes in the Bank. Significant activities that have been successfully implemented are:

- Continuous activities regarding upgrading and modification of the existing Integrated Banking Information System (IBIS). They refer to the implementation of new functionalities for more efficient execution of business activities as well as to satisfy the regulatory requirements;
- Successful implementation of procedures for procurement of computer equipment, upgrading software solutions and maintaining the current systems;
- Migration i.e. upgrade of outdated operative systems with new versions;
- in accordance with the needs for raising the level of risk resistance in the digital space as well as the SWIFT requirements for implementation of security mechanisms, the Bank undertook penetration testing and independent assessment of the SWIFT system.

22. Internal audit

The Internal Audit Department is an independent organizational unit, which is functionally and organizationally separated from the other organizational units in the Bank, hierarchically located above the operational organizational days, and directly under the Supervisory Board and the Audit Committee. The main purpose of it is to provide impartial and independent assessment of the adequacy and effectiveness of the internal control system, assessment of the implementation of risk management policies, assessment of the accuracy of accounting records and financial statements, compliance with internal policies and procedure of the Bank with the legislation, as well as the general efficiency in the operation of DBNM.

The internal audit during 2022 performed its activities in accordance with the Annual work plan and program, prepared on the basis of a preliminary analysis of the Bank's basic business processes and the potential risks to which all business outflows are exposed. The annual work plan and program are approved by the Supervisory Board of the Bank. During 2022, the Internal Audit Department performed 13 regular audit audits, monitored the implementation of the given recommendations, regularly reported to the Bank's Supervisory Board and cooperated with the Management Board, the Audit Committee, and the Supervisory Board of the Bank.

23. Planning and analysis

Strategic planning as a creative, continuous and proactive process by which plans, programs, scenarios, solutions, projects and activities are developed and proposed to realize the defined priorities of the Bank and at the same time the funds for their realization are determined, is carried out in the Plan and Analysis Department.

Simultaneously with the strategic planning, the Department performs an analysis of the Bank's operations, as well as an analysis of the situations at the micro and macroeconomic level. In that direction, during 2022, a series of activities were carried out, mostly related to:

- preparation of a Financial Plan and monitoring of its implementation;
- preparation of Development Plan and business policy and monitoring of their realization;
- preparation of the Annual Report on the Bank's operations;
- analyzes of the Bank's financial operations in the short and medium term;
- analyzes of the domestic and banking system;
- analyzes of development banks from the region;
- analyzes of the financial system and monetary policy;
- macroeconomic analyzes and research as a basis for the introduction of new ones and development of existing products in the Bank;
- analyzes of countries and activities in which the Bank has exposure;
- various statistical analyzes of an economic nature;
- cooperation with international financial institutions and associations.

24. Promotion and marketing

The main goal of the Bank's promotional and marketing activities is to bring its products closer to existing and potential customers, to explain their characteristics, advantages and qualities and to emphasize the development function that DBNM already has on the Macedonian economy. They are mainly aimed at:

- transparency regarding operations;
- building and maintaining a positive image and reputation;
- building long-term cooperation with clients;
- gaining customer loyalty towards the Bank in the medium and long term;
- retaining existing and attracting new customers;
- financial education and inclusion of the younger population,

In accordance with the action plan from the adopted Annual Plan for promotional and marketing activities, and in order to timely and continuously inform the public about the products, conditions, changes and the way of using them, in 2022 DBNM mostly carried out promotional and marketing activities through:

- direct promotion and marketing — in cooperation with partner financial institutions, chambers of commerce and associations, associations, non-governmental organizations and marketing coverage throughout the country, DBNM directly maintains contact with existing and potential customers;
- continuous use, upgrading and updating of modern electronic media for mass communication and constant contact with the public. During the year, the bank published twenty-three news items, three public calls and announcements on its website www.mbdp.com.mk and continuously updated its social media accounts. The members of the Management Board on several occasions gave interviews to the written and electronic media;
- info sessions for students and the young population — with the aim of financial inclusion and education of the target group, the Bank, in cooperation with the academic community in the country, organized five info sessions for the students of the study programs from the field of economics, finance and banking.

