



**Komercijalna
banka**

ANNUAL REPORT

**ON THE PERFORMANCE OF KOMERCIJALNA BANKA AD SKOPJE
IN 2024**

Skopje, February 2025

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List of abbreviations and acronyms used in the 2024 Annual Report

AC	Audit Committee
ACDF	Agricultural Credit Discount Fund
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BOD	Board of Directors
CSP	Competitiveness Support Programme
DBNM	Development Bank of North Macedonia
DIG/EE/RES	Digitalization and digital transformation, energy efficiency and renewable energy sources
DLP	Data Loss Prevention
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
ESG	Environmental, Social, Governance
FATCA	Foreign Account Tax Compliance Act
FITD	Fund for Innovations and Technological Development
FS	Financial Statements
FX	Foreign exchange
GDP	Gross Domestic Product
GEFF	Green Economy Financing Facility
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IT	Information Technology
KIBS	Clearing Interbank Systems AD Skopje
LCR	Liquidity Coverage Rate
MBI 10	North Macedonia Stock Market Index
MIPS	Macedonian Interbank Payment System
NBRNM	National Bank of the Republic of North Macedonia
NIM	Net Interest Margin
PLL	Precaution and Liquidity Line
POS	Point Of Sale
ROA	Return On Assets
ROE	Return On Equity
RMC	Risk Management Committee
RNM	Republic of North Macedonia
SEPA	Single Euro Payments Area
SB	Supervisory Board
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprises
SREP	Supervisory Review and Evaluation Process

Key indicators on the performance of Komercijalna Banka AD Skopje

Key indicators	31.12.2023	31.12.2024	Change for the period
Indicators of the Balance Sheet (in million MKD)			
Total assets	163,606.6	178,612.4	+ 9.2%
Loans and advances to other customers	60,206.8	72,975.1	+ 21.2%
Impairment of loans (special reserves)	2,978.7	3,030.5	+ 1.7%
Deposits from other customers	142,548.8	153,401.9	+ 7.6%
Equity and reserves	18,010.5	20,860.9	+ 15.8%
Loans to other customers/Deposits from other customers	42.2%	47.6%	+ 5.4 pp
Loans to other customers/Total assets	36.8%	40.9%	+ 4.1 pp
Deposits from other customers/Total assets	87.1%	85.9%	- 1.2 pp
Solvency			
Own funds	14,413.8	17,577.9	+ 22.0%
Capital adequacy ratio	17.96%	19.26%	+ 1.30 pp
Quality of the loan portfolio			
Total credit exposure (in million MKD)	167,633.8	178,205.9	+ 6.3%
Participation of the risk category in total credit exposure:			
A	92.2%	90.5%	-1.7 pp
B	5.0%	7.0%	+ 2.0 pp
C	1.8%	2.0%	+ 0.2 pp
D and E	1.0%	0.5%	- 0.5 pp
Total impairment (in million MKD)	3,471.4	3,341.6	- 3.7%
Risk rate of the loan portfolio	2.07%	1.88%	- 0.19 pp
Interest margin			
Net interest margin (NIM) adjusted annually	3.63%	3.85%	+ 0.22 pp
Indicators of profitability and efficiency			
ROA before taxation	2.4%	3.1%	+ 0.7 pp
ROE before taxation	21.7%	26.3%	+ 4.6 pp
Net interest income / Total operational income	73.7%	67.0%	- 6.7 pp
Salary costs / Total operational income	18.2%	16.3%	- 1.9 pp
Operating costs / Total income	33.7%	30.6%	- 3.1 pp

I. CONDITIONS UNDER WHICH THE BANK REALIZED ITS ACTIVITY IN THE COURSE OF 2024

In the course of 2024, the global economic activity displayed certain signs of improvement, despite the fact that the risks stemming from the external environment further remained emphasized. However, the heightened geopolitical tensions were the main unfavorable risk factor, impacting the slower decrease of inflation as opposed to the expected levels, and postponing the monetary loosening. ECB performed a reduction of the three basic interest rates on four occasions by 0.25 percentage points (p.p.) in June, September, October and December, while NBRNM performed a reduction of the interest rate of the treasury bills on three occasions by 0.25 p.p. in September, October and December 2024.

1. The economic environment in the Republic of North Macedonia in the course of 2024 is characterized by the following indicators¹:

Indicator	Period	Growth/Reduction
Living costs based Inflation	Ø 2024 / Ø 2023	+3.5%
Physical volume of industrial production	I-XII 2024 / I-XII 2023	-3.6%
Volume of trade exchange Export = 8,425.3 USD million Import = 11,969.6 USD million Import coverage = 70.4% Trade deficit = 3,544.3 USD million	I-XII 2024 / I-XII 2023	-3.1%
GDP	3rd quarter 2024	+3.0%

The credit rating of North Macedonia as at 31.12.2024 is the following:

Rating agency	Current rating (2024)	Previous rating (31.12.2023)
Fitch ratings (1)	BB + stable outlook	BB + stable outlook
Standard & Poor's (2)	BB - stable	BB – stable

- (1) Confirmed on 06.04.2024 and on 05.10.2024 as a result of the credible and consistent macroeconomic policies underpinned by the long-term policy of a fixed FX exchange rate, adequate level of FX reserves, stability of the banking sector and the improved governing indicators by the countries with similar economic performances and the Euro integration process.
 - (2) Confirmed on 30.01.2024 and on 01.08.2024, as a result of the stable banking system, the stability of the domestic currency, the reduced inflation and the increased FX reserves.
- At the beginning of 2024, IMF published the report for Precaution and Liquidity Line (PLL) in which it gave high grades for the monetary policy, the FX exchange rate, the financial and external sector, and it allocated for the country around 200 million euros within the line framework;
 - A new Partnership Framework has been concluded with the World Bank in which the Republic of North Macedonia will have 695 million USD at its disposal in the following four years intended for improving the availability and the quality of the public services, new job openings in the private sector, as well as strengthening the resilience to climate change and the reduction of carbon emissions;
 - Two agreements have been signed with the Hungarian Export-Import Bank in Budapest for loans in an amount of 500 million euros each, for budget support, support for the economy and for timely repayment of Eurobonds upon maturity;
 - The European Central Bank (ECB) extended the possibility for access of NBRNM to the repo-line in an amount of 400 million euros until January 31, 2025, intended for

¹ Source: State Statistical Office, NBRNM and the Ministry of Finance.

quick access to FX liquidity and guaranteeing the stability of the domestic currency exchange rate;

- NBRNM joined World Bank's "Western Balkans Payment Modernization Project" with its goal of digitalization and connecting the countries of the region in the payments area, and in the second half of the year issued a formal request for accession of the country in the Single Euro Payments Area (SEPA);
- NBRNM signed a Cooperation Agreement with the European Investment Bank (EIB), securing a support in the area of green financing;
- During the course of 2024, the Ministry of Finance continued issuing new government bonds that are listed on the Macedonian Stock Exchange, etc.

2. Capital market

The total value of the realized turnover on the Macedonian Stock Exchange in the reporting period reached around 217.9 million euros and notes an increase by 190.5% in relation to the previous year. Analyzed by the number of transactions, the shares issued by Komercijalna Banka were the most traded securities in the analyzed period, followed by the shares issued by Alkaloid AD Skopje, NLB Banka AD Skopje, Stopanska Banka AD Skopje and Makpetrol AD Skopje.

In the reporting period, the Securities and Exchange Commission (SEC) issued many permits for new issue of bank and financial institution shares, adopted a Decision granting a permit to Komercijalna Banka AD Skopje for submitting a takeover bid for Stopanska Banka AD Bitola, and upon expiry of the legal deadlines and the received notification of the outcome, adopted a Decision on determining the unsuccessfulness of the bid; issued an approval for changes or amendments to the statute of several companies for management of open and closed investment funds, issued a consent for acquiring shares of a company for management of open and closed investment funds, issued a consent for gaining qualified participation of a company for management of funds in a stock exchange house, and issued a permit for amendments to Prospects.

3. The monetary policy during the course of 2024 began to gradually normalize. In that direction, NBRNM began to decrease the interest rate of the treasury bills and the available overnight and up to seven-day deposits.

The interest rate of the treasury bills during the course of the year was decreased on three occasions by 0.25 p.p. (in September, October and December) to the level of 5.55%, while the interest rates of the available overnight and seven-day deposits were decreased in December by 0.25 p.p. to the levels of 3.95% and 4.00% respectively.

Due to further support of the denarization process and increasing of long-term savings in the banking system, NBRNM adopted a decision for changes in the settings and the maintenance of the required reserve. With the new Decision, the rates of required reserve are estimated to amount to:

- 8% for the liabilities in MKD
- 100% for the liabilities in MKD with FX clause and
- 21% for the liabilities in FX currency.

MKD liabilities were estimated at a gradual increase of the percentage of allocating required reserve obligation from the current 5% to 6.5% starting from the application cycle in June, followed by an increase to 8% starting from the application cycle of the required reserve obligation in July. FX liabilities were estimated at an increase of the allocation of the required reserve from 19% to 21%. Additionally, the percentage of the FX liability that is fulfilled in FX increased from 81% to 85% with an adequate decrease of the percentage of the FX liability of the required reserve that is fulfilled in MKD from 19% to 15%. Also, starting from the July 2024

cycle, the option that the amount for fulfilling the MKD required reserve will also take into consideration the allocated assets of the banks at NBRNM for a reserve guarantee fund of KIBS, ceased to exist.

The Decision on required reserve determines that on all liabilities of the banks in domestic currency with a term rate of over two years, as well as on the MKD deposits of households with a term rate of over a year, a required reserve rate of 0% is to be applied. For the liabilities with a term rate of over two years in a FX currency, the banks have an obligation to allocate a required reserve at a rate of 5%. Meanwhile, the deposits of individuals are required to fulfill the prescribed conditions regarding early withdrawal.

NBRNM does not determine compensation on the required reserve in MKD, while on the required reserve in EUR a compensation is determined² in accordance with the prescribed regulation.

The rate of the countercyclical capital buffer reached 1.25% as at 31.12.2024, and during the course of the year, NBRNM adopted two decisions for increasing the rate by 0.25 percentage points, thereby leading to 1.50% at the end of the second quarter of 2025 and 1.75% starting from 01.08.2025.

With reference to the regulations arranging the banking operations, the adopting of several laws was particularly important, the application of which means undertaking extensive compliance activities: the Law on Financial Instruments, Law on Prospects and Transparency Obligations for the Issuers of Securities, Law on Amendments to the Law on Payment Services and Payment Systems, Law on Amendments to the Law on Prevention of Money Laundering and Financing of Terrorism etc.

During 2024, NBRNM adopted many decisions, manuals and other regulations, and the following may be singled out as more significant: New Decision on required reserve; Decision on changing and amending the Decision on the methodology for managing credit risk; Decision on changing and amending the Decision on the content and the way of functioning of the credit registry and the Manual for changing and amending the Manual for implementing the Decision on the content and manner of functioning of the credit registry; Decision on changing and amending the Decision on the methodology for determining capital adequacy; Decision on the methodology for identification of systemically important banks; Decision on changing the Decision on the methodology for determining the rate of the countercyclical capital buffer for exposures in the Republic of North Macedonia; Decision on the amount of the countercyclical capital buffer rate for exposures in the Republic of North Macedonia and for exposures towards other countries in the second, third and fourth quarters of 2025; Decision on changing and amending the Decision on publishing reports and data by the banks and a Manual for prescribing the templates of the reports and data prescribed by the Decision; Decision on amending the Decision on the methodology for reporting and valuation of the accounting entries and for preparation of the financial reports; Decision on the conditions and the way of approving liquidity support in exceptional circumstances; Decision on the methodology for calculating the amount of the annual contribution for performing supervision on the banks and the saving houses, as well as the manner of its collection; Decision on determining the security instruments when conducting monetary operations; Decision on repealing the Decision on the approach and manner of utilizing information of NBRNM that are not publicly available; Decision on treasury bills; Decision on available deposits; Decision on available overnight loan; Decision on intra-day loan; Decision on the reference rate for calculating the rate of the penalty rate; Decision on buying and selling securities on a

² The compensation is determined at a rate equal of the lower interest rate of 0% and the interest rate of the available overnight deposit of the European Central Bank, which was valid on the last day of the fulfillment period. As at 31.12.2024 the rate amounts to 0%. If the ECB rates are negative, the banks are responsible to pay a contribution fee to NBRNM.

temporary and on definitive basis by NBRNM; Decision on repealing the Decision on FX deposit at NBRNM etc.

The banking system in the Republic of North Macedonia maintained the safety and stability in the reporting period, which reflected on the increase of the depositary base and the credit activity compared to 2023. The total deposits note an increase by 12.4%, and the total loans note an increase by 11.2% on an annual level.

At the end of December 2024, the official FX reserves amount to 5,019 million euros compared to the end of 2023 when they amounted to 4,538.4 million euros and note an increase by 10.6%.

4. In the reporting period, Komercijalna Banka AD Skopje realized its activity in accordance with the Program of Measures and Activities of the Bank's Business Policy for the current year, the goals of the monetary policy of NBRNM and the strategic priorities of the Government for the current period, and thus continued to successfully realize its activity.

The recognition for the rating and successful operations of the Bank are the awards and acknowledgements received during 2024, as follows:

- "Bank of the Year for 2024" award by The Banker magazine which the Bank receives for the 11th time;
- "Best Bank in North Macedonia for 2024" award by the Global Finance magazine which the Bank receives for the 13th time;
- "Best FX Bank in North Macedonia" for 2025 award by the Global Finance magazine which the Bank receives for the 14th time for a superior client service and innovative technologies used in currency trading;
- Award by the European Bank for Reconstruction and Development for "Most Active Issuing Bank in 2023 in North Macedonia". Komercijalna Banka has been receiving this award for the 20th time in continuity as an acknowledgement of being the most active bank in the field of international instruments for financing international trade in the country;
- Commerzbank's STP Excellence Award 2023 for fast and quality international payments which the Bank receives for the 4th time;
- „Client Excellence Award 2023“ by Deutsche Bank as a recognition for the impeccable direct processing of the international payments;
- Three prestigious annual awards by the Macedonian Stock Exchange: the award „Share with the largest turnover in 2024 – companies with market capitalization of over 50 million euros“, the award „Company whose share has the largest price increase on the Macedonian Stock Exchange in 2024, in the category of companies with market capitalization of over 50 million euros“, as well as the award „Member of the Stock Exchange that realized the largest turnover and transactions from bond trading in 2024“;
- Recognition for good ESG practices which the Macedonian Stock Exchange awarded for the first time;
- Award from Visa for best performances for POS payments for 2024 (Award: Among Best in Class POS Acquiring Performance);
- The best ranked Macedonian bank on the rank list SEE TOP 100 largest banks in Southeastern Europe, published by the portal SeeNews.com;
- International recognition - „Best Buy Award“ for 2024/2025 by the Swiss organization ICERTIAS for best quality of the products and services for the best price, which the Bank receives for a second consecutive year;
- Recognition for „The most desired employer in 2023 in the category Banking and Finance“ by the platform Vrabotuvanje.com;
- Recognition from Am Cham for donations in public health as the best practices for corporate philanthropy.

II. BALANCE SHEET

1. Liabilities

During 2024, total liabilities increased by MKD 15,005.8 million and it is mainly a result of the increase of the total deposits and reserves, reflecting high trust among customers with savings deposits and depositors, as well as the aim to further strengthen the capital base to support lending.

**Table 1 – Overview of the most significant positions within the Bank’s liabilities
(in million MKD)**

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Deposits from banks	521.4	0.3	1,233.4	0.7	236.6
Deposits from customers	142,548.8	87.1	153,401.9	85.9	107.6
Borrowings	876.5	0.6	1,456.8	0.8	166.2
Trading liabilities	0.6	0.0	1.6	0.0	266.7
Special reserve and provisions	489.7	0.3	279.0	0.2	57.0
Income tax payable (current)	229.4	0.1	260.2	0.1	113.4
Other liabilities	929.7	0.6	1,118.6	0.6	120.3
Equity and reserves	18,010.5	11.0	20,860.9	11.7	115.8
Total liabilities	163,606.6	100.0	178,612.4	100.0	109.2

- **Total deposits** (deposits from banks and deposits from other customers) have a dominant share of 86.6% in the Bank’s total liabilities. Compared to 2023, deposits from banks increased by MKD 712 million or 136.6%, while deposits from customers increased by MKD 10,853.1 million.

In 2024, the trend of higher share of short-term deposits continues. Short-term deposits, which increased by 6.9% represent 83.0% of the Bank’s total deposits of other clients, while long-term deposits account for 17.0%, showing an increase of 11.3%. The increase in short-term deposits is primarily attributed to MKD payment accounts of individuals, as well as foreign currency payment accounts and overnight MKD deposits from private non-financial legal entities. In long-term deposits, the largest increase in 2024 was seen in non-purpose MKD and foreign currency deposits of individuals with maturities of up to 3 years.