25. International cooperation

DBNM has been a full member of the International Association of Export Credit Agencies - Berne Union since 1999. In 2022, the Bank actively participated in the work of the Berne Union Annual Meeting, contributing to the achievement and fulfillment of the goals of the association: mutual cooperation, exchange of experiences, acceptance of international standards, promotion of credit insurance, provision of mutual assistance and exchange of information.

DBNM has been a full member of the China-CEEC Inter-bank Association and the countries of Central and Eastern Europe since 2017.

The association was established within the framework of the "17 + 1" initiative and unites the China Development Bank and the respective development financial institutions of the countries of Central and Eastern Europe. The purpose of the

Association is to promote the development of economic, social, trade and investment relations through the cooperation of the financial sector.

DBNM, as the Development Bank of the Republic of North Macedonia, has signed several bilateral cooperation agreements, and actively cooperates with several institutions. With the aim of promoting the Bank, deepening the existing and establishing new cooperation, during the year the representatives of the Bank participated directly and indirectly as panelists in several specialized forums and conferences and held ongoing meetings with several creditors, development banks and associations from abroad.

V. ESG Reporting

The reporting on the way of treating environmental, social and governance risks is increasingly gaining importance in the financial sector. International investors, creditors and other participants in the financial market have always considered that financial factors alone are not enough to determine the risk profile and value creation potential of banks, but that social action is also needed on their part.

Consequently, the management of ESG risks is one of the key prerequisites for appropriate planning of activities, but also for preserving and promoting the reputation and importance of DBNM as a development bank.

The Bank's commitment to proper management of ESG risks is mostly articulated through the credit policy, which excludes lending to projects that:

- do not meet environmental protection regulations;
- are from the field of hazard activities;
- relate to wildlife trade;
- relate to the storage of harmful radioactive waste;
- relate to the production and trade of arms;
- include the purchase of securities;
- include exploitative forms of forced labor and child abuse;
- are realized in protected zones and regions of scientific interest;
- are prohibited by conventions relating to the protection of biological resources or cultural heritage.

With the agreements concluded by DBNM and foreign creditors, the Bank undertakes an additional obligation not to finance projects that:

- relate to experiments with live animals;
- are ethically and morally controversial (GMOs, abortion clinics, nuclear energy, cloning, etc.);
- relate to tobacco production and trade;
- are related to the mining, production, refining, transportation and distribution of coal, oil and natural gas.

26. Environment

As an environmentally responsible bank, DBNM manages environmental risks on two levels: through "green lending", i.e. placement of loans in projects in the area of environmental preservation, and through care for the environment in daily operations, i.e. responsible use of resources and waste management.

26.1 Green lending

According to the provisions of the Law on DBNM, one of the basic tasks of the Bank is the financing of projects for the provision and protection of the environment and renewable energy sources. During 2022, DBNM played a significant role in dealing with the energy and price crisis faced by domestic companies by introducing interest-free credit lines and credit lines with favorable interest rates. Among the companies, there was a need for adjustment in relation to the consumption of electricity through investments for energy efficiency and investments in renewable energy sources. These investments should provide them with long-term savings in energy costs, market sustainability, and environmental protection.

In that sense, the Bank introduced a credit line for energy efficiency and renewable energy sources in the name and at the expense of the state with a total value of EUR 10 million. The credit line is in the realization phase and as of 31/12/2022, EUR 7.7 million were invested. About 90% of the placements are for renewable energy sources dominated by photovoltaics, while 10% of the assets are paid for energy efficiency projects. Additionally, from the rest of the Bank's credit lines intended for small and medium-sized enterprises for green financing projects, EUR 7.3 million have been paid, making the total value of DBNM's green lending in 2022 EUR 15 million.