**Table 2 – Maturity and currency structure of deposits of other clients
(in million MKD)**

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Short-term deposits ³	119,176.9	83.6	127,395.8	83.0	106.9
Long-term deposits ³	23,371.9	16.4	26,006.1	17.0	111.3
TOTAL DEPOSITS	142,548.8	100.0	153,401.9	100.0	107.6
MKD deposits	78,704.8	55.2	87,484.1	57.0	111.2
FX deposits	63,844.0	44.8	65,917.8	43.0	103.2
TOTAL DEPOSITS	142,548.8	100.0	153,401.9	100.0	107.6

³ No current maturity included, which as at 31.12.2023 is in the amount of MKD 5,317.5 million, and as at 31.12.2024 is in the amount of MKD 6,028.1 million

Table 3 – Structure of total deposits by clients

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Deposits by clients					
-non-financial legal entities	35,905.7	25.2	38,676.9	25.2	107.7
-public sector	586.7	0.4	566.0	0.4	96.5
-non-profitable institutions	3,156.1	2.2	3,012.1	2.0	95.4
-financial institutions	823.4	0.6	999.8	0.6	121.4
-households	100,540.3	70.5	108,480.0	70.7	107.9
-non-residents	1,536.6	1.1	1,667.1	1.1	108.5
TOTAL DEPOSITS	142,548.8	100.0	153,401.9	100.0	107.6

- **Total loan liabilities** increased due to the net effect of new withdrawals and repaid overdue installments from credit lines. During the reporting period, the Bank withdrew funds from the following credit lines: credit line for digitalization and digital transformation, energy efficiency and renewable energy sources (DIG/EE/RES), EIB VII credit line for financing small and medium-sized enterprises, mid-market capitalized enterprises and green transition, GEFF III credit line – Agreement 2 intended for individuals financing environmental and economic projects in the Western Balkans and the credit line of the Agricultural Credit Discount Fund – IFAD 2 (for financing projects in agriculture). In the reporting period, repayments were made from the following credit lines: EIB VI, EIB VII and DIG/EE/RES credit lines through the Development Bank of North Macedonia, EBRD credit lines – CSP 1 and CSP 2 (programs to support competitiveness of SMEs), GEFF 1, GEFF 2 and GEFF 3 (Western Balkans Green Economy Financing Facility), Sustainable Reboot Program (for sustainable restart of SMEs) and from the line intended for local government (former financier MIDF) for financing the municipalities of Gostivar and Centar. Repayments were also made from the credit line of the Agricultural Credit Discount Fund – IFAD 2 (for financing projects in agriculture).
- **Equity and reserves** increased compared to 2023, as a result of the redistribution of part of the profit amounting to MKD 1,377.4 million in the Bank's reserve fund, as well as MKD 130 million allocated to retained earnings for investments, in accordance with the Decision of the Shareholders Assembly⁴. The amount of retained undistributed profit from the current year is also included in this position.

2. Assets

The dynamic of the Bank's total assets aligns with the movement of the total sources of funds. The increase compared to December 2023 is primarily due to higher loans to clients, investments in securities and increased loans to and claims from banks. Other positions have seen minimal increases, except for cash and foreclosed assets which have decreased.

⁴ The Shareholders Assembly held its regular annual meeting on 27.03.2024. The dividend payment was made on 25.04.2024.

Table 4 – Overview of the assets of Komercijalna Banka AD Skopje

(in million MKD)

	31.12.2023		31.12.2024		Index
	Amount	Str. in %	Amount	Str. in %	4:2
1	2	3	4	5	6
Cash and cash equivalents	62,400.2	38.1	55,480.4	31.1	88.9
Trading assets	73.6	0.1	182.6	0.1	248.1
Financial assets at fair value through Income Statement designated as such at the initial recognition	364.1	0.2	375.0	0.2	103.0
Loans and advances to banks	2,981.4	1.8	6,051.0	3.4	203.0
Loans and advances to other customers	60,206.8	36.8	72,975.1	40.9	121.2
Investments in securities	29,862.7	18.3	37,387.0	20.9	125.2
Investments in associates	403.9	0.2	422.4	0.2	104.6
Income tax receivable (current)	0.4	0.0	0.4	0.0	100.0
Other receivables	2,576.3	1.6	2,934.4	1.6	113.9
Foreclosed assets	1,962.7	1.2	10.5	-	0.5
Property and equipment	2,769.0	1.7	2,793.6	1.6	100.9
Non-current assets held for sale	5.5	0.0	-	-	-
TOTAL ASSETS	163,606.6	100.0	178,612.4	100.0	109.2

- **The cash and cash equivalents** note a decrease of MKD 6,919.8 million or 11.1%. The decrease is primarily due to the reduced balance of deposits placed in NBRNM (overnight and deposits up to 7 days) as at December 31, 2024 compared to the same period in 2023⁵. Additionally, there was a decrease in the balance of the limited deposits which are funds reserved in KIBS⁶. The balance of the Bank's foreign currency account abroad and time deposits in foreign banks with maturity of 1 to 3 months also decreased as a result of redirection of assets into placements in foreign banks with maturity of up to one year, aimed at realizing higher returns in conditions of ongoing cycle of reduced nominal interest rates by ECB and FED. During the reporting period, the Bank continued to hold treasury bills issued by NBRNM, with their balance showing a minimal decrease compared to the end of 2023⁷. The Bank used its excess liquid assets to support the real sector during the stabilization period following the recent energy crisis, thereby increasing profitability and strengthening its market position.
- **Trading assets**⁸ note an increase of MKD 109 million, due to the net effect of purchased and sold shares issued by domestic non-financial legal entities.

⁵ In the reporting period, NBRNM decreased the interest rates on available overnight and seven-day deposits, which is explained in Chapter I. CONDITIONS IN WHICH THE BANK REALIZED ITS ACTIVITIES IN THE COURSE OF 2024. During the reporting period, the Bank continued to place a larger volume of funds in deposits of up to 7 days as opposed to overnight deposits, with the aim of realizing greater net positive effects from the income based on the interest and the cost of MIPS that it pays to NBRNM.

⁶ During July 2024, NBRNM changed the method of calculating the mandatory reserves in MKD, whereby the balance of the Bank's funds on the account for Reserve Guarantee Fund of the Clearing House KIBS AD Skopje for the maintenance period is no longer taken into account in the fulfillment. Accordingly, the funds are paid into the KIBS account at the beginning of the day and returned to the Bank's account at the end of the day.

⁷ In 2024, NBRNM decreased the interest rates on treasury bills on three occasions, which is explained in Chapter I of the Report. In the reporting period, treasury bills were recorded in the nominal amount of MKD 19,734 million and were received in the nominal amount of MKD 19,835 million.

⁸ Within this position, during January and February 2024, the Bank recorded government bonds that were used to settle an overdue debt tax. Also, the Bank traded with state and corporate debt securities issued on foreign markets.

- **Financial assets at fair value through the Income Statement designated as such at initial recognition** have increased as a result of the market valuation of KB Invest Balanced and KB Invest Cash.
- **Loans and advances to banks** increased by MKD 3,069.6 million compared to December 31, 2023 as a result of foreign currency deposits placed in foreign banks with maturity of 3 months to 1 year in USD, AUD and CHF currencies.
- **Loans and advances to other customers** increased by MKD 12,768.3 million, i.e. 21.2%. The more significant increase is partly due to approved loans related to the sale of the foreclosed property from Euronikel Kavadarci and related entities, and partly as a result of the Bank's effort to maintain its market position in conditions of increased loan demand and increased competitive pressures. Principal claims (which include overdue and doubtful and disputed claims) increased by MKD 12,779.7 million, with the most significant increase recorded by regular long-term loans (in MKD and foreign currencies) to non-financial legal entities with maturity of 2 to 5 and over 5 years, MKD loans for households with maturity over 5 years, and short-term loans in MKD to non-financial legal entities with maturity of 3 months to 1 year. Doubtful and disputed receivables increased by MKD 206.5 million due to reclassification of some loans from legal entities and individuals from active to non-functional status. This change was partly driven by the effect of the new Decision on credit risk management, which introduces stricter conditions for transitioning into non-functional status, as well as for returning to regular status. Due receivables decreased by MKD 60.6 million. Receivables after calculated interest increased by MKD 40.4 million. Impairment provisions for loans, which also include the impairment provision of interest, increased by MKD 51.8 million, compared to December 2023, reflecting the net effect of write-offs and the additional impairment provisions.

Table 5 – Overview of the total loans (in MKD million)

1	2	31.12.2023		31.12.2024		Index
		Amount	Str. in %	Amount	Str. in %	5:3
1	2	3	4	5	6	7
Net-loans ⁹	Short-term loans	18,269.9	30.3	20,962.3	28.7	114.7
	Long-term loans	41,936.9	69.7	52,012.8	71.3	124.0
	Total net-loans	60,206.8	100.0	72,975.1	100.0	121.2
	Total receivables by principal	63,004.0	104.6	75,783.7	103.9	120.3
	Due receivables	182.2	0.3	121.6	0.2	66.7
	Bad and doubtful claims	1,708.7	2.8	1,915.2	2.6	112.1
	Total interest receivables	181.5	0.3	221.9	0.3	122.3
	Impairment provisions/special reserve	-2,978.7	-4.9	-3,030.5	-4.2	101.7
	Total net-loans	60,206.8	100.0	72,975.1	100.0	121.2

Table 6 – Currency structure of total loans (in MKD million)

1	2	31.12.2023		31.12.2024		Index
		Amount	Str. in %	Amount	Str. in %	5:3
1	2	3	4	5	6	7
Gross loans	Denar loans	33,652.3	55.9	45,847.7	62.9	136.2
	FX loans	3,169.8	5.2	5,638.0	7.7	177.9
	Denar loans with FX clause	26,363.4	43.8	24,519.9	33.6	93.0
	Impairment provisions/special reserve	-2,978.7	-4.9	-3,030.5	-4.2	101.7
	Total net-loans	60,206.8	100.0	72,975.1	100.0	121.2

⁹ Short-term and long-term loans include the current maturity which as at 31.12.2023 amounts to MKD 9,937.3 million, and as at 31.12.2024 amounts to MKD 10,638.9 million.

- **The Bank's investments in securities** increased by MKD 7,524.3 million. Analyzing by positions, investments in financial assets available for sale increased as a result of subscribed government bills in MKD and subscribed government bonds, while investments in held-to-maturity financial assets increased mainly as a result of increased investments in government bonds issued by the Republic of North Macedonia and by non-residents. On the other hand, investments in government bills held to maturity decreased (due to a larger amount of maturing than subscribed government bills), as well as investment in corporate bonds (due to bonds being called before the initial maturity date).
- **Investments in associates** note an increase by 4.6% compared to December 2023, as a result of a net positive effect based on the dividend paid in 2023 in the amount of MKD 92.5 million, and recorded share in the profit of the Pension Fund Management Company KB Prvo Penzisko Drustvo AD Skopje in the amount of MKD 111.0 million, which is in accordance with NBRNM's methodology for recording of these investments by applying the "principal method".
- **Other receivables** note an increase mainly due to a larger amount of recorded receivables based on early payment of pensions in December 2024 compared to December 2023.
- **Foreclosed assets on the basis of uncollected claims** note a significant decrease compared to December 2023 based on the sale of foreclosed property, mainly from the debtors Euronikel Industri DOO s.Vozarci and Nova Refractori DOO Pehchevo, as well as on the basis of calculating the damage to foreclosed property in accordance with NBRNM regulations.
- **Non-current assets held for sale and disposal group** note an increase of MKD 24.6 million in December 2024 compared to December 2023, mostly as a result of putting equipment, furniture and vehicles into use.

III. INCOME STATEMENT

In the period of 01.01-31.12.2024, Komercijalna Banka AD Skopje realized a **gross positive financial result** from its operations in an amount of MKD 5,482.1 million compared to MKD 3,912.6 million in 2023, noting an increase by 40.1%. The profit tax in 2024 amounts to MKD 557.3 million, while the net profit for 2024 is in the amount of MKD 4,924.8 million, i.e. an increase by 37.5% compared to the previous year. The net profit, which has exceeded the expectations for the year, was achieved in conditions of emphasized external risks, especially increased geopolitical tensions, slower decrease of inflation caused by gradual relaxation of the monetary policies of FED and ECB, as well as decreased economic activity of the country's main trade partners. Despite this, the domestic economy has noted certain stabilization compared to the crisis periods it underwent in the past, which contributed to the stimulation of an investment cycle in the real sector, supported by the Bank through increased lending. In addition, the high liquidity of the Bank was used for prudent dimensioning of the asset structure and placing funds in instruments with lower risk, but with satisfactory returns.

The profit realized before provisioning, which is an indicator of the Bank's operational capability to cover the operating expenses, has increased by 31.7% compared to last year. The increase of profit realized before provisioning is mainly due to the increased other operating income as well as the increased net interest income, and to a lesser extent due to the increased net fee and commission income and net trading income. The more significant increase of the other operating income compared to last year is a result of the increased income from capital gains from the sale of foreclosed property of the two important customers of the Bank¹⁰, as well as the increased amount of collected previously written-off claims.

¹⁰ In April 2024, the sales of foreclosed property and equipment from the debtors Euronikel Industry DOO s. Vozarci and Nova Refractori DOO Pehchevo were recorded.

**Table 7 – Overview of the Income Statement of Komercijalna Banka AD Skopje
(in MKD million)**

	Realized 01.01-31.12.2023	Realized 01.01-31.12.2024	Index 3:2
1	2	3	4
1. Net interest income	5,206.7	5,961.4	114.5
2. Net fee & commission income	1,098.7	1,191.5	108.4
3. Net FX gains	366.0	376.8	103.0
4. Net-trading income	(3.6)	55.3	-
5. Net income from other financial instruments at fair value	9.2	10.8	117.4
6. Other operating income	297.6	1,189.5	399.7
7. Share of profit of associates	92.5	111.0	120.0
8. Total operating income	7,067.1	8,896.3	125.9
9. Personnel expenses	(1,287.8)	(1,447.2)	112.4
10. Depreciation	(235.1)	(247.1)	105.1
11. Other operating expenses	(857.9)	(1,030.1)	120.1
12. Total operating expenses	(2,380.8)	(2,724.4)	114.4
13. Profit before impairment provision	4,686.3	6,171.9	131.7
14. Net impairment provision of financial assets	(766.9)	(670.5)	87.4
15. Net impairment provision of non-financial assets	(6.8)	(19.3)	283.8
Profit before tax	3,912.6	5,482.1	140.1
Income tax	(331.2)	(557.3)	168.3
Net-profit	3,581.4	4,924.8	137.5

Net interest income is the main component in formation of the total operating income and it notes an increase by 14.5% in relation to 2023. Interest income has increased by 17.1% in all customer categories. Within financial institutions, where the trend of lowering the treasury bills interest rate began, the increase in interest income is a result of the higher average weighted interest rate compared to last year. In the public sector, the increase is a result of increased investment in government securities with higher interest rates, and in the case of non-financial institutions and households, it is due to increased placements. With reference to non-residents, where a trend of decreasing interest rates also began, an increase is due to increased placements in foreign banks. Expenses based on interest, note an increase of 41.3% due to increased term deposits compared to last year.

Net fee & commission income note an increase by 8.4% compared to 2023 mainly as a result of the increased volume of realized activities especially in the area of dealing with cards.

Net FX gains note an increase by 3.0% compared to last year.

The total amount of *other income* notes a significant increase as a result of the multiple increase in income from capital gains and increased collected previously written-off claims.

As at 31.12.2024, *income from capital investments and capital gains* consists of: income from the sale of foreclosed property in the amount of MKD 630.4 million, non-current assets held for sale in the amount of MKD 3.6 million and income from sale of fixed assets – used vehicles and equipment in an amount of MKD 5.3 million. In 2023, the income from the sale of Bank's property is in the amount of MKD 0.7 million and income from the sale of foreclosed property in the amount of MKD 46.1 million was realized.

The *collected previously written-off receivables*¹¹ note an increase by more than twice compared to last year, and are in the amount of MKD 455.1 million. In total, MKD 348.3 million in off-balance sheet receivables were charged for loans to legal entities. In consumer and housing loans, MKD 66.4 million of off-balance sheet claims were collected. The remaining collected receivables relate to payment accounts, bank cards, domestic payment transactions and other.

¹¹ Only on the basis of cash payment

In 2024, *personal expenses* note an increase by 12.4% to MKD 1,447.2 million compared to last year, mainly as a result of an increase of the salary scale points' value in the first half of 2024 and reimbursements based on business performance in accordance with the Decision of the Board for establishment and implementation of the remuneration policy.

Other operational expenses note an increase by 20.1% mostly as a result of increased other expenses (mostly due to increased other expenses for foreclosed facilities and increased expenses for cardholders of Debit MasterCard World).

Net impairment provision of financial assets amounts to MKD 670.5 million and notes a decrease by 12.6% compared to MKD 766.9 million in 2023. The decrease is due to the effect of the transactions with the client Euronikel Industry, which during 2023 noticed deterioration in the servicing of obligations to the Bank, which contributed to the allocation of a larger net impairment provision. At the end of 2023, the Bank made a decision to take over the pledged property in order to find a quick and efficient solution to restart production, and in April 2024, it successfully completed the transaction of the sale of the plant. Good financial discipline of the clients also has big impact on decreasing the net value of impairment provision, despite the stricter conditions prescribed by the new credit risk management regulation.

As at 31.12.2024, the Bank notes a loss of MKD 19.3 million due to net impairment provision of non-financial assets, i.e. 20% of the net value of the foreclosed property in accordance with NBRNM regulations.

IV. CONSOLIDATION

The Bank also prepares consolidated financial statements which include its subsidiary KB Invest AD Skopje¹² ("KB Invest") (in the consolidated FS referred to as: "Group").

A subsidiary is a legal entity controlled by another legal entity - the Bank, known as the parent company - the parent bank. The financial statements of the subsidiary KB Invest are included in the consolidated financial statements from the date when the control commences, until the date when the control ceases. The subsidiary KB Invest is licensed for establishing and managing open and closed investment funds. The company manages six open investment funds: KB Invest - balanced, KB Invest - bonds, KB Invest – cash, KB Invest - MBI 10, KB Invest - shares and KB Invest - Gold Fund. These funds do not have a status of legal entities and do not perform specific activities.

Financial Statements of the Group

The financial statements of the Group have been prepared in accordance with the Law on Trade Companies, the Banking Law, legal regulations passed by NBRNM, as well as with the Decision on the methodology for recording and valuation of accounting items and for preparation of financial statements, and the Decision on the types and content of the financial statements of banks, issued by NBRNM.

The Bank's total assets and liabilities on a consolidated basis as at 31.12.2024 note an increase by MKD 15.038,5 million, i.e. 9.2%, compared to 2023.

¹² In June 2024, the name of the company was changed from KB Publikum Invest AD Skopje to KB Invest AD Skopje.

**Table 8 – The assets of Komercijalna Banka AD Skopje on a consolidated basis
(in million MKD)**

	31.12.2023		31.12.2024		Index 4:2
	Amount	Str. in %	Amount	Str. in %	
1	2	3	4	5	6
Cash and cash equivalents	62,400.2	38.1	55,480.4	31.1	88.9
Trading assets	114.3	0.1	250.6	0.1	219.2
Financial assets at fair value through Income Statement designated as such at the initial recognition	364.1	0.2	375.0	0.2	103.0
Loans and advances to banks	2,981.4	1.8	6,051.0	3.4	203.0
Loans and advances to other customers	60,206.8	36.8	72,975.1	40.8	121.2
Investments in securities	29,887.9	18.3	37,416.0	20.9	125.2
Investments in associates	403.9	0.2	422.4	0.2	104.6
Income tax receivable (current)	0.9	-	0.4	-	44.4
Other receivables	2,583.3	1.6	2,943.8	1.7	114.0
Foreclosed assets	1,962.7	1.2	10.5	0.0	0.5
Property and equipment	2,770.3	1.7	2,794.6	1.6	100.9
Non-current assets held for sale	5.5	-	-	-	-
Total assets	163,681.3	100.0	178,719.8	100.0	109.2

**Table 9 – The liabilities of Komercijalna Banka AD Skopje on a consolidated basis
(in million MKD)**

	31.12.2023		31.12.2024		Index 4:2
	Amount	Str.	Amount	Str.	
1	2	3	4	5	6
Deposits from banks	521.5	0.3	1,233.4	0.7	236.5
Deposits from customers	142,515.7	87.1	153,366.8	85.8	107.6
Borrowings	876.5	0.5	1,456.8	0.8	166.2
Trading liabilities	0.6	-	1.6	-	266.7
Special reserve and provisions	489.6	0.3	279.0	0.2	57.0
Income tax payable (current)	229.9	0.1	262.7	0.1	114.3
Other liabilities	945.1	0.6	1,134.3	0.6	120.0
Equity and reserves	18,102.4	11.1	20,985.2	11.7	115.9
Total liabilities	163,681.3	100.0	178,719.8	100.0	109.2

The Bank's net profit on a consolidated basis for the period 01.01.-31.12.2024 amounts to MKD 4,960.1 million, i.e. an increase by 37.7% compared to last year.

**Table 10 – Income Statement of Komercijalna Banka AD Skopje on a consolidated basis
(in million MKD)**

	Realized 01.01-31.12.2023	Realized 01.01-31.12.2024	Index 3:2
1	2	3	4
1. Net interest income	5,212.3	5,967.3	114.5
2. Net fee & commission income	1,164.8	1,280.4	109.9
3. Net FX gains	366.0	376.8	103.0
4. Net-trading income	(2.8)	59.2	-
5. Net income from other financial instruments at fair value	9.2	10.8	117.4
6. Other operating income	274.8	1,162.0	422.9
7. Share of profit of associates	92.5	111.0	120.0
8. Total operating income	7,116.8	8,967.5	126.0
9. Personnel expenses	(1,304.4)	(1,466.3)	112.4
10. Depreciation	(235.9)	(247.7)	105.0
11. Other operating expenses	(864.3)	(1,039.2)	120.2
12. Total operating expenses	(2,404.6)	(2,753.2)	114.5
13. Profit before impairment provision	4,712.2	6,214.3	131.9
14. Net impairment provision of financial assets	(766.9)	(670.5)	87.4
15. Net impairment provision of non-financial assets	(6.8)	(19.3)	283.8
Profit before tax	3,938.5	5,524.5	140.3
Income tax	(336.1)	(564.4)	167.9
Net-profit	3,602.4	4,960.1	137.7

The Group's financial statements are presented as per an individual bank (as if the Group were a single entity). During the preparation of the Group's financial statements, the following has been removed/eliminated: the book value of the investment of the parent bank and the share of the parent bank in the capital of the subsidiary; the balances, transactions, income and expenses within the Group are removed in their entirety, as well as gains and losses on transactions within the Group, which are recognized in the assets.

The Bank does not prepare financial projections of the balance sheet and the income statement on a consolidated basis since the total assets of the subsidiary are less than 1% of the assets of the parent Bank.

Non-controlling participation

Non-controlling participation (or so-called "minority participation") is that part of the subsidiary's profit that is not owned by the parent bank. Non-controlling participation is measured by its proportionate share in the profit of the acquired entity.

Consolidated supervision

The Group is not subject to consolidated supervision by NBRNM, in accordance with the Decision on consolidated supervision.

The subsidiary is not subject to consolidated supervision since the total assets of the subsidiary are less than 1% of the assets of the parent bank.

Capital adequacy

According to NBRNM's Decision on consolidated supervision, if the total assets of the subordinate entity are less than 1% of the assets of the parent entity, the subordinate entity does not have to be included in the consolidated financial statements for purposes of

consolidated supervision. Based on the above, the capital adequacy rate is not determined on a consolidated basis.

Risk Management

The modern concept of banking in conditions of market economy cannot be imagined without an adequate approach and risk management, as well as rigorous adherence to legally prescribed supervisory standards which are basic prerequisites for a successful operation of any bank. The Group bases its risk management on the Strategy for Undertaking and Managing Risks and the established policies for individual risk management, whereby the Group consistently respects the risk exposure limits in accordance with the legislation and the internal risk exposure limits.

Consolidated Annual Account

The Group prepares consolidated annual accounts in accordance with the Law on Trade Companies. The financial information disclosed in the Annual Report is consistent in all aspects with the consolidated annual account of the Group and with the financial information disclosed in the audited consolidated financial statements of the Group.

Table 11 – Percentage of the Bank’s share in subsidiaries

Name of subsidiary	Country	in %			
		Share of ownership		Percentage of voting rights	
		2023	2024	2023	2024
KB INVEST AD SKOPJE	Republic of North Macedonia	78.43%	78.43%	78.43%	78.43%

V. RISK MANAGEMENT AND SUPERVISORY STANDARDS

The modern concept of banking in market economy conditions could not be successfully realized without an adequate approach and risk management, as well as strict adherence to the legally prescribed supervisory standards which are basic preconditions for successful performance of any bank. The risk management of Komercijalna Banka AD Skopje is based on the Risk Management Strategy and the established policies for individual risk management, whereby the Bank consistently complies with the limits for risk exposure determined in accordance with the regulations, as well as with the internal limits for risk exposure.

Starting from January 1, 2024, the new Decision on methodology for credit risk management has been implemented. According to this Decision, the Bank established a completely new system for monitoring non-performing exposures based on a new definition. Changes were made to the procedures for monitoring of and defining non-performing credit exposures, including modifications in procedures, monitoring and classification of restructured (and non-performing) credit exposures; the Bank introduced a system for monitoring, treatment, and assessment of exposures deemed "impossible to collect", etc. According to the new Decision, a credit exposure is transferred to the category of non-performing credit exposure if the amount of outstanding claims against the client on any basis (principal, interest, other non-interest claims) has not been paid for more than 90 consecutive days from the day the outstanding amount exceeded the significance threshold, which is at least MKD 6,000 of outstanding claims on the specific credit product, and at the same time, the outstanding

amount represents at least 1% of the total credit exposure for the specific credit product. The Decision introduces the principle of joint credit exposure and contaminated credit exposure for individual clients. Joint credit exposure implies that if the credit exposure where the client appears as a co-borrower receives treatment as a non-performing credit exposure and this credit exposure represents at least 20% of the total balance sheet credit exposure of the client, then all credit exposures of the client, where the same participants or part of the participants are included, acquire the character of non-performing credit exposure regardless of the regularity in repayment of those obligations. Similarly, contaminated credit exposure is understood in cases where all credit exposures of the client, where the client appears as the sole participant (borrower), acquire the character of non-performing credit exposure regardless of the regularity in repayment of those obligations, if one of the credit exposures receives treatment as a non-performing credit exposure and this credit exposure represents at least 20% of the total balance sheet credit exposure of that client. A credit exposure that has been treated as a non-performing credit exposure may be excluded from this category if the following conditions are met:

- At least 90 consecutive days have passed since the day when the criteria for non-payment of credit exposure ceased to be met, i.e. the credit exposure was regular in terms of repayment (the significance threshold consisting of absolute and relative components was not exceeded); and
- The Bank conducts an analysis of the regularity of the client in meeting their obligations and their financial condition.

Additionally, for purposes of aligning with the Guidelines for Managing Climate Risk issued by NBRNM, which will have significant effects on the long-term business strategies of banks, Komercijalna Banka has joined the European Investment Bank's Greening Financial Systems Programme during the reporting period. Through this program, the Bank has started receiving technical and advisory support to integrate climate risks into its existing risk management framework and to align with the best international practices and expectations of NBRNM.

1. Within credit risk management, the analysis of the classification of the risk assets of the Bank shows the following:

- As at 31.12.2024, the Bank's total exposure to credit risk amounts to MKD 178,205.9 million and compared to 31.12.2023 when it amounted to MKD 167,633.8 million, notes an increase by 6.3%;
- The impairment of financial instruments exposed to credit risk as at 31.12.2024, which implies determination of impairment of performing balance sheet items and special reserve of performing off-balance sheet items, is calculated according to NBRNM regulations. Impairment and classification of credit risk exposure as at 31.12.2024 is performed on an individual basis for all credit risk exposures of the Bank. The net additional impairment/special reserve for the period 01.01.2024-31.12.2024 amounts to MKD 670.5 million. Comparably, the amount of net additional impairment/special reserve in the same period in 2023 was MKD 764.7 million¹³. In addition, in the reporting period and in accordance with the Decision on credit risk by NBRNM, the Bank has written-off balance sheet claims or transferred claims to off-balance records in a total amount of MKD 753.4 million, under principal debt and other claims;
- The risk ratio, calculated as the ratio between the impairment and the total credit exposure of the Bank as at 31.12.2024 is 1.88%, compared to 2.07% as at 31.12.2023;
- The Bank does not have a large concentration of credit risk exposure by sectors, since the sectors with over 15% participation in the structure have an internally dispersed structure. Namely, the retail banking sector with a participation of 17.7% is internally dispersed, other sectors participate with 31.2%, while the concentration in the financial and insurance sector refers to exposures to NBRNM and first-class banks.

¹³ The amounts of additional impairment of claims as presented include the effect of fx gains.

2. Within the framework of **currency risk management**, the exposure of the Bank to currency risk in the period 01.01-31.12.2024 ranged within the legally prescribed limit of $\leq +30\%/ \geq -30\%$ in relation to the Bank's own assets. Since the beginning of the year, the USD exchange rate followed a fluctuating trend and ended the year with a slight increase in value over the last two months. The exchange rate of the denar against the euro remained stable throughout 2024. The maintenance of the open FX position during 2024 was in line with the clients' demand for foreign currency and the movements of inter-currency exchange rates.

3. Regarding the **liquidity risk management**:

- In the course of 2024, the Bank fulfilled the legal obligation for reserve requirement in denars and in foreign currency. During this period, the mandatory calculated reserve in denars ranged from MKD 6,280 million to MKD 8,409 million, while the mandatory reserve in foreign currency ranged from MKD 11,013 million to MKD 11,858 million. The percentage of average compliance with the mandatory reserve in denars during 2024 ranged from 100.52% to 100.88%;
- Regarding the stability and concentration of the deposit base, the Bank does not have a pronounced concentration of deposits. The percentage of participation of the 20 largest depositors in the average deposit base ranges from 6.54% to 7.40%, while the highest level of concentration of the 20 largest depositors in the total average amount of transaction accounts and demand deposits ranges from 8.70% to 9.86%;
- During 2024, the liquidity ratios have fully been harmonized with the early warning threshold, the acceptable level of risk, as well as the maximum level of risk;
- The liquidity coverage rate (LCR), which represents the ratio between high-quality liquid assets and net cash outflow, as at 31.12.2024 is 365.44% in total, and it is fully complied with and high above the threshold for early warning of min. 110%, the acceptable risk level of min. 105% and with the regulatory limit (as well as the maximum level of risk) of min. 100%;
- The Bank monitors the maturity structure of the positions in terms of their compliance according to the remaining maturity, and determines and monitors their expected maturity. In the period from 01.01.-31.12.2024, the total maturity structure and maturity structure according to each significant currency shows stable current liquidity position of the Bank;
- According to the methodology of NBRNM, the own funds as at 31.12.2024 amounted to MKD 17,577.9 million and compared to 31.12.2023 have increased by 22.0% based on the distribution of part of the realized profit for 2023 in the reserves of the Bank according to the Decision of the Shareholders Assembly (as a result of 1,377.5 million denars being allocated to the reserve fund and an increase of 130 million denars in retained earnings for investment purposes), as well as based on the Decision No. 15-39694/2 of NBRNM as of 11 December 2024, according to which the Bank has included an amount of 1,676 million denars from the current earnings as at 30 September 2024 in the calculation of the Tier 1 capital, in order to meet the total capital requirements by 31 December 2024 under conditions of dynamic credit growth, and due to the expected increase in the countercyclical capital buffer rate starting from 01 January 2025;
- The capital adequacy ratio as at 31.12.2024 is 19.26% and notes an increase by 1.30 p.p. compared to 31.12.2023 as a result of increased own funds, with simultaneous increase in risk weighted assets according to credit and operational risk, as a result of the increased volume of realized activities for purposes of strengthening its market position. As at 31.12.2024, the capital adequacy ratio

complies with the early warning threshold, the acceptable risk level and the maximum risk level. Also, the Bank is in compliance with the total regulatory requirements.

4. Regarding the **market risk management**:

- The share of the securities portfolio (net) in the total activities of the Bank in the period January - December 2024 ranged from 18.45% to 20.68%;
- In the period January - December 2024, the trading portfolio expressed as a percentage participation in the total activities of the Bank (0.03% - 0.12%) and in absolute amount (MKD 54.7 – 220.1 million), does not produce an obligation for the Bank to allocate capital required to cover market risk, in accordance with Article 30 of the Decision on the methodology for determining the capital adequacy;
- The structural volatility of the securities portfolio by business model is as follows: financial assets at fair value through the Income Statement - from 1.19% to 1.66%, financial assets held for collection - from 93.82% to 98.40% and financial assets held for collection and sale from 0.18% to 4.95%;
- By analyzing the currency structure of the trading portfolio it can be concluded that the investments in denars have a dominant share.

5. Regarding the **interest rate risk management**, in the period January-December 2024, the Bank made a number of amendments to the Decision on interest rates, which were targeted towards following the market trends and the interest rates of the competition. The most significant changes made during the year are as follows:

- In corporate lending, the interest margins applied when determining interest rates on denar loans for legal entities were reduced on three occasions; the option to use short-term denar loans with fixed interest rates (which had been discontinued in October 2022) was reintroduced, but only for creditworthy clients and clients who have offers with fixed rates by competing banks, and changes were made to the interest margins on foreign currency loans and denar loans with a currency clause for legal entities. The lower – minimum threshold of interest rates for denar loans, denar loans with a currency clause and foreign currency loans was reduced, and the fixed interest rates on short-term denar loans were lowered (as an option only for creditworthy clients and clients with fixed rates offers by competing banks);
- In retail lending, for denar consumer loans up to 2 million denars, the fixed repayment period was increased from 2 to 3 years, and the fixed interest rate was reduced. Additionally, for housing loans with a euro clause, the fixed interest rate was lowered for loans with a fixed period of 5 years and for loans with a fixed period of 10 years;
- In terms of passive interest rates for legal entities, the adopted changes foresee that for term deposits of over 24 months (24 months + not more than 7 days), a variable interest rate will be approved, with the interest rate level matching the one for term deposits of up to 24 months;
- For individuals, the following rates were reduced: the fixed interest rates on denar savings deposits with maturities from 3 to 36 months, the fixed interest rates on euro savings deposits with maturities from 6 to 36 months, and the adjustable interest rates on denar savings deposits and euro deposits.

The achieved annual net interest margin (NIM) as at December 31, 2024 is 3.85% and is within the defined internal limit.

In the reporting period, the ratio between the total weighted value of the portfolio of banking activities and own funds is within the regulatory limit, below the acceptable risk level and below the early warning threshold defined in the Strategy for Undertaking and Managing Risks.

6. Regarding the operational and reputational risk management:

- In its daily operations, Komercijalna Banka permanently monitors, records and analyses the loss inducing events and events that represent potential operational risk. The Bank also monitors the reputational risk. On the basis of the information obtained and analyses performed, the Bank undertakes specific measures for recovery from the deteriorations and elimination/limitation of risk and its control in the future;
- The assessment of exposure to operational risk, based on the registered risk events and the measures and activities undertaken in the period January-December 2024, is that the Bank has no significant exposure to operational risk. In addition, the established indicators for monitoring operational risk indicate that in the reporting period, the Bank has no significant exposure to operational risk or indications of potential risk areas;
- The assessment of exposure to reputational risk, based on the registered reputational risk events and the measures and activities undertaken during the period of January-December 2024, is that the Bank has no significant exposure to reputational risk. The complaints did not cause significant material damage, nor did they result in significant exposure to reputational risk.