DBNM continuously adapts its products in the direction of supporting companies in the newly created operating conditions. During the year, in cooperation with a potential foreign creditor, an analysis of the market was carried out in addition to a proposal-structure of a credit line for green financing and social programs supplemented with a feasibility study, which already confirmed the need for the introduction of green credits for the Macedonian small and medium-sized enterprises.

26.2 Care for the environment

In addition to green financing, the Bank is also concerned about the impact that its operations have on the environment. In the context of the energy crisis, this year the Bank made a Decision to introduce measures to save electricity, which consist of: turning off the lights when leaving the room and when there is enough daylight; replacement of old incandescent lamps with compact fluorescent lamps, with the option of sensor lamps; ban on using additional heating and cooling devices; prescribing the minimum and maximum operating temperature of the air conditioners depending on the time of year; recommendations for turning off IT devices after the end of working hours, for avoiding the use of elevators, for reducing printing, etc. These measures contributed to the reduction of electricity

consumption in the period September-December 2022 compared to the same period of 2021 by 32.4%, i.e. from 28,564 kWh or 649 kWh per employee to 19,318 kWh or 372 kWh per employee.

At the same time, the consumption of electricity produced from renewable sources increased from 869 kWh to 3,021 kWh, that is, by almost 2.5 times.

At the same time, the Bank pays attention to water consumption. In 2022, an almost identical amount of water was wasted compared to the previous year, but with a reduction in water consumption per employee.

The bank has also taken appropriate measures in terms of reducing fuel consumption and carbon dioxide emissions. In the current year, there was a purchase of an official vehicle with the Euro 6 AR standard and three old, depreciated and written-off official vehicles were sold, which made an additional contribution to saving fuel and reducing air pollution. The result of these actions of the Bank is decreased fuel consumption compared to previous year, from 5,638 liters or 128 liters per employee to 4,041 liters or 78 liters per employee. In 2022, the bank already reduced the emission of carbon dioxide into the atmosphere by 3,833 kilograms (under assumed value of Co2 emission of 2.4kg/l).

The bank constantly impacts the reduction of waste creation, through responsible use of paper, electronic application and communication with customers and digitalization of processes. The generated electronic and paper waste is collected by authorized operators for its recycling.

DBNM, as a development and socially responsible institution, strives to be an example and to contribute to the creation of a "green" and sustainable economy, which will ultimately ensure the advancement of companies' operations and economic growth and development, as well as a healthy environment.

27. Human resources and social issues

27.1 Human resources

DBNM is an institution that has a goal and commitment to develop and offer a working environment and a system of personal and professional development and progress of employees as its most important resource. There is a clear and transparent procedure for employment in the institution where the process of selection of each new employee is based strictly on personal integrity, candidates' abilities and equal opportunities. Workers have the right to unionize, human rights are consistently respected in accordance with the Constitution and laws, and the highest standards of protection and safety in the workplace are implemented. The quality of DBNM as an employer is confirmed by the low employee turnover rate.

DBNM firmly believes in social equality of women and men. In their work, it advocates for gender equality, suppression of gender stereotypes, strengthening the presence of women in the economy, i.e., valuing the leadership potential of women. The bank consistently respects domestic and legal and by-law regulations, recommendations and obligations regarding gender equality and is guided by the principles of the Strategy for Gender Equality 2022-2027, which is a basic strategic document of the Republic of North Macedonia that establishes a comprehensive framework for further activities aimed at promoting gender equality and empowering women. Gender equality in DBNM is confirmed by the fact that as of 31.12.2022, four out of five members of the Supervisory Board (80%), four out of five members of the Audit Committee (80%), five out of eleven remaining persons with special rights and responsibilities (45%) and 32 people out of a total of 52 employees in the Bank (62%) are women.

The Bank also has a dynamic, aged and well-educated workforce.