7. In its operations, the Bank is fully complied with and strictly adheres to the legal requirements and supervisory standards, as follows:

- The initial capital required for establishing the Bank, which according to the law should be in an amount of MKD 310,000,000;
- The capital required for performing the following activities: international lending, factoring, financing of commercial transactions, trading with FX assets, precious metals, securities, financial derivatives, managing the assets and securities portfolio by order of and for the account of clients, providing custodian services and trading, guaranteeing and placement of new issues of securities, which, according to the law should be at least MKD 560,000,000;
- The Bank's own funds in relation to the initial capital, which according to Article 64 of the Banking Law should not be less than the initial capital;
- The Bank fulfills the supervisory standards in accordance with Article 15 of the Banking Law (the total nominal amount of shares without voting rights in the Bank in the total nominal amount of the total shares should not exceed 10%);
- The capital adequacy is 19.26% and it is within the prescribed minimum of 8%;
- The regular capital ratio and the base capital ratio equals to 19.26% and are within the required minimum of 4.5% and 6%, respectively;
- As at 31.12.2024, the Bank possesses extra capital for covering the protective buffers for capital maintenance of 2.5% and systemically important bank of 2.5%, as well as, in accordance with the Decision of NBRNM, from 01.01.2024 to 30.06.2024, the Bank maintained a countercyclical capital buffer rate for exposures in the Republic of North Macedonia in the amount of 0.75%, taking into account the appropriate countercyclical capital buffers for exposures to other countries; from 01.07.2024 to 31.10.2024, the Bank maintained a countercyclical capital buffer rate for exposures in the Republic of North Macedonia in the amount of 1.00%, taking into account the appropriate countercyclical capital buffers for exposures to other countries; and from 01.11.2024 to 31.12.2024, the Bank maintained a countercyclical capital buffer rate for exposures in the Republic of North Macedonia in the amount of 1.25%, taking into account the appropriate countercyclical capital buffers for exposures to other countries;
- The Bank fulfills the supervisory standard in accordance with Article 71 of the Banking Law according to which: "an exposure towards a person and its related persons should not exceed 25% of the Bank's own funds";
- The Bank has exposure towards a subsidiary of 0.02% of the Bank's own funds (which should not exceed 10% of the Bank's own funds);

- The Bank does not have an exposure higher than the prescribed 10% of the own funds towards shareholders of the Bank with qualified share and their related parties that directly or indirectly have at least 5% of the total number of shares or issued shares with voting rights which can significantly influence the Bank's managing process, and fully complies with this supervisory standard;
- The exposure towards persons with special rights and responsibilities and their related parties in total represents 12.38% of the Bank's own funds and is within the legally prescribed 3% of the Bank's own funds towards each person with special rights and responsibilities and their related parties;
- Total exposure toward a subsidiary, shareholders with qualified share and individuals with special rights and responsibilities is 12.40%, and is below the limit of 65% of the Bank's own funds;
- The Bank has large exposure towards an individual and his/her related parties which is equal or larger than 10% of the Bank's own funds, but the total amount of large exposures is 26.53% of the Bank's own funds and does not exceed the prescribed eight-fold amount of own funds;
- The Bank does not have any approved loans or other type of credit exposure for purchase of Bank's shares or any loan approved upon pledge of shares by the Borrower;
- The Bank does not have shares in other banks that have capital participation in the Bank larger than 5%;
- The Bank fulfills the standard required by Article 75 of the Banking Law for purchasing own shares of up to 10% of the nominal value of total shares, but the amount of the purchased own shares should not exceed the amount of unallocated profit;
- The Bank's property in buildings, land, equipment and capital parts in other banks, non-banking financial organizations and non-financial institutions is 16.54% of the own funds, and is within the prescribed limit of 60% of the own funds;
- The aggregate amount of capital parts with non-financial institutions is 1.03% of the Bank's own funds compared to the prescribed 30% of the Bank's own funds;
- The Bank does not control any non-financial institution;
- The Bank fulfills the obligation for mandatory reserve requirement in MKD and FX according to the prescribed Methodology by NBRNM;
- The open FX position of the Bank (daily open FX position) is within the prescribed 30% of the Bank's own funds;
- The Bank fulfills the standard of the Law on Trade Companies according to which the percentage of allocation of part of the net profit in mandatory general reserve of the Bank cannot be lower than 5% of the profit, until the reserves reach an amount equal to one tenth of the common equity capital.

VI. CORPORATE LENDING

In the field of lending to legal entities, the Bank continued to provide credit funds to companies in support of their operations while respecting the principles of profitability, efficiency and security of placements, as well as taking acceptable credit risk.

In the reporting period, the Bank adopted the Credit Policy and Procedures, as well as the Procedures for identifying risks related to climate change in the process of approving and monitoring credit exposures to legal entities in the Bank.

1. Denar loans

As at December 31, 2024, the share of short-term denar loans in the total used loans is 67%, while the share of used long-term loans is 33%. The number of loan files on the basis of disbursed short-term denar loans is 2,068 in the total amount of MKD 30,714.8 million, and

notes an increase in value by 10.5% compared to 2023, while the number of loans on the basis of disbursed long-term loans is 907 in the amount of MKD 15,133.3 million, and notes an increase in value by 91.7%.

In 2024, the Bank approved one new loan from the credit line of the Agricultural Credit and Discount Fund (ACDF-IFAD 2) in the total amount of MKD 5 million, MKD 4 million of which are funds from IFAD 2 and MKD 1 million are funds from Komercijalna Banka AD. The loan has been fully utilized. Additionally, during the reporting period, a new loan in the amount of MKD 12 million was included in the portfolio guarantee from the Guarantee Fund of DBNM.

From the Program for interest rate subsidies on loans granted to companies that reinvest profits, the EBRD SME Competitiveness Support Program (CSP2), and the EBRD Sustainable SME Reboot Program in 2024, the Bank has not approved any new loans. Likewise, no new approvals have been made under the signed Memorandum of Cooperation with the Fund for Innovations and Technological Development (FITD).

Additionally, from the credit line for commission work through DBNM within the framework of the Project for Self-Employment with Lending and the Project for Lending to Legal Entities (Micro and Small Enterprises) for Opening New Jobs, in the period 01.01.-31.12.2024, 8 loans were approved in a total amount of MKD 4.2 million.

2. FX loans

In the reporting period, the Bank continued to approve FX loans from the funds of foreign credit lines and FX loans from the Bank's resources:

In the period 01.01-31.12.2024, the Bank approved loans under the Program for financing projects for digitalization and digital transformation, energy efficiency and renewable energy sources (DIG/EE/RES) through DBNM, as well as under the EIB VII Program for financing small and medium-sized enterprises, mid-cap enterprises, and green transition. Funds were utilized both from loans approved during the reporting period and from loans approved in the previous year under the mentioned credit lines.

- Under the EIB VII credit line, 6 loans were approved in an amount of 5.5 million euros, and 9 loans were utilized in an amount of 11.4 million euros;
- Under the Program for financing projects for digitalization and digital transformation, energy efficiency and renewable energy sources, 3 loans were approved in an amount of EUR 0.8 million, while 4 loans were utilized in an amount of EUR 1.1 million.

In 2024, the Bank signed a Framework Agreement for participation in the credit line for green and socially responsible investments with funds provided by the French Development Agency in the amount of EUR 50,000,000. A Loan Agreement was also concluded with EBRD for participation in the Green Finance Facility Program in the amount of EUR 4,000,000.

In the reporting period, the Bank performed regular administration of already approved FX loans for principal and interest liabilities from EIB credit lines and EBRD credit lines and from the credit line for digitalization and digital transformation projects, energy efficiency and renewable energy sources from DBNM.

In the period 01.01-31.12.2024, the Bank has approved a total of 30 FX loans from its own funds in the total amount of EUR 46.4 million, while a total of 32 loans in the amount of EUR 46.6 million were utilized.

3. Denar guarantees

Within the denar operation with legal entities, the Bank issues payment and performance denar guarantees. In 2024, the Bank issued 4,237 guarantees in a total amount of MKD 7,208 million, whereby the number has decreased by 5.2% and the value has increased by 57.1%.

During the reporting period, the Bank issued 22 electronic bid bonds for participation in auctions in the total amount of MKD 29.7 million, compared to 35 electronic bid bonds and one Annex to an electronic bid bond in the amount of MKD 35.2 million during the same period last year.

4. Collection of problem claims from legal entities

The Bank undertakes intensive activities aimed at improving the process of managing problem claims, more efficient collection and faster resolution of problem placements, which will result in improvement of the quality of the loan portfolio.

During the reporting period, the measures and activities undertaken for collection of claims from clients - legal entities having problem loan status, i.e. clients against whom a forced collection process has been initiated, resulted in collected claims in a total amount of MKD 530.7 million, out of which: MKD 105.6 million i.e. 19.9% are collected claims from balance sheet records (MKD 96.3 million collected claims on principal debt and MKD 9.3 million collected non-performing interest) and MKD 425.1 million i.e. 80.1% are collected claims from off-balance sheet records. Out of the total collected balance and off-balance sheet claims, 84.8% are cash collections and 15.2% are foreclosures.

VII. INTERNATIONAL TRADE INSTRUMENTS

During 2024, the number of issued foreign exchange guarantees has reduced by 3.7% compared to 2023, but it has increased in value by 5.4% (foreign exchange guarantees were issued in an amount of EUR 11.8 million in 2024 compared to EUR 11.2 million in 2023). The number of received foreign exchange guarantees decreased, but the value recorded an increase by 17.6% (in 2024, the Bank received foreign exchange guarantees in an amount of EUR 17.4 million compared to EUR 14.8 million in 2023).

In terms of the Bank's L/C operations, the opened import L/Cs in the amount of EUR 29.7 million note an increase in value by 49.2%, and the accepted export L/Cs in the amount of EUR 18.9 million note an increase in value by 51.2%.

The export documentary collections recorded a decrease in value by 70.1%, while the import documentary collections recorded a decrease by 96%.

In the reporting period, same as in 2023, the Bank did not purchase any accounts receivables based on export invoices (factoring).

During 2024, the Bank continued to perform forfeiting of receivables under export – trade operation instruments. A total of 10 forfeiting transactions were completed in a total amount of EUR 238.5 thousand, as opposed to 2 forfeiting transactions in a total amount of EUR 39.2 thousand completed last year.

VIII. PAYMENT OPERATIONS WITH LEGAL ENTITIES

In 2024, there is an upward trend in the total number and value of processed transactions.

- During 2024, the number of **newly opened** MKD accounts of legal entities¹⁴ increased by 3.2% compared to 2023, while the number of newly opened FX accounts increased by 2%. The total number of closed MKD accounts on various grounds has decreased by 9.5%. Out of the total number of closed accounts, 178 accounts were closed by a Decision of a competent authority, 468 were terminated on the basis of the Law on Trade Companies (due to bankruptcy, liquidation, lack of submission of final balances, etc.), 1,263 on the basis of written request (trade unions, tenants association), 31 on the basis of the Law on Payment Services and Payment Systems (due to inactivity and in accordance with the internal procedures), 4 on the basis of unilateral termination of the Agreement and 101 accounts were closed due to other reasons. In regards to other activities, the Bank acted upon 3,909 written requests regarding MKD current accounts, as well as upon 1,102 written requests regarding FX current accounts, all in relation to status and other data changes of legal entities; the Bank has distributed 33,508 forced collection decisions, where account blocking was initiated for 68% of client accounts. Compared to last year, decisions for forced collection recorded an increase by 7.9%;
- The number and value of the **processed transactions** of legal entities recorded an increase mostly due to the increased non-cash electronic transactions and transactions realized via the mBankaCo application. Within the total number of non-cash transactions, 56% were processed through internal clearing, 41% through KIBS and 3% of the orders were processed through MIPS. Within the cash transactions of legal entities, cash in transactions account for 94%, while cash out transactions represent 6%. In terms of payment of salaries and other personal income, the Bank processed 174,869 transactions per folio number of legal entities, with 83,762 transactions processed at the Bank's counters, while 91,107 transactions processed through the e-banking service;
- In the analyzed period, there is an increase in the volume and type of transactions for which customers use the Internet banking services, with a continuous growth of the number of e-banking users (23,376 users compared to 21,462 in 2023). The number of registered users of the mobile application mBankaCo, as at 31.12.2024 has increased by 21% (7,987 registered users compared to 6,587 in 2023). Out of the total processed electronic transactions, 332,882 transactions were executed through the mobile application mBankaCo, against 274,668 transactions realized in 2023, which is an increase by 21.2%. As at 31.12.2024, the ATM cash-in service using a Visa Business Debit card has been used on average by 550 legal entities on a monthly basis. Based on this service during 2024, a total of 74,074 transactions were realized with a total value of MKD 2,206.9 million compared to 55,355 transactions with a total value of MKD 1,434.0 million during 2023;
- The total processed FX operations for legal entities in 2024 amounted to EUR 4,661.6 million and note an increase compared to 2023 by 7.0%, while the number of transactions is 203,354 and notes an increase by 5.4%;
- The realized activities within FX e-banking in the period 01.01-31.12.2024 have increased in relation to: the total number of new users (legal entities) by 8.2%, the total number of active users (legal entities) by 12.9%, the number of new subscriptions for

¹⁴ MKD accounts of legal entities and donation accounts of individuals.

foreign exchange market for legal entities by 16.9%, and the number of executed payment orders during the year by 7.7%.

IX. LIQUIDITY AND FINANCIAL MARKET

1. Denar and fx liquidity

In the course of 2024, the Bank maintained its **denar liquidity** at a level that enabled smooth realization of the financial activities and fulfillment of the legal and client obligations. **Foreign currency liquidity** and currency structure was maintained with consistent adherence to the limits prescribed for determination and quantification of the open FX position. Pursuant to the Decision on mandatory reserve requirement, the Bank fulfills the mandatory reserve in euros if the daily balance of the Bank's allocated assets on the fx account of the National Bank abroad is at least equal to 85% of the calculated mandatory reserve in euros, and the average daily balance of the allocated assets of the Bank on the fx account in MIPS for the maintenance period is at least equal to 15% of the calculated mandatory reserve in euros.

Within the reporting period, NBRNM adopted amendments to the Decision on mandatory reserve requirement with the purpose of promoting the use of the denar in the domestic economy.¹⁵

In the reporting period, the average balance of term deposits in foreign banks notes an increase compared to 2023, while the average balance of current accounts in foreign banks and term deposits in domestic banks has decreased.

The Bank invested the excess of liquidity assets in treasury and government bills, available deposits at NBRNM and short-term deposits abroad. In this period, the Bank did not use loans from other banks, did not execute repo transactions and did not place MKD deposits in domestic banks.

2. Securities operations

- In the period 01.01-31.12.2024, the Bank continued to participate in the auctions for treasury bills issued by NBRNM and government bills issued by Republic of North Macedonia. The value of subscribed treasury bills on behalf of and for the account of the Bank noted a decrease by 13.4% compared to 2023, while the value of the subscribed government bills on behalf of and for the account of the Bank noted a decrease by 41.4%;
- The Bank's investments in financial assets measured at fair value through other comprehensive income as at 31.12.2024 amount to MKD 65.0 million, and are comprised of investments in shares issued by domestic financial entities and investments in foreign financial entities;
- The Bank's investments in equity securities at fair value through profit or loss, which consist of shares issued by domestic non-financial legal entities as at 31.12.2024 are in the amount of MKD 180.8 million and have increased compared to 2023 as a result of a larger amount of purchased vs. sold shares;
- The amount of investments in debt securities which comprise of structural government bonds for denationalization, continuous government bonds in denars and with a currency clause, Eurobonds in foreign currency, corporate bonds in denars, and government bonds from non-residents as at 31.12.2024 is MKD 34,533.6 million, which represents an increase by 32.5% compared to 2023. The increase is due to a larger amount of purchased as opposed to matured continuous government bonds,

¹⁵ For further information, please refer to Chapter I of the Report.

purchased Macedonian Eurobonds and new placements in government bonds issued by non-residents;

- In 2024, the Bank retained its investments in stakes in investment funds. The share of stakes as at 31.12.2024 amounts to MKD 375.0 million and is comprised of stakes in KB Invest – Open Investment Fund Balanced in the amount of MKD 13.8 million and in KB Invest – Open investment fund – Cash in the amount of MKD 361.2 million. Both note an increase compared to 31.12.2023 due to objective value estimation;
- As at 31.12.2024, the Bank has investments in the associated company KB Prvo Penzisko Drushtvo for pension fund management AD Skopje in the amount of MKD 422.4 million, which note an increase as a result of the net positive effect on the basis of dividend paid and recorded share in the profit of the associate using the “method of principal”;
- As at 31.12.2024, the Bank has investments in the subsidiary KB Invest – Investment fund management company AD Skopje in the amount of MKD 50.9 million.¹⁶
- In the period reported, the Bank purchased a higher amount of government bills and government bonds on its behalf and for the account of clients, due to the attractiveness of the interest rates which remained at a relatively high level also during 2024;
- During the reporting period of 2024, the trading at the Macedonian Stock Exchange was characterized by a significant increase of the total turnover by 190.2%. The MBI10 index at the end of December 2024 increased by 66.78% compared to December 2023. Analyzed by the number of total transactions, the shares of Komercijalna Banka were traded the most, followed by shares of Alkaloid AD Skopje, NLB Banka AD Skopje, Stopanska Banka AD Skopje and Makpetrol AD Skopje. The realized turnover of the Bank noted a significant increase by 164.2%. Most of the total realized turnover of the Bank during 2024 (85.6%) was realized through classic trading, while the remainder (14.4%) was realized through block transactions;
- Pursuant to the provisions of the Law on Foreign Exchange Operations, in the period January-December 2024, the Bank settled 1,491 transactions on foreign stock exchanges for residents in a total amount of around MKD 974 million¹⁷, while in 2023 it settled 620 transactions on foreign stock exchanges for residents in a total amount of around MKD 949 million;
- The sole shareholder with qualified majority is the legal entity Adora Engineering DOOEL Export-Import Skopje which exceeds the threshold of 5% of the total issued shares of Komercijalna Banka AD Skopje, and as at 31.12.2024 - along with its related entities - has a participation of 14.992% in the total number of issued shares. In the reporting period, a total of 134,586 ordinary shares were traded, compared to 126,807 shares traded during the same period last year. The average price at which the Bank's shares were traded in the period 01.01-31.12.2024 was MKD 21,070, as compared to MKD 12,471 in 2023;
- One of the main priority objectives set by the Development Plan of the Bank for the period 2024-2026 is "Maintenance of the capital value and its increase, through a policy of further allocation of a significant part of the net profit in reserves, thus providing a capital adequacy ratio that would correspond to the planned activities". Based on this objective, in its Program of Business Policy Measures and Activities for 2025 the Bank has defined the Dividend Payout Policy, which will be calculated as a percentage of the realized net profit for the year, taking into account the fulfillment of the total capital requirements prescribed by NBRNM. Thus, the calculated dividend payment percentage will range from 40%-70% of the net profit for the year. When setting this internal operating principle of the Bank for 2025, the results of the process for determination of the internal capital have been taken into account, according to which the Bank possesses excess capital and there is no need to prepare a capital

¹⁶ In June 2024, as a result of a change in the ownership structure, approval was obtained from the Securities and Exchange Commission for an amendment to the statute, changing the company's name from KB Publikum Invest AD Skopje to KB Invest AD Skopje.

¹⁷ Includes the number and amount of transactions realized via the IBKR and CAPMANN trading platforms

plan. In the past period, Komercijalna Banka has regularly been paying dividends to its shareholders, whereby the proposed gross amount of dividend per share for 2024 is MKD 1,250.00;

- On March 27, 2024 the Bank held its regular annual General Meeting of the Bank's Assembly, whereby it adopted the Decision on appropriation and allocation of the unallocated profit gained as at 31.12.2023 and the Decision on determining the amount of the dividend and dividend payment dates for 2023. According to the Decisions, on 25.04.2024 the Bank paid the dividend for 2023 to shareholders holding ordinary shares which are recorded in the Shareholders Book on 11.04.2024. Out of the total calculated dividend for 2023 in the amount of MKD 2,073,950,970.00, legal entities were paid a dividend in the amount of MKD 1,060,754,240.00, while individuals were paid the amount of MKD 1,013,196,730.00. The amount of dividend per share was MKD 910.00, i.e. 91.0% of the nominal value of the share.

3. Custodian activities and Custodian/Depository bank

- In accordance with the provisions of the Law on Securities, as at 31.12.2024, the Bank has 14 concluded agreements for performing securities custody operations with non-resident clients, out of which 13 are legal entities and 1 is an individual client. Based on these agreements, the Bank manages a total of 26 portfolios with a total market value of MKD 811.2 million, representing an increase by 33.8% compared to the same period last year;
- In the reporting period, the Bank continued to provide *bank-custodian* services for the assets managed by Triglav Pension Company AD Skopje and WVP Pension Management Company AD Skopje. The total value of the assets in the three¹⁸ pension funds as at December 31, 2024, is MKD 13,016 million, representing an increase by 46.7% compared to 2023;
- The Bank also continued to operate as a *depository bank* to 13 investment funds managed by KB Invest AD and WVP Fund Management AD Skopje, with a total net asset value of MKD 15,236 million as at 31.12.2024, representing an increase by 47.2% compared to 2023.

4. FX market and fx trading

The realized turnover on the FX market of the Bank notes an increase by 7.1%, while the total turnover in FX trading has decreased by 4.6%.

X. VAULT OPERATIONS

In the reporting period, the total number of active safe deposit boxes rented to clients – individuals notes an increase. As at December 31, 2024, the Bank has 5,128 active safe deposit boxes rented to individuals, compared to 4,918 active boxes as at 31.12.2023. The number of active safe deposit boxes of clients - legal entities has increased and is 99 at the end of 2024, as compared to 2023, when it was 97. During the reporting period, the following significant activities were undertaken: installation of new safe deposit boxes, regular servicing of cash-in and cash-out ATMs, as well as the introduction of additional control procedures which resulted in increased cash handling; expansion of cooperation with the existing corporate clients by using cash transportation services; adjustment of work processes aimed at enhancing security, reducing operational costs, increasing productivity, and optimizing processes in terms of cooperation with other relevant organizational units within the Bank, as well as with external institutions.

¹⁸ Triglav mandatory pension fund, Triglav voluntary pension fund and WVP voluntary pension fund.

XI. RETAIL BANKING

1. As at December 31, 2024, **household deposits** (including non-residents) reached the amount of MKD 108,084.3 million, which is an increase by MKD 7,838.2 million compared to December 31, 2023, i.e. 7.7%. In the reporting period, the number of newly opened MKD saving deposits books and cash deposits is 4,435 (3,501 new saving deposits books and 934 new cash deposits), and notes a decrease by 20.2% compared to the same period last year when 5,555 saving deposits books and cash deposits were opened (4,696 new saving deposits books and 859 new cash deposits). The number of newly opened FX saving deposits books, cash deposits and accounts (total for both residents and non-residents) is 12,100 compared to 13,867 in the same period last year, noting a decrease by 12.7%. Thereby, in the reporting period 4,412 new FX saving deposits books have been opened, 6,765 FX resident accounts, 225 FX non-resident accounts and 698 FX cash deposits.

2. The value of the total realized **domestic payment operations for individuals** is MKD 147,994 million, noting a decrease by 5.1% compared to 2023. Analyzed separately, non-cash transactions amounted to MKD 75,382 million, noting a decrease by 10.7%, while cash transactions amounted to MKD 72,612 million, noting an increase by 1.4%.

3. In 2024, the value of the total realized **international payment operations for individuals** reached the amount of EUR 309.5 million and notes a decrease by 1.2% compared to last year. Analyzed separately, total payments have increased by 31.8% in value, while collections have decreased by 11.9%. In regards to FX operations, the total realized turnover from purchase and sale of currencies amounted to MKD 5,509.9 million and notes an increase by 7.2% compared to 2023.

4. **The Bank's lending activities within the household sector** note an increase in the period 01.01-31.12.2024 compared to the previous period, as a result of the more significant increase of consumer loans and to a lesser extent of housing loans.

The total number of disbursed loans was 13,617 (compared to 11,212 in 2023) in the amount of MKD 9,567.4 million (compared to MKD 7,810.5 million in 2023).

The lending activity in the reporting period noted an accelerating dynamic encouraged by the ongoing decrease of the interest rates amid conditions of heightened competition, as well as due to the availability of modern digital tools when applying. When approving loans to households, the detailed credit analysis, the quality of collateral and the credit history of the clients were taken into consideration, with the goal of minimizing and timely identification of the credit risk, which is in accordance with the Bank's policy and long-term strategy for maintaining quality, sound and low risk credit portfolio.

During the reporting period, the Bank undertook the following more significant activities: signed a new agreement for the credit line Green Economy Financing Facility (GEFF) with the European Bank for Reconstruction and Development (EBRD) in the amount of EUR 3.5 million and began with loan placements; continued with the offer of life and non-life insurance loans through Triglav, as well as the loan through the intermediary Neptun; offered promotional periods in which the consumer and housing loans were approved under more favorable conditions without approval fees; the digital consumer loan through the One ID application has been introduced, which enabled the consumer loan to become more available to clients through several simple steps, without the approval of forms and an on-site visit; continued concluding new agreements and annexes for continuing the business collaboration with the existing construction companies, with the aim of financing the sale and enabling favorable conditions for the housing loans for the Bank's clients etc.

5. As at December 31, 2024, the total number of active **bank cards** is 283,766, noting an increase by 3.5% compared to the same period the previous year, while the number of newly issued cards amounted to 34,161 and has been decreased by 0.7%. During the reporting period, the Bank continued its activities for closing inactive and uncollected cards so that the costs for their reissuance would be decreased, and thereby a total of 24,042 cards were closed. During 2024, a total of 55,074 Gift cards (28,395 Gift cards for Skopje City Mall and 26,679 Gift cards for Skopje East Gate Mall) were sold with a total value of MKD 107.1 million. During this period, 1,088 new sales points with POS terminals were opened and as at December 31, 2024, the total number of sales points with POS terminals is 6,293, and the total number of active ATMs is 180. The number of active sales points with at least a single transaction in 2024 is 6,640.

The number and amount of card transactions issued by the Bank has increased by 14.4% and 15.7% respectively, and the number and amount of transactions realized on the Bank's sale network has increased by 27.1% and 18.2% respectively. The e-commerce transactions note an increase, as well as the cash-in payments on the ATMs.

6. In the period 01.01-31.12.2024, **payment accounts operations** registered the following dynamics: the number of active payment accounts has remained unchanged in relation to 2023, total inflows on payment accounts have increased by 8.0%, the number of companies that pay salaries to their employees has increased by 1.1%, the number of payment accounts receiving inflows under salaries has increased by 0.1%, the number of payment accounts receiving inflows under pensions has increased by 0.6%, while the total approved overdraft facility has increased by 4.2%. On the other side, the total amount of utilized overdraft facility has decreased by 0.6%, while the percentage of utilization of the overdraft facility has decreased by 1.3 percentage points. The Bank is increasingly emphasizing the development of alternative opportunities for customers in using their accounts' funds. In that direction, the use of electronic and SMS banking has increased. As at December 31, 2024, the Bank has registered a total of 220,045 Internet Bank users i.e. an increase by 7.2% compared to 2023, while a total of 1,897 SMS banking service subscriptions were granted to a total of 1,461 users and a total of 80,390 messages were sent. A total of 130,544 individual users have successfully installed the Bank's mobile banking application (compared to 111,973 users last year), with 22,136 of them having made a transaction; the total number of payment orders made through mobile banking in the reporting period is 857,287.

7. Regarding the **collection of overdue receivables**, the usual measures and activities were undertaken. In the analyzed period, the Bank issued around 1,522 warnings to users of payment accounts for debts overdue, 518 notifications, warnings and terminations of contracts with loan beneficiaries, and about 648 warnings and 288 terminations of contracts with credit card holders. In addition, 582 files on payment accounts, 90 files on loans and 305 files on cards were submitted to the Legal Affairs Department for the purpose of initiating forced collection procedures. In the reporting period, a total of MKD 130.3 million were collected from individuals through forced collection proceedings.

8. Apart from the ongoing activities with specifically segmented customer groups and the regular activities of the Bank's Contact Center, in the course of 2024, the **customer relationship management activities** included activities related to selling of the Bank's services and products, as well as their monitoring and tailoring to customer needs. Apart from serving regular clients from the segmented customer groups, the Bank cooperated on a continuous basis with clients who would like to officially receive the Bank's products and services in the future through personal bankers.

XII. MARKET SHARE OF KOMERCIJALNA BANKA AD SKOPJE IN TOTAL DEPOSITS AND LOANS

Table 12 - Participation¹⁹ of Komercijalna Banka AD Skopje in the total deposits and loans in the banking system of the Republic of North Macedonia (in %)

		31.12.2023	31.12.2024
1	Total retail deposits	28.3	26.8
	- MKD	26.9	25.0
	- FX	29.6	28.8
2	Total deposits from non-financial legal entities	21.5	21.3
	- MKD	23.9	23.2
	- FX	16.5	17.3
3	Total retail loans	10.5	11.0
	- MKD	4.0	6.8
	- FX	18.2	16.1
4	Total loans to non-financial legal entities	17.7	19.5
	- MKD	21.2	21.6
	- FX	12.2	15.0
5	Total deposits according to Monetary Statistics of NBRNM	25.7	24.6
6	Total loans according to Monetary Statistics of NBRNM	14.2	15.3

XIII. INFORMATION TECHNOLOGY

In the course of 2024, the most significant ICT activities were related to the implementation of regulatory requirements like decisions and laws adopted by NBRNM and other institutions in RNM, introduction of new products, functionalities and the enhancement of automation processing in the processes.

- After the initial implementation of the **Decision on methodology for credit risk management and the new definition for non-performing loan exposures**, a series of amendments to the procedures and the application solutions have been performed.
- **For the needs of the Independent Compliance and AML Department**, for purposes of assessing the risk of ml/ft, several reports for the analysis of high-risk clients have been prepared, inflows and payments from countries with high AML risk, activities of clients who are holders of public office, changes in scenarios of several daily and monthly risk indicators.
- **In the Internet Bank and M-bank**, the following functionalities have been updated: push provisioning of cards in mBank through Entrust; blocking-unblocking of cards through mBank; change of Internet limits of business cards through mBankaCo Android; API endpoints for personalized informing through kb.mk in accordance with the Law on Payment Services and Payment Systems.
- Within the **applications for banking cards**, the following significant upgrades have been made: solution for activating a card with the first transaction at an ATM; solution for charging inactive e-commerce merchants; certification with MasterCard, Visa and Google in the section of Push provisioning of cards in Google Wallet via mBanka; enhanced authentication has been introduced for card-based payment transactions.
- A series of changes have been made to meet the **needs of the Bank's sectors**, adaptations of and amendments to the existing application solutions, new reviews are

¹⁹ According to NBRNM Methodology – monetary statistics.

created and automatization of certain processes is performed with the aim of improving the work.

- In the framework of **maintaining and enhancing ICT security** and the regular system updates, an update has been made on the systems for scanning and vulnerability management Qualys VM within VMDR (Vulnerability Management Detection and Response), POL (Policy Compliance), Patch Management (PM) and WAS (Web Application Scanning). In accordance with this, Qualys POL (Policy Compliance) scanning has been made and reports were created for the critical systems regarding compliance with the accepted industrial standards for information security.
- A new Wi-Fi network has been implemented based on Cisco Meraki service, fully covering KB1 and KB2; an integration of the POS terminals for corporate clients with a payment application of their sale locations has been realized; a completely new modern room with a video wall for central monitoring of the security systems has been realized.
- A migration of the main servers for production databases of the Bank from version MS SQL 2014 EE to a new MS SQL SERVER 2022 EE database version has been realized. Comprehensive changes and adaptations of the banking applications for operation with the new base version have been made, etc.

XIV. MARKETING ACTIVITIES

The Bank performed its marketing activities within the determined budget for marketing and communication activities, and the budget for sponsorships and donations for 2024.

Throughout the year, the Bank realized several significant promotional campaigns and activities, the most important of which are the following:

- marketing campaign for the promotion of the housing loan, SMART loan through card, the new consumer loan through One ID, for KB packages (especially the Package for young people up to 29 years), as well as the campaign for Cineplexx cinema;
- promotional campaign for Visa credit cards for individuals, campaign for Visa business cards and for the new benefits of Visa Gold credit cards;
- communication campaigns for the shopping gift cards for the shopping malls Skopje City Mall and East Gate Mall;
- communication campaign for MasterCard Platinum premium credit card;
- activities regarding the corporate campaign for marking the 70th anniversary in 2025 are underway;
- activities for the launch of a campaign for promotion of new applications with a slogan „Modern, Simpler, More efficient“ are underway;
- a marketing research was conducted for a particular target group;
- a research study was conducted regarding the Bank's positioning on the country's market – individuals segment;
- activities regarding the creation of a brand new and modern design of the Internet Bank and the mobile applications mBank and mBankaCo are ongoing, which will be aligned with the new visual standards of the Bank's brands;
- the following activities were promoted through the use of social media: existing and new products of the Bank; partnership with the Furniture Fair 2024, where the Bank presented its products and services through a separately branded expo space; the Bank's socially responsible activities and the awards awarded to the Bank by international institutions and publications;
- the Bank's ATMs, as one of the most important distribution channels, apart from their main function were also used for promotional purposes, i.e. advertisement messages from the current campaigns of the Bank were displayed and broadcasted on their monitors.

XV. COMPLIANCE OF THE BANK'S OPERATIONS, ANTI-MONEY LAUNDERING ACTIVITIES AND MANAGEMENT OF THE IT SYSTEM SECURITY

In the course of 2024, the Bank maintained operational compliance with the regulations, worked on preventing money laundering and financing of terrorism and managing the information system security and personal data protection, which enabled legal and compliant operations and protection against possible risks, enacted legal and regulative sanctions, risk of possible financial losses, deterioration of the Bank's reputation, etc.

3. In order to **ensure operational compliance**, the Bank regularly followed the newly adopted regulations, the amendments to the applicable regulations, as well as the draft-regulations, and notified all organizational units and the Bank's governing bodies thereof. The following are more significant activities that have been undertaken:
 - Interpretation of and providing opinions regarding the Law on Amending the Law on Securities, the Law on Financial Instruments, the Law on Prospectuses and Transparency Obligations for Securities Issuers, the Law on Amending the Law on Payment Services and Payment Systems, and the Decisions of NBRNM related to amendments to the methodology for credit risk management, capital adequacy, mandatory reserve, the content and functioning of the Credit Registry, and others;
 - Implementation and fulfillment of the obligations that are stipulated by the FATCA regulation;
 - Conducting regular controls on the fulfillment of the obligations in terms of timely delivery of reports, information and data to institutions outside the Bank; controlling the internal acts compliance and the response to complaints;
 - Timely informing of the Bank's bodies for the implementation of the compliance control function for the Bank's operations and the system for prevention of money laundering and financing of terrorism, etc.

4. For the purpose of **prevention of money laundering and financing of terrorism**, the Bank regularly followed and complied with the legal regulations in this area, and performed continuous control on their proper application, made improvements to the system for preventing money laundering and financing of terrorism, and actively cooperated with the correspondent banks and external institutions. In that regard, the following more significant activities were undertaken:
 - Regular monitoring of the publications by the European Council regarding the lists of high-risk countries and individuals subject to EU sanctions, as well as implementation of enhanced software controls and communication with the relevant organizational units;
 - Monitoring and analysis of entities and transactions categorized as high risk;
 - Activities were undertaken to ensure compliance with the NBRNM Decision on Implementation of Measures for Prevention of Money Laundering and Terrorism Financing;
 - An analysis was conducted on a client risk assessment report as of 31.12.2023, as well as an analysis of the data generated by the AML software solution, confirming that the Bank successfully controls the AML/CFT risk and minimizes it to the lowest level through the measures and actions it applies, etc.

5. In terms of **IT security management and personal data protection**, the following more significant activities were undertaken:
 - Regular annual revision on the IT Security Policy of the Bank, regular updating of the Plan for Continuity of Operations; the Bank also cooperated with NBRNM during the annual supervisory assessment of the IT SREP risks;
 - An analysis and assessment of the risks and the Bank's readiness level for coping with risks linked with threats in the digital space were conducted with the help of NBRNM's tool. Based on the acquired results, the Strategy for Managing Risks from Cyber

Attacks in the Digital Space was revised, along with the Action Plan for maintaining/achieving the required readiness level;

- A reassessment of personal data protection risks was conducted;
- Regular monthly access controls were carried out for authorized personnel with access to personal data;
- Regular security testing of the information system was performed, including scanning for vulnerabilities in IT systems and monitoring quantitative indicators for IT risk exposure;
- Management of registered security incidents and cooperation with relevant or involved external institutions;
- Review and alignment of internal acts, including testing new versions of the Business Continuity Plan, the Security Incident Management Manual, the Personal Data Protection System Policy, and updating the Personal Data Collections Catalog;
- To raise employee awareness of information security and personal data protection, an agreement was signed with a prominent company to use an advanced Learning Platform, and 500 licenses were purchased;
- The usual activities continued in the area of monitoring international standards, legal regulations, technological changes, etc.