The Bank's influence on personnel issues is fully integrated into the operation of the organizational unit in charge of human resources. In accordance with the need for continuous harmonization and improvement of the Bank's work processes, the Human Resources Service performs an analysis of human resources, permanent monitoring of work processes and identification of the need to adjust the Bank's organizational structure to optimize its operations according to its current and future needs. For this purpose, the Human Resources Service undertakes the following activities:

- consistent improvement of the organizational structure, establishment of new organizational units and new jobs;
- improving the description of work tasks by jobs;
- determining the need for new employment;
- redistribution of employees in the existing organizational unit to a suitable workplace;
- redistribution of employees between organizational units; preparation of internal acts in the field of organization of operations and regulation of employment;
- preparation of annual employee training plans;
- organizing internal employee trainings;
- participation in external trainings and seminars for professional development of employees; team building activities;
- development of the system for rewarding employees in the direction of valuing the results and commitment of employees in order to increase the motivation of employees and improve the efficiency in the execution of work tasks;
- developing a corporate culture of employee involvement in the realization of

the Bank's strategic and operational goals.

27.2 Social issues

Bearing in mind the role of a pioneer and driver of social changes, and following the provisions of the SMART Specialization Strategy of the Government of the Republic of North Macedonia, DBNM in cooperation with the Program for Increasing Market Employability - IME supported by the Swiss Agency for Development and Cooperation (SDC) commissioned the preparation of an *Analysis of the needs for financing Digitization at missions and medium-sized companies in RNM*. Based on the recommendations of the analysis, the Bank designed a new credit line for digitalization and digital transformation of small and medium-sized enterprises. Digitization and digital Mobile technologies, Analytics of large databases, Cloud computing/cloud services, Internet Of Things, and artificial intelligence, blockchain and other technologies are also included.

In order to create an efficient system of economic and social support and productive engagement of the category of unemployed persons in the state, the Agency for employment of the Republic of North Macedonia as the holder together with DBNM realize the project "Self-employment with crediting". The credit program as part of this project is aimed at supporting long-term unemployed persons, beneficiaries of cash benefits based on unemployment and young people who are employed for the first time, as well as enterprises that want to hire new employees. Loans are approved with extremely favorable conditions, and the beneficiaries of funds from this program are obliged not to return to the records of unemployed persons, at least during the loan repayment period.

28. Business ethics

In this domain, DBNM follows the provisions of the corporate management code, which is a set of rules and standards that the Bank follows during its operations, with the aim of ensuring a high level of business ethics in relations with interested parties: creditors, shareholders, regulatory and supervisory authorities, credit rating agencies, auditing companies, banks through which DBNM carries out part of its activities, clients and other persons who have an interest in DBNM's operations. It also covers the rules of supervision and management in DBNM and enables the establishment of a clear organizational structure, with clearly defined and transparent lines of responsibility. The rules and principles stated in the code are in accordance with the national and recognized standards for corporate management, which are based not only on absolute compliance with the legal requirements for performing the activities of DBNM, but also on the application of ethical rules in business conduct, which are also thus, are common to all participants in the business community.

In addition to the Corporate Management Code, in the area of business ethics, the following are adopted and functioning: Code of Ethics, Policy for Avoiding Conflicts of Interest, Procedures for Identifying and Preventing Conflicts of Interest, Remuneration Policy, Policy and Procedures for Reporting Corruption and Other Illegal and unethical activities by the employees of DBNM, Procedures for protecting the confidentiality of data and customers of the Bank, Procedures for handling complaints by individuals and ensuring their appropriate application, etc.

The Bank respects the quality of the work, initiative, teamwork, responsibility, collegiality and tolerance, and at the same time cultivates a culture of open communication, which together with the simple hierarchical management structure enables timely addressing of various operational problems or irregularities.

Management Board

Chief Executive Officer
Kire Naumov

Chief Operating Officer
Faruk Ismaili