6. In terms of **prevention and detection of frauds in the Bank**, the undertaken activities were primarily focused on preparing internal acts and identifying a systematic solution for establishing a centralized fraud detection and prevention process. In this regard:

- A Fraud Detection and Prevention Policy was adopted in the Bank;
- Scenarios and indicators for detecting and preventing internal fraud were developed for each organizational unit individually;
- Through the DLP (Data Loss Prevention) solution, regular data analysis was conducted to determine the existence of any malicious activity, while the IBM Trusteer solution was used to analyze potentially malicious activities originating from end-users of electronic and mobile banking;
- Preparation of a proposal for Key Risk Indicators for all organizational units within the Bank, etc.

XVI. ORGANIZATION AND PERSONNEL

The organizational chart of Komercijalna Banka AD Skopje is enclosed in Appendix diagram No.1.

As at December 31, 2024, the total number of employees is 972, 715 of whom located in the Head Office and the city branches in Skopje, and 257 in the branches throughout the Republic.

During 2024, the Bank continued to invest in the professional development of its employees. As at December 31, 2024, a total of 145 employees attended specialized trainings in various areas related to banking and finance, including trainings on ESG practices. Trainings to improve skills for working with computer software (tools) were attended by 83 employees. General trainings in leadership skills, emotional intelligence and sales skills were attended by 156 employees. Cash processing training was completed by 55 employees and 74 employees received training in health and safety at work. Internal training on personal data protection, information security and prevention of money laundering was organized for 55 new employees. Furthermore, 201 employees from the Independent Branch Network Management Department attended trainings in cashiers' operations, 31 employees participated in internal training on selling bank cards and 35 employees attended training to improve their sales skills. Throughout the year, employees were trained to perform their tasks in accordance with the Bank's security policy and the procedures, which aim to reduce the risk of human error, theft, fraud, misuse or loss. Specialized information security training was organized for employees

involved in operational and security risk related to payment services. The Bank's management attended trainings on the Bank's information system and the Law on Personal Data Protection, as well as training for employees for preventing money laundering and financing of terrorism. In addition, training sessions were held for the Bank's employees on information security and personal data protection, while for the Data Quality Management project, 11 workshops were conducted in 2024 with participation from employees across different units of the Bank.

During 2024, team building activities were organized for the Bank's higher management, as well as for 350 employees to enhance team spirit and improve interpersonal cooperation among different sectors.

Professional support and ongoing trainings were provided on performing inventory of the documentation and its registration with an archive sign and storage period in accordance with the Plan and the lists.

In the reported period, a total of 41 students completed their internships in the Bank.

XVII. INTERNAL AUDIT

The purpose of the Bank's internal audit as an independent organizational unit under the authority of the Supervisory Board and the Audit Committee, is to provide objective and independent assessment of the internal control system by measuring, monitoring and testing the adequacy of the controls, for purposes of ensuring effective performance of the working processes in accordance with the internal policies and procedures, the legislation, as well as with the Bank's Business Policy goals.

During 2024, the activities were focused on auditing the adequacy of controls in the Bank's internal control system for managing significant material risks to business processes, including credit risk, operational risk, AML/CFT risk, IT risk and liquidity risk. Thereby, 35 individual audits were realized, as well as self-evaluation of the internal audit function upon NBRNM's recommendation. Out of those 35 audits, 30 were realized in accordance with the Annual Work Plan for 2024 approved by the Supervisory Board (which envisaged 34 audits) and 5 additional audits, three of which for assessment of the implementation of the received recommendations from NBRNM, as well as two IT audits on the ICT setup of two branches.

As part of the routine activities and in accordance with the approved Annual Work Plan for 2024, comprehensive audits and controls were conducted at three branches of the Bank in Bitola, Gostivar and Strumica.

During 2024, in accordance with the Independent Internal Audit Department's Annual plan prepared on the basis of the conducted risk assessment of the IT processes, and upon consultation with the IT sector, IT audits were performed on the risks linked with digital space attacks that represent the most serious threats to the IT security and the Bank's continuous operations, and control and assessment were conducted of the Bank's compliance with the basic level of preparedness in accordance with the tool for self-evaluation of the risks linked with computer attacks in the digital space.

During the second and fourth quarters of 2024, the Internal Audit conducted control and assessment of the undertaken activities by the Bank's units for implementation of the recommendations received from NBRNM's Department for On-site Supervision. In accordance with the Program for Reassuring the Quality and the Advancement of the Function of the Internal Audit, a current continuous oversight and periodical self-evaluation of the

Internal Audit's work have been facilitated, in accordance with the requirements of the standards and the Code of Ethics of the internal audit.

The Bank's management bodies (Supervisory Board, Audit Board and Board of Directors) were regularly and in a timely manner informed about the implications and the more significant identified weaknesses that were discovered through the conducted audits.

Based on the performed individual audits during the course of 2024 providing the audit evidence based on conducted control of a representative sample of the audited material selected by random choice from all audited processes, the Internal Audit confirms the reasonable assurance that the Bank's internal control system is well designed and implemented for purposes of minimizing the significant material risks that are typical for the banking operations, and geared towards efficient and consistent implementation of the legal regulations and the Bank's business policy.

XVIII. FINANCE DEPARTMENT

During 2024, in addition to the regular activities in the area of financial operations, continuous consultations were carried out at a Bank's level for proper change and amendment of the accounting procedures for specific business processes, for every change and amendment of specific policies regarding material finance operations, for appropriate application of the international accounting standards and the international standards for financial reporting, and for appropriate application of the laws regarding fiscal regulation, as well as an assessment and finalization of some of the application solutions that are in the scope of the material finance operations and financial reporting, etc.

XIX. BRANCH NETWORK MANAGEMENT DEPARTMENT

Within the activities for managing the branch network, in the course of 2024 the following significant activities were realized:

- Opening of 6 new digital 24/7 zones, equipped with ATMs and the latest digital kiosks at the premises of the completely renovated Bank's locations in Prilep, Kumanovo and Strumica and the city-branch Ilindenska in Tetovo, as well as in Skopje within the Avtokomanda and Drachevo city-branches;
- Closing of three smaller city-branches - two in Skopje – Cheshma and Lisiche and in Obleshevo, due to optimization and rationalization of the operations;
- Renovation and modernization of the counter premises on 7 locations: the branches in Prilep, Kumanovo and Strumica, the city-branches Ilindenska in Tetovo and in Skopje – Drachevo (due to dislocation to a long-term location), Avtokomanda and Novo Lisiche;
- Reorganization of the duties for the city-branches in Skopje through the definition of three areas and managers whose aim is organization and monitoring of the employees in their respective area. Through their continuous presence in the city-branches, the employees are constantly trained for certain weaknesses, their work is directly monitored and the realization of the assigned tasks and a follow-up assessment is objectively performed regarding their engagement;
- Increased presence among existing clients through regular business visits with the aim to strengthen business relationships and collaboration, by presenting the Bank's current products and services;
- Completion of the installation of the system for implementing waiting queue in all of the Bank's branches;
- Setting sales targets for individual products, continuous monitoring and encouragement of increased sales activities;

- Implementation of new system solutions to improve work processes, and supplementing and improving the existing application reporting forms for the work processes of the network of branches and city-branches;
- Continuous training of employees to involve them in activities to increase sales, including training conducted by KB Prvo Penzisko Drushtvo for authorized licensed agents, internal and external training to improve and strengthen sales skills;
- Continuous training of employees with the aim of increasing quality of service and familiarization with the processes, products and product options that are offered by the Bank;
- Motivating employees with the support of our Awards and Acknowledgments Program;
- Regular activities for coordination, support, logistics, planning, informing and harmonization of the working processes among the Head Office and the remaining organizational units, branches and city-branches of the Bank, and finalizing the centralization of the accounting and operational activities from the branches through the appropriate departments in the Head Office of the Bank, etc.

XX. CORPORATE GOVERNANCE REPORT

1. Structure and performance of the Bank's bodies

In the course of 2024, the Bank performed its activities through the Bank's bodies: Shareholders Assembly, Supervisory Board, Board of Directors, Risk Management Committee, Audit Committee, Credit Committee and Information Technology Committee.

1.1. Shareholders Assembly

As at December 31.2024, the Bank has a total of 6,498 shareholders. Within its competencies, the Shareholders Assembly performs all activities determined by the legal regulations and the Bank's Statute. In the reporting year, the Assembly held one meeting on March 27, 2024 at which it adopted the Separate and Consolidated Financial Statements of Komercijalna Banka AD Skopje for 2023, audited by an audit company, adopted the Bank's Annual Account for 2023, reviewed and adopted all reports and proposed materials for the Bank's operations in 2023 and adopted a Decision for naming of members of the Supervisory Board: Aleksandra Maksimovska Stojkova, independent member; Vancho Chifliganec, member; Goran Antevski, member; Sasho Naumoski, member; Petar Tegovski, independent member; Ivana Milkovska Simeva, member; and Fatmir Etemi, member.

1.2. Supervisory Board

From 01.01.2024 to 20.05.2024, the Supervisory Board operated with the following composition of 7 members – Sava Dimitrova, independent member and President, Taki Fiti, Vice-President, Goran Antevski, member, Sasho Naumoski, member, Aleksandra Maksimovska Stojkova, independent member, Vancho Chifliganec, member, and Fatmir Etemi, member.

From 29.05.2024 to 31.12.2024, the Supervisory Board operated with the following composition of 7 members – Aleksandra Maksimovska Stojkova, independent member and President²⁰, Vancho Chifliganec, Vice-President²⁰, Goran Antevski, member, Sasho Naumoski, member, Petar Tegovski, independent member, Ivana Milkovska Simeva, member, and Fatmir Etemi, member.

²⁰ According to a Decision by the Supervisory Board adopted on 04.06.2024.

Table 13 – Members of the Supervisory Board of Komercijalna Banka AD Skopje

	Aleksandra Maksimovska Stojkova, independent member and President as of 29.05.2024
Age	50
Gender	female
Profession	Professor at Iustinianus Primus Faculty of Law, Ss. Cyril and Methodius University, Skopje
Data for material compensations and other rights under work agreements	MKD 1.5 million (gross) annually
Citizenship	Macedonian
Date of first nomination	23.03.2016
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 110% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Sava Dimitrova, independent member and President up to 20.05.2024
Age	75
Gender	female
Profession	retired
Data for material compensations and other rights under work agreements	/
Citizenship	Macedonian
Date of first nomination	22.03.2006
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 110% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
	Vancho Chifliganec, member and Vice-President from 29.05.2024
Age	70
Gender	male
Profession	Manager of the construction company “Adora Engineering” DOOEL Skopje
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of “Adora Engineering” DOOEL
Citizenship	Macedonian
Date of first nomination	30.07.2018
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 105% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months

Taki Fiti, member and Vice-President up to 20.05.2024	
Age	74
Gender	male
Profession	Retired, Member of MASA (Macedonian Academy of Science and Art)
Data for material compensations and other rights under work agreements	/
Citizenship	Macedonian
Date of first nomination	22.03.2006
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of 105% of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
Petar Tegovski, independent member	
Age	56
Gender	male
Profession	Member of the Board of Directors of Galeb AD Ohrid
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Galeb AD Ohrid
Citizenship	Macedonian
Date of first nomination	27.03.2024
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Member of the Supervisory Board of Ineks Gorica AD Ohrid
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
Ivana Milkovska Simeva, member	
Age	47
Gender	female
Profession	Deputy General Manager of the construction company Granit AD Skopje
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Granit AD Skopje
Citizenship	Macedonian
Date of first nomination	27.03.2024
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Member of the Supervisory Board of Granit AD Skopje
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months

Goran Antevski, member	
Age	52
Gender	male
Profession	Manager in Rade Konchar TEP
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Rade Konchar TEP Transformers and Electrical Installations
Citizenship	Macedonian
Date of first nomination	23.03.2016
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
Fatmir Etemi, member	
Age	59
Gender	male
Profession	Manager of ZSF KOM DOOEL Skopje
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of ZSF KOM DOOEL Skopje
Citizenship	Macedonian
Date of first nomination	17.09.2018
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Member of the Supervisory Board of Skopski Pazar AD Skopje
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months
Sasho Naumoski, member	
Age	56
Gender	male
Profession	Chief Executive Officer of Vitaminka AD Prilep
Data for material compensations and other rights under work agreements	The data are appropriately presented in the Annual Report on the operation of Vitaminka AD Prilep
Citizenship	Macedonian
Date of first nomination	23.03.2016
Duration of mandate	4 years
Data for membership in other managing bodies	Is not a member of other managing bodies
Data for membership in other supervisory bodies	Is not a member of other supervisory bodies
Compensation for membership in the Supervisory Board	Monthly remuneration in the amount of the average monthly net salary per employee in Komercijalna Banka AD Skopje, paid in the last three months

The members Aleksandra Maksimovska Stojkova and Petar Tegovski are independent members of the Supervisory Board²¹. For the selection of independent members, all criteria for independency determined by the Banking Law were complied with. Independent members

²¹ Sava Dimitrova was an independent member up to 20.05.2024

and persons related thereto are neither employees nor persons with special rights and responsibilities in the Bank, they are not shareholders with qualified participation in the Bank and are not proxies of a shareholder with a qualified participation in the Bank, they are not, and have not been employed in an audit company in the past 3 years, which in that period audited the Bank's performance, and in the past 3 years did not have a material interest or business relation with the Bank in the amount which in average exceeds MKD 3,000,000.00.

- Aleksandra Maksimovska Stojkova participated in 10 meetings during 2024;
- Sava Dimitrova participated in 6 meetings during 2024;
- Vancho Chifliganec participated in 9 meetings during 2024;
- Taki Fiti participated in 4 meetings during 2024;
- Petar Tegovski participated in 4 meetings during 2024;
- Ivana Milkovska Simeva participated in 4 meetings during 2024;
- Goran Antevski participated in 10 meetings during 2024;
- Fatmir Etemi participated in 10 meetings during 2024;
- Sasho Naumoski participated in 9 meetings during 2024.

At the 10 regular meetings held and by means of written consent of the members in between the meetings, in the course of 2024 the Supervisory Board passed the following: 90 decisions, 12 policies (policies and amendments to policies), 2 strategies, 4 plans, 1 program, 1 methodology, reviewed 35 information, 71 reports, 2 stress-tests, 16 reviews and other ongoing matters under its competence.

The Supervisory Board debated on vital questions regarding the Bank's operations, conducted monthly reviews of the liquidity and the economic and financial situation, and undertook necessary measures for protection of the Bank's capital and for collection of non-performing loans.

The Supervisory Board of the Bank adopted several decisions, policies, methodologies and other matters within its competence: it approved the Annual and Semi-Annual Report on the Bank's operations, the Program of Measures and Activities for 2024, the Development Plan for the period 2024-2026, reports on the work of the Risk Management Committee, reports on audits conducted by the Internal Audit Department, reports from the Independent Compliance and AML Department regarding the Bank's operations with regulations and anti-money laundering, as well as other information and reports within its competence. The Supervisory Board made decisions on the establishment of a Committee for Selection and Dismissal of Supervisory Board Members, a Committee for Establishment and Implementation of the Remuneration Policy, and Decisions on the appointment of members of the Board of Directors of Komercijalna Banka AD Skopje, members of the Audit Committee of Komercijalna Banka AD Skopje, and other bodies of the Bank. Additionally, in 2024, the Supervisory Board adopted a Decision to conduct a due diligence process to define a proposal for the merger of Stopanska Banka AD Bitola into Komercijalna Banka AD Skopje, as well as a Decision to define a proposal and submit a bid for acquisition of all ordinary shares issued by Stopanska Banka AD Bitola.

The Board for Election and Dismissal of Members of SB, RMC, AC and BOD and a Board for Establishing and Implementing a Remuneration Policy were composed of members of the Supervisory Board.

1.2.1. Board for Election and Dismissal of Members of the Supervisory Board, Risk Management Committee, Audit Committee and Board of Directors

Members up to 20.05.2024:

1. Taki Fiti, President;
2. Sava Dimitrova, Member;
3. Goran Antevski, Member.

The Board was established by the Decision of the SB on 22.05.2020, and the mandate of the members lasts until the expiry of the mandate of SB members - 20.05.2024.

New members:

1. Aleksandra Maksimovska Stojkova, President;
2. Vancho Chifliganec, Member;
3. Petar Tegovski, Member.

The Board was established by the Decision of the SB on 04.06.2024, and the mandate of the members lasts until the expiry of the mandate of SB members - 28.05.2028.

Competencies:

- Implements the Policy on the manner and procedure of election, monitoring of the operation and the manner and procedure for dismissal of the members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and Information Technology Committee of Komercijalna Banka AD Skopje;
- Reviews the proposals submitted by the shareholders and/or the organizational units in the Bank for the candidates for members of the Bank's bodies, elects the candidates that meet the criteria for members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and the Information Technology Committee, and proposes them to the Bank's competent body for adoption;
- The monitoring of the operations of the Bank's bodies is performed through reports on the performance of the Bank's bodies, which, in accordance with the Bank's regulations and internal acts, have to be submitted to the higher body, on regular basis. Through its performance reports, the higher body monitors and controls the operation of the Bank's subordinate bodies;
- If determined that any of the members of the Bank's bodies ceases to meet one and/or more criteria for membership in the respective body, or operates contrary to the law and/or the Bank's Statute, the Board for election and dismissal submits a proposal for dismissal to the competent body that made the decision on appointing that member.

In 2024, the Board held 2 meetings (on 20.02.2024 and on 28.03.2024):

- Sava Dimitrova attended 2 meetings;
- Taki Fiti attended 2 meetings;
- Goran Antevski attended 2 meetings.

In 2024, the Board adopted 2 proposals for adoption of Decisions.

1.2.2. Board for Establishing and Implementing the Remuneration Policy

Members up to 20.05.2024:

1. Sava Dimitrova, President;
2. Taki Fiti, Member;
3. Fatmir Etemi, Member.

The Board was established by the Decision of the SB on 22.05.2020, and the mandate of the members lasts until the expiry of the mandate of the SB members - 20.05.2024.

New members:

1. Aleksandra Maksimovska Stojkova, President;
2. Goran Antevski, Member;
3. Fatmir Etemi, Member.

The Board was established by the Decision of the SB on 04.06.2024, and the mandate of the members lasts until the expiry of the mandate of the SB members - 28.05.2028.

Competencies:

- Implements the Remuneration Policy of Komercijalna Banka AD Skopje;
- When implementing the Remuneration Policy, the Board shall be guided by the following remuneration principles: (i) efficient remuneration management, (ii) efficient linking of remuneration to reasonable risk-taking, and (iii) efficient regulatory supervision and involvement of stakeholders;
- o The principle of efficient remuneration management is based on assessment of the employee's overall work achievements, i.e. the assessment obtained from various sources on the basis of continuous monitoring of the employee's performance, in particular: performance of tasks and achievement of goals, demonstrated competencies and commitment for learning and development;
- o The principle of efficient linking of remuneration to reasonable risk-taking is based on the criterion of reward being adapted to all types of risks;
- o The principle of efficient regulatory supervision and involvement of stakeholders implies that: the supervisory assessment of remuneration practices should be rigorous and sustainable, and the shortcomings should be eliminated immediately, conducting a transparent procedure and constructive involvement of all stakeholders.

In 2024, the Board held 2 meetings:

First meeting held on 20.05.2024, attended by the members:

- Sava Dimitrova;
- Taki Fiti; and
- Fatmir Etemi.

Second meeting held on 23.12.2024, attended by the new members:

- Aleksandra Maksimovska Stojkova;
- Goran Antevski;
- Fatmir Etemi.

In 2024, the Board adopted 2 proposals for adoption of Decisions.

1.3. Board of Directors

The Board of Directors is comprised of 5 (five) members with a mandate of 6 (six) years:

- Hari Kostov, Chief Executive Officer and President of the Board of Directors;
- Ilija Iloski, Chief Operative Officer and Member of the Board;
- Maja Stevkova Shterjeva, Chief Finance Officer and Member of the Board;
- Biljana Maksimovska Popovikj, Chief Corporate Banking Officer and Member of the Board;
- and
- Nikola Dzambazovski, Chief Sales and Development Officer and Member of the Board.

The Decisions on appointment of members of the Board of Directors were adopted by the Supervisory Board of the Bank on 26.09.2022 and on 28.03.2024²².

Table 14 – Data for membership in other managing and/or supervisory bodies of the members of the Board of Directors

	Data for membership in other managing and/or supervisory bodies
Hari Kostov	Is not a member of other managing and/or supervisory bodies
Ilija Iloski	Is not a member of other managing and/or supervisory bodies
Maja Stevkova Shterieva	Member of the Supervisory Board of KB Prvo penzisko drushtvo (1) and President of the Macedonian Banking Association (2). Data on compensations in other companies: (1) An average monthly net salary on a state level for participation in meetings of the Supervisory Board of KB Prvo Penzisko Drushtvo. (2) Without compensation.
Biljana Maksimovska Popovikj	Is not a member of other managing and/or supervisory bodies
Nikola Dzambazovski	Is not a member of other managing and/or supervisory bodies

Apart from the activities which were continuously performed in accordance with the Banking Law, the Bank's Statute and other Bank's acts, in the course of 2024, the Board of Directors passed 5,070 decisions on approving credit support and credit limits, guarantees and documentary instruments, as well as other decisions regarding products and services in accordance with the Bank's current offer, as well as decisions on procurement of working assets and equipment, decisions on selling fixed assets of the Bank, decisions for leasing real estate, etc.

In 2024, the Board of Directors also passed policies, guidelines, rules and procedures, methodologies, program and plans.

1.4. Risk Management Committee

The Risk Management Committee is comprised of 6 (six) members and 6 (six) deputy members with a mandate of 6 (six) years: Hari Kostov - President; Maja Stevkova Shterieva – Vice President; Antigona Bukleska Mladenovikj – member, Biljana Maksimovska Popovikj – member, Teodora Gushkova Prodanova – member and Nikola Dzambazovski – member. Deputy members of the Committee are: Tatjana Leskaroska Minoska, Emilija Kurtikj Jovanovska, Irena Zhivkovikj Zareva, Natasha Stoimenova, Sonja Ugrinovska Bojadzievska and Marina Momiroska.

²² For purposes of extending the mandate of part of the members of the Board of Directors (Chief Operative Officer, Chief Corporate Banking Officer and Chief Sales and Development Officer).

Table 15 – Data for membership in other managing and/or supervisory bodies of the members of the Risk Management Committee

	Data for membership in other managing and/or supervisory bodies
Antigona Bukleska Mladenovikj	Is not a member of other managing and/or supervisory bodies
Teodora Gushkova Prodanova	Founder and Manager of the recreational Yoga company – Studio TAO TE DOOEL Skopje

The data for membership in other managing and/or supervisory bodies for Hari Kostov, Maja Stevkova Shterieva, Biljana Maksimovska Popovikj and Nikola Dzambazovski are given above.

All members and deputy members of the Risk Management Committee are elected from the persons with special rights and responsibilities, employed in the Bank; they fulfill the conditions prescribed by the Banking Law and have experience in the banking sector of at least 3 years.

The decisions on appointment of members of the Risk Management Committee were passed by the Supervisory Board on 22.02.2023.

In 2024, the Risk Management Committee held 72 meetings and with written consent by the members of the Committee, passed 267 decisions and 34 conclusions, reviewed 244 information, adopted 126 reports, 20 reviews and 2 analyses, reviewed and adopted 4 lists of persons associated with the Bank and lists of shareholders with qualified participation in the Bank and parties associated with them, passed 1 strategy, 1 methodology and adopted 12 instructions.

The Committee monitored the overall operations of the Bank, took care of the implementation of the policies and procedures for evaluation of loans and their managing, monitored the implementation of the credit policy and procedures and passed separate decisions on approving credit exposure to clients and their related parties, within the limits prescribed by the Decision of the Supervisory Board. The Committee decided on prolongation of the terms of maturity of the Bank's claims two or more times.

In the course of 2024, the Risk Management Committee considered and approved several materials and proposed them to the Supervisory Board for adoption by its jurisdiction. In accordance with the Banking Law and the Statute of the Bank, the Risk Management Committee submitted quarterly reports on its operations to the Supervisory Board.

1.5. Audit Committee

The Audit Committee is comprised of 5 (five) members with a mandate of 4 (four) years. In the procedure for nominating members of this Committee, the principle of transparency has been fully applied.

Until 20.05.2024, the members of the Audit Committee were Sava Dimitrova, Taki Fiti, Aleksandra Maksimovska Stojkova, Blazho Nedev and Gordana Gjorgjieva. Blazho Nedev and Gordana Gjorgjieva were independent members of the Committee. Blazho Nedev was President, and Gordana Gjorgjieva was Deputy President of the Audit Committee.

As of 04.06.2024, new members of the Audit Committee were appointed by the Bank's Supervisory Board. The members of the Audit Committee are Gordana Gjorgjieva, Atanasko

Atanasovski, Aleksandra Maksimovska Stojkova, Ivana Milkovska Simeva and Petar Tegovski. Gordana Gjorgjieva and Atanasko Atanasovski are independent members of the Committee. Gordana Gjorgjieva is President and Atanasko Atanasovski is Deputy President of the Audit Committee.

Table 16 – Data for membership in other managing bodies and/or supervisory bodies of the members of the Audit Committee

	Data for membership in other managing and/or supervisory bodies
Gordana Gjorgjieva	Is not a member of other managing and/or supervisory bodies
Atanasko Atanasovski	Is not a member of other managing and/or supervisory bodies

For Aleksandra Maksimovska Stojkova, Ivana Milkovska Simeva and Petar Tegovski (as well as for Sava Dimitrova and Taki Fiti from the previous composition²³), the information regarding their membership in other management/supervisory bodies is provided in Section 1.2 of this Chapter.

When selecting the independent members of the Audit Committee, all criteria for independency determined by the Banking Law were complied with. Independent members and persons related thereto are neither employees nor persons with special rights and responsibilities in the Bank, they are not shareholders with qualified participation in the Bank and are not proxies of a shareholder with a qualified participation in the Bank, they are not, and have not been employed in the audit company in the past 3 years, which in that period audited the Bank’s performance, and in the past 3 years did not have a material interest or business relation with the Bank in the amount that in average exceeds MKD 3,000,000.00.

In the course of 2024, the Audit Committee held 4 regular meetings and adopted the Separate and Consolidated Financial Statements of Komercijalna Banka AD Skopje for 2023 audited by the Audit Company, reviewed information on credit risk, reports on the operation of the Risk Management Committee and reports by the Internal Audit for the audits carried out in the course of 2024.

1.6. Credit Committee

The Bank’s Credit Committee is comprised of 6 (six) members and 6 (six) deputy members with a mandate of 4 (four) years: Ilija Iloski – President, Maja Stevkova-Shterjeva – Vice President, Gabriela Milenkovikj – member, Biljana Hadzi-Velkova – member, Lidija Jevtoska – member and Marijana Tanevska - member. Deputy members of the Committee are: Tatjana Leskaroska Minoska, Emilija Kurtikj Jovanovska, Elena Spirovaska, Ana Nikoloski, Katerina Georgievska Markovska and Natasha Baljuk Ristovska.

The decisions on appointment of members and deputy members of the Credit Committee were passed by the Supervisory Board on 22.02.2023 and on 26.10.2023.

In the course of 2024, the Bank’s Credit Committee held 53 meetings and passed a total of 1,352 decisions and 19 information with written consent by the members. At the meetings, the Committee considered and accepted a vast number of information, credit analysis, reviews and reports (monthly and quarterly) referring to procedures for forced collection of claims, claims collected from legal entities and individuals, statement of the placements to certain

²³ Data for membership in other managing and/or supervisory bodies for Blazho Nedev: President of the Association of Internal Auditors of RNM.

clients, clients classifications by separate risk categories with a plan of measures and activities, overdrafts on current accounts and MasterCard cards with a plan of measures and activities for their collection, etc. At the meetings and with written consent, the Credit Committee also considered and accepted draft-decisions under the competence of the Risk Management Committee and draft-decisions under the competence of the Supervisory Board of the Bank.

1.7. Information Technology Committee

The Information Technology Committee is comprised of 7 (seven) members and 6 (six) deputy members with a mandate of 4 (four) years. Members of the Committee are: Nikola Dzambazovski – President, Zorica Cherepnalkoska – Vice President, Ana Madevska Bogdanova – member, Jasminka Romanova Kotevska – member, Gabriela Milenkovikj - member, Iskra Toseva – member and Tatjana Leskaroska Minoska - member. Deputy members of the Committee are: Igor Bislimovski, Kiro Chadikovski, Marija Srbinovska, Katerina Avramovska, Biljana Adamcheska and Oliver Velkovski.

The decision on appointment of members and deputy members of the Information Technology Committee was passed by the Supervisory Board on 22.02.2023.

In 2024, the Information Technology Committee of the Bank held 2 meetings at which it passed 8 decisions.

2. Organizational structure of the Bank

The organizational structure of Komercijalna Banka AD Skopje and its subsidiary are attached in the Appendix Diagram No.1 and No.2 of the Annual Report.

3. Shareholders structure

As at 31.12.2024, the Bank has a total of 6,498 shareholders. As at 31.12.2024, the total number of issued shares is 2,279,067 ordinary shares. As at 31.12.2024, the total number of voting shares is 2,278,739 shares. ADORA Engineering DOOEL Skopje is a shareholder with qualified participation in the Bank. ADORA Engineering DOOEL Skopje owns 14.992% of the total number of issued shares and 14.995% of the total number of voting shares, as at 31.12.2024. Vancho Chifliganec is a member of the Supervisory Board of the Bank as a representative of a shareholder with qualified participation in the Bank.

4. Rights arising from shares

Owners of ordinary shares have the following rights:

1. Voting rights at the meetings of the Bank's Assembly;
2. Right on payout of part of the profit (dividend); and
3. Right on payment of share from the remaining part of liquidation or bankruptcy estate of the Bank.

Each voting share provides the right to one vote at the Bank's Assembly.

5. Application of the Corporate Governance Code

With the Corporate Governance Code of Komercijalna Banka AD Skopje and its amendments, the Bank has established the basic principles of corporate governance as a set of mutual relations between the Supervisory Board, Board of Directors, other persons with special rights and responsibilities that perform management functions in the Bank, the shareholders of the Bank and other stakeholders. The Code covers the obligatory elements defined in the Decision on good corporate governance rules for banks, passed by the National Bank (Official Gazette No. 24 as of 06.02.2018).

During its operation, the Bank fully adheres to the principles of corporate governance defined by the Code such as: guaranteeing the rights and interests of shareholders, transparency of the ownership structure, delegation of the responsibilities, regular and efficient control and audit, adherence to the regulations, ethical standards and practices, independence and objectivity and other defined principles.

The Bank's performance is complied with the provisions of the Corporate Governance Code related to the procedure of convening meetings of the Bank's Assembly, voting procedure, shareholders' rights, cooperation between the Supervisory Board and the Board of Directors, the type, terms and manner of delivering the information and documents from the Board of Directors to the Supervisory Board, and the manner of acting in situations where there is a conflict of interests.

The obligations, responsibilities and manner of performance of the Bank's bodies defined in the Code are fulfilled in whole by the members of the Bank's bodies. During their regular operation, members of the Bank's bodies adhere to the legal regulations, bylaws, the Statute of the Bank and other internal acts of the Bank.

6. Information and data related to the implementation of the Remuneration Policy of Komercijalna Banka AD Skopje

In order to harmonize with the provisions of NBRNM's Decision on good corporate governance rules for banks (Official Gazette of the Republic of Macedonia No. 24/2018), Komercijalna Banka AD Skopje has adopted an internal act - Remuneration Policy and Guidelines for implementation of the remuneration policy, and has formed a Board for Establishing and Implementing the Remuneration Policy comprised of 3 members of the Supervisory Board.

In the reporting period, the Board for Establishing and Implementing the Remuneration Policy held two meetings at which it reviewed a proposal for increasing the salaries of the employees of Komercijalna Banka AD Skopje according to the increase of the cost of living in 2024, and a Draft Decision for pay on the basis of business performance for 2024.

With the proposal for increasing the salaries of the employees of Komercijalna Banka AD Skopje in accordance with the increase of the cost of living in 2024, the salaries of the employees of the Bank have been increased as from May 2024.

With the Draft Decision for pay on the basis of business performance for the year 2024, the Bank determined the payment of performance-based salaries for members of the Board of Directors, persons responsible for control functions, persons with special rights and responsibilities, and the Bank's employees, as well as the reward for members of the Supervisory Board. The adopted Decisions do not jeopardize the fulfillment of the Bank's overall capital requirements in the upcoming period.

The Remuneration Policy is comprised of clear and transparent rules and criteria for determining the amount of the total remuneration, and in particular for a clear determination and distinction between the fixed and the variable part of the total remuneration of members of the Supervisory Board, the Board of Directors and other persons with special rights and responsibilities employed in the Bank, and other employees in the Bank.

The Guidelines for Implementation of the Remuneration Policy define the criteria on which the decisions for payment of variable compensation to employees and persons with special rights and responsibilities are based, as well as the criteria that determine the acceptable level of risk when making the decision for payment of remuneration in the Bank.

The total remuneration consists of a fixed and variable part. The fixed part depends on the description of the work position, i.e. the competences of the persons with special rights and responsibilities. The variable part depends on the long-term success in performance of the tasks, taking into account the level of risk assumed. The payment of the variable part does not limit the Bank's ability to strengthen its solvency position. The fixed part of the total remuneration is higher, meaning that on an annual basis, the variable part must not exceed 100% of the fixed part of the total remuneration paid to each employee or person with special rights and responsibilities. The remuneration policy does not provide for reimbursement in the form of shares.

The members of the Supervisory Board are entitled to remuneration for participation and work in the meetings in the amount determined by the Decision on their appointment. For the work of the members of the Supervisory Board, the Assembly may decide to approve a share in the profit.

The monthly remuneration - salary of the members of the Board of Directors is determined by a Managerial Contract. The payment based on business success of the members of the Board of Directors is a variable amount paid in accordance with the approved Decision of the Board on Establishing and Implementation of the Remuneration Policy by the Supervisory Board.

In the course of 2024, the Bank's activities were managed by: 5 members of the Board of Directors, 7 members of the Supervisory Board²⁴, 6 members of the Risk Management Committee, 5 members of the Audit Committee²⁵, 6 members of the Credit Committee, 7 members of the Information Technology Committee and the management team, in accordance with the Bank's organizational structure.

- In the reporting year, the members of the Board of Directors were paid a total gross amount of: MKD 134.7 million for salaries, successful performance pay, recourse, Christmas bonus, vocational training, managerial insurance and private health insurance, out of which MKD 74.3 million are fixed and MKD 60.4 million are variable part, in accordance with the Remuneration Policy;
- Two persons responsible for control functions were paid a total gross amount of MKD 7.5 million for salaries, successful performance pay, recourse, Christmas bonus, training compensation, managerial insurance and private health insurance, out of which MKD 5.0 million are fixed and MKD 2.5 million are variable part;
- A total of 51 persons with special rights and responsibilities (management team) were paid a gross amount of MKD 205.3 million for salaries, successful performance pay, recourse, Christmas bonus, severance, managerial insurance, vocational training,

²⁴ Two members of the Supervisory Board (Sava Dimitrova and Taki Fiti) performed their function from 01.01.2024 to 20.05.2024, and from 29.05.2024, they were replaced by new members (Petar Tegovski and Ivana Milkovska Simeva).

²⁵ Three members of the Audit Committee (Sava Dimitrova, Taki Fiti and Blazho Nedev) performed their function from 01.01.2024 to 20.05.2024 and as from 04.06.2024, they were replaced by new members (Petar Tegovski, Ivana Milkovska Simeva and Atanasko Atanasovski).

- health examination, anniversary awards and private health insurance, out of which MKD 125.3 million are fixed and MKD 80.0 million are variable part;
- In total, all of the Bank's employees (including the BOD, persons responsible for control functions and the management team) were paid in the course of 2024 a total gross amount of MKD 1,455.1 million for salaries, successful performance pay, recourse, Christmas bonus, managerial insurance, severance, health examination, vocational and professional training, anniversary awards, financial assistance, additional pension contributions, private health insurance and other remuneration, out of which MKD 1,136.9 million are fixed and MKD 318.2 million are variable part. Taking into account the increase of the living costs, the inflation rate, the average net salary at the state level, at the level of financial sector and in the Bank, starting from May 1, 2024 the salaries of the Bank's employees have been increased in a total monthly gross amount of approximately MKD 5.8 million, which are distributed to the employees;
 - The members of the Supervisory Board were paid a gross amount of MKD 5,616.2 thousand for attendance at meetings during 2024, MKD 566.7 thousand were paid to the members of the Audit Committee and MKD 26.7 thousand were paid to one external member of the Information Technology Committee, or a total of MKD 6,209.6 thousand were paid for attending meetings to the members of the three bodies. Additionally, during 2024, bonus payments were made to the members of the Supervisory Board of the Bank for 2023 in the total amount of MKD 5,130 thousand, while for 2024 the recorded expense is in the total amount of MKD 5,305 thousand, which will be paid in the course of 2025, following the adoption by the Bank's Assembly.

7. Policy for Prevention of Conflict of Interest

In 2024, the Bank performed its operations in accordance with the Policy for Prevention of Conflict of Interest (passed by the Supervisory Board on 28.06.2018) which defines the principles that the Bank practices for identification of the potential conflicts of interest, as well as the measures and activities that should be undertaken in case of conflict of interest.

Pursuant to the Policy, the Bank has established procedures for monitoring the potential sources of conflict of interest. The Policy defines the obligations and responsibilities of the persons with special rights and responsibilities, and other employees in the Bank regarding avoidance of the potential conflict of interest.

Managers of the organizational units perform hierarchy control in terms of application of and adherence to the Policy provisions and undertake measures and activities for elimination and correction of the behavior of an employee, which is not in compliance with the Policy.

Twice a year, the persons with special rights and responsibilities present a written statement on the existence, if any, of a conflict of their personal interest with the interest of the Bank.

Members of the Supervisory Board and the Board of Directors are not present at meetings where decisions are passed by these bodies, if their objectivity is being questioned because of the existence of conflict of their personal and the interest of the Bank. A Member of the Supervisory Board or Board of Directors shall make a written statement on the existence of conflict of interest before holding the meeting, which shall be delivered to the Supervisory and the Board of Directors, stating the basis from which the conflict of interest arises.

8. Information on outsourcing services

The Bank used outsourcing services during 2024, but none of those services is a significant service according to the definition for significant outsourcing service set out in the Decision on Risk Management Methodology, and the respective criteria therefore set out in the internal acts of the Bank.

9. Compliance of the Bank's performance and management with the Corporate Governance Code for the listed companies at the Macedonian Stock Exchange

Komercijalna Banka AD Skopje, as a member of the Macedonian Stock Exchange, has aligned its operations with the Corporate Governance Code for the companies listed at the Macedonian Stock Exchange, and in the course of 2024 continued to adhere to the prescribed principles of the Code, for which, as an integral part of the Annual Report, a Statement has been provided by the members of the Board of Directors of the Bank for compliance with the Corporate Governance Code for listed companies at the Macedonian Stock Exchange.

XXI. CORPORATE SOCIAL RESPONSIBILITY

In the course of 2024, Komercijalna Banka provided financial support to several areas of the society, in accordance with its Corporate Social Responsibility Strategy for the period 2022-2026.

1. The Bank continued to support public health, and also donated funds for purchasing fire-fighting equipment, as follows:

- 14.5 million MKD for the construction of a new Emergency Internal Medicine Center at the Toxicology Clinic in Skopje, that spans on an area of 750 m²; and
- 3 million MKD for the Crisis Management Center, thus providing professional work clothes and equipment intended for fighting forest fires for regional firefighting units, as well as portable personal computer for on-site coordination of the activities of the firefighting teams.

2. In order to support child growth and development, socially threatened categories of citizens, culture, sports, art, volunteering and charity, significant activities were carried out in this field during the reporting period:

- Komercijalna Banka is the first bank in the country to introduce tactile payment cards intended for blind and visually impaired persons, thus contributing to greater inclusiveness, equal rights and opportunities for all citizens;
- The Bank established cooperation with the Scout Association of Macedonia and the largest private volunteer initiative "Borenka", which resulted in the reforestation of an area of 2 hectares of burned land in Berovo with approximately 6,000 trees;
- For the 14th year in a row, the Bank was a partner in the project "Better socialization of children and youth with disabilities and psychosocial support for children in foster families", through which the Bank provided financial support for a better quality of life for over 300 children and youth in the country;
- The Bank provided assistance for equal opportunities through cooperation with the association "A world of different, yet equal", which organized four inclusive workshops "Reading Without Discrimination" for preschool children and pupils from first to third grade;
- Financial support was also provided to the Center for Youth Activism CMA KRIK for organization of Youth Inclusive Summer Camps involving young people with disabilities;

- In order to contribute to a healthier and cleaner environment, the Bank donated property to the Municipality of Centar for construction of a public green area near the Idadija Polyclinic in Skopje;
- As a proven philanthropist, Komercijalna Banka continued its cooperation with the Football Federation of Macedonia with a new three-year sponsorship agreement, provided financial support for the Skopje Marathon, the Association for sports and recreation of citizens and persons with special needs "Dancers United", for the international swimming competition for young swimmers and persons with atypical development "Atlas Winter Cup" and provided sponsorships for the men's handball club "Vardar 1961", the women's handball club "Vardar", the football club "Tikvesh 1930" from Kavadarci, the city handball club "Tikvesh 2014" from Kavadarci, and also financially assisted the Macedonian Sports Shooting Federation, the football club "Forca Vardar Skopje", the Association "Mandra" for organizing indoor football tournaments, Police Martial Arts Club "Bezbednost" and others;
- The Bank also actively contributed in the field of culture and art by supporting numerous festivals and cultural events, including the prestigious "Novel of the Year" award of the "Slavko Janevski" Foundation and the "Novite" literary award for the best debut prose manuscript, organized by the Templum publishing house;
- The Bank was also the Main Sponsor of the 64th edition of the Ohrid Summer Festival and the anniversary concert of Vlatko Stefanovski, organized within the framework of this prestigious festival, as well as the anniversary concert of the group Synthesis on the occasion of 30 years of artistic career. In addition, numerous other artists and events were supported (the chamber orchestra "Skopje Soloists", the event "Strumica Carnival", the project "Live At Audiokultura", the 15th Anniversary Guitar Festival organized by ART-KUL Krushevo, the festival of children's songs "Golden Nightingale", the event "Poetry Night in Velestovo", the Vlach music group "Gramosteanj" at the event "Za Petrovden site na planina", the festival of Vlach songs "The Song Unites Us All", the children's festival "Bitolino", etc.).

3. The Bank's Social Responsibility Strategy was successfully implemented through the humanitarian and volunteering activities of its employees:

- A massive response to the regular blood donation campaigns organized at the Bank's premises and support for the Retweet Meal program;
- First place in the Triglav Green League challenge;
- Participation in the Avicena Women's Race as an example for encouraging awareness of running as a healthy habit;
- Donation of food packages for socially vulnerable groups of citizens in the country on the occasion of the World Hunger Day - October 16;
- Donation of New Year's packages for children from socially vulnerable families and donation of funds to the Day Center for Street Children in Shuto Orizari in Skopje, for purchasing necessary work materials.

4. Activities in the field of financial education and respect for the principles of responsibility, transparency and commitment to progress in all spheres of society:

- In 2024, the "Financial Classroom" and the "Squirrel" kids savings scheme of Komercijalna Banka once again made friends with children on the occasion of the Savings Month, and contributed to greater financial literacy of the young population;
- Traditionally, the Bank once again awarded "Squirrel" savings books with a deposit of 5,000.00 MKD to all babies born in the country on October 31;
- In 2024, the Bank continued its long-standing cooperation with the Faculty of Economics and with the Macedonian Stock Exchange AD Skopje for organization

- of the Annual Stock Exchange Conference and the Annual Conference of the Macedonian E-Commerce Association;
- As their Annual Sponsor, in cooperation with the international organization Board of European Students in Technology (BEST), the Bank organized workshops for preparation of students from technical faculties for the competitive labor market, and also supported the activities of BEST during 2024;
 - The Bank supported the “Social Day” project which provides internships and financial compensation for high school students, and leads them to a more successful career development;
 - Workshops on the topic of psychology in marketing were also held for psychology students from the Faculty of Philosophy at the Ss. Cyril and Methodius University;
 - In addition, as a Premium Partner of the BEST student organization, the Bank successfully presented itself at their Job Fair at the technical campus of the Ss. Cyril and Methodius University, and was also present at the Job Fair organized by Semos Education, Career Day at the Goce Delchev University in Shtip and the Open Day at the Ss. Cyril and Methodius High School in Ohrid;
 - The Bank is a sponsor of the Chamber of Commerce of North-West Macedonia, for the event and catalog publication “Top 100” for selection of the most successful companies, and in 2024 it concluded a Memorandum of Cooperation for easier access of the Chambers’ member companies to financial assets for implementation of investments in energy efficiency improvement projects;
 - Support was also provided to the Association of Financial Markets - ACI Macedonia for organization of the Official Assembly of the Association;
 - Komercijalna Banka is also a supporter of the project “Face to Face”, thus providing a significant contribution to the successful implementation of this important project for social entrepreneurship in the country;
 - In order to contribute to the financial education and independence of women, the Bank has become a sponsor of the activities of the National Council for Gender Equality and their project “Digitalization and digital visibility of the services of the Counseling Center and the SOS line at the National Council for Gender Equality”. In addition, the Bank organized the campaign "Be yourself, be strong!" which helped educate and encourage women towards greater financial independence, exercising their rights and opportunities, and progress in every segment of life.

5. Caring for the well-being and satisfaction of employees remains a top priority for the Bank:

- Employees in the branches and city-branches of the Bank received new and modern official uniforms which reflect the existing values and identity of the Bank;
- Komercijalna Banka presented anniversary cash rewards to employees with 15 and 30 years of uninterrupted length of service at the Bank;
- On the occasion of the World Savings Day on October 31, the Bank traditionally awarded acknowledgements to the best employees in the Bank;
- The Bank supported the participation of employees in the Skopje Marathon, as well as in the Business Run, both highlighting the winning spirit of the KB team;
- In 2024, Komercijalna Banka was also declared the Most Desirable Employer in the banking and finance category in 2023 by the Vrabotuvanje.com platform. The Bank is particularly proud of this award because it is a recognition of the satisfaction and success of its employees that are one of its strongest and most valuable assets.

XXII. SUSTAINABILITY AND ESG REPORTING

In the course of 2024, the Bank continued to carry out its business activities in accordance with the adopted Sustainability Policy of Komercijalna Banka AD Skopje, while paying particular attention to practices related to environmental protection, social issues and good corporate governance.

In March 2024, Komercijalna Banka AD Skopje became the first bank in the country to officially join the European Investment Bank (EIB) Greening Financial Systems Programme²⁶. Through this Programme, the Bank receives tailored technical and advisory support for integration of climate risks into the existing risk management framework and alignment with international best practices and the expectations of NBRNM. In the reporting period, activities were undertaken to establish a system for measuring and reporting the Bank's carbon footprint, identifying the main drivers of physical and transition risks and the main channels of transmission of their impact, and other activities in accordance with the adopted Implementation Plan of the activities foreseen by the Programme. Also, in addition to the ESG Coordinating Body, an additional team of employees from several organizational units in the Bank was formed in order to work on establishing a system for managing climate risks and their inclusion in the existing risk management framework of the Bank, in accordance with the Guidelines on the manner of managing climate-related risks published by NBRNM.

Towards the end of 2024, the Bank performed regular review and update of the content of the Sustainability Policy in order to align it with its strategic objectives and include more in-depth considerations of the physical and transition climate risks, identification of the main drivers of these risks and their potential impact on the Bank's operations and clients. The revised text of the Sustainability Policy of Komercijalna Banka AD Skopje with all its amendments is available publicly on the Bank's website in Macedonian and in English.

Environmental issues and impact on the environment

In the course of 2024, Komercijalna Banka made progress in reducing its energy consumption and continued with the efforts to reduce its own carbon footprint.

The Bank has installed a photovoltaic system on the roof of its administrative building in the center of Skopje with a capacity of 22.5 kW, which produced 31.6 MWh of electricity during 2024, thus preventing the emission of approximately 16.7 tons of CO₂ into the atmosphere. The photovoltaic power plant with capacity of 45 kW, which is installed in the Bank's branch in Prilep, produced 57.6 MWh of electricity last year, preventing the emission of approximately 30.6 tons of CO₂, while the photovoltaic power plant in the Kumanovo Branch, which has a capacity of 30 kW, produced 35.2 MWh of electricity last year, preventing the emission of approximately 18.7 tons of CO₂. With these three installed photovoltaic systems in the administrative building in Skopje and in the Prilep and Kumanovo branches, Komercijalna Banka AD Skopje produced a total of 124.4 MWh of electricity for its own needs in 2024 and prevented the emission of approximately 66 tons of CO₂ into the atmosphere.

During 2024, the Bank handed over 4,000 kg of electronic waste, 4,730 kg of metal waste, 2,270 kg of wood waste, 25,500 kg of old paper and 610 kg of small waste for treatment, handling and recycling.

²⁶ The EIB Greening Financial Systems – North Macedonia: Integrating Climate Risk in the Financial System Programme is funded by the German Federal Ministry of Economic Affairs and Climate Action (BMWK) through the International Climate Initiative Fund (the IKI Fund).

In the field of green financing, the claims based on green loans approved to households and the corporate sector recorded a significant increase of 384 million MKD, i.e. 27% compared to 31.12.2023, as a result of an increased volume of green lending to both sectors. The data is presented in the table below:

Table 17 – Claims on the basis of “green financing” loans to clients

(in MKD million)

Sector	31.12.2023	31.12.2024	Index
Non-financial legal entities	1,313.0	1,658.4	126.3
Households	110.7	149.3	134.8
Total	1,423.7	1,807.7	127.0

In order to meet the demands of clients, a new agreement was concluded in the reporting period with the European Bank for Reconstruction and Development - EBRD for the GEFF III credit line in the amount of EUR 3.5 million, intended for investments in energy-efficient solutions for households, collective housing, equipment manufacturers and entities providing services in the green energy sector, with a grant component. In the second half of 2024, the Bank signed a Framework Agreement with the Development Bank of North Macedonia (DBNM) for participation in the credit line for green and socially responsible investments with funds provided by the French Development Agency (AFD) in the amount of EUR 50 million. This credit line, in addition to providing funds for financing green investments, also offers support for female entrepreneurship, i.e. improving access to finance for enterprises owned and/or managed by women, as well as supporting investments in digitalization. In addition, at the end of 2024, the Bank signed another Agreement with EBRD, this time for participation in the Green Finance Facility Program, in the amount of EUR 4 million. This credit line is secured by a loan from the European Bank for Reconstruction and Development under the joint Green Finance Facility program, financed by the SDG Fund, the Government of North Macedonia and EBRD, and through its participation, Komercijalna Banka provides significant support to small and medium-sized enterprises in their transition to sustainable energy solutions. By joining this Program, Komercijalna Banka provides green finance to small and medium-sized enterprises for investment in renewable energy sources and energy efficiency, which will contribute to reducing air pollution in the country and initiating decarbonization processes of the Macedonian companies.

With regard to compliance with environmental laws and regulations, the Bank considers that its activities throughout 2024 comply in full, and it is not aware of any non-compliance of its operations with the environmental laws and regulations.

Social issues

The Bank continuously undertakes activities to retain the existing staff and attract new staff, by maintaining an appropriate level of salaries and benefits, organizing professional development and team building activities and other benefits. During 2024, the Bank increased the salaries of its employees and continued its collaboration with a domestic insurance company for voluntary private health insurance for its employees. According to the Bank's Remuneration Policy, apart from regular salary payments, employees received bonuses based on business performance, year-end bonuses, recourse, and other payments during the reporting period. Additionally, the Bank offers its employees the option to work from home, serving as a motivational tool to enhance job satisfaction within the Bank and overcome

challenges imposed by external factors (pandemics, natural disasters and weather issues, and other reasons).

In terms of health care and well-being of its employees, during this reporting period regular health check-ups for the employees were conducted and private health insurance policies were renewed. In addition to regular sports training sessions in various sports, in this reporting period the Bank enabled the use of a Sports and Recreation Program through which employees have the opportunity to exercise in over 150 sports facilities throughout the country. In the course of 2024, Bank employees participated in numerous sports competitions and tournaments (Banking Games, Volleyball Business League, Skopje Marathon, Business Run, and others), thus promoting healthy habits and contributing to a stronger team spirit. In accordance with the Collective Agreement of the Bank, employees exercised the right to paid leave for given blood donations, relocation, their children's first day of school, for educational purposes, and other reasons throughout the year.

Throughout the year, particular attention was paid to professional development and education of employees, with a total of 17,707 hours spent on training. The trainings were carried out through attending seminars, conferences, workshops and other forms of training in the country and abroad; training for newly employed persons (personal data protection, information security, compliance, and occupational health and safety); internal trainings regarding the Bank's processes and services; online training in the field of personal data protection and information security of the Bank for all employees etc. In addition, during 2024, educational team building events were carried out with a total duration of 17,664 hours. In addition to training for employees, the Bank also provided internships for university students.

In the field of sustainable finance, green financing, climate-related risks and other topics related to sustainability and ESG practices, during 2024, a total of 39 employees and managers at the Bank participated in 15 workshops, trainings or certified programs in the aforementioned areas, including workshops held within the aforementioned European Investment Bank's Greening Financial Systems Program.

The Bank has a long tradition of promoting equal opportunities for all employees and fair gender representation, with a high percentage of female employees and women at managerial positions. Komercijalna Banka takes pride in its leadership position in promoting the inclusiveness of women in managerial structures and overall business operations, contributing to gender equality, financial independence for women, respect for women's rights, and recognition of the knowledge and abilities of women to contribute to a better and more prosperous future. The participation of women in the Bank's Board of Directors in 2024 is 40%. Within the Bank's managerial structure, 71.9% of managerial functions are performed by women, while women comprise 68.3% of the Bank's total workforce.

In the field of financial education and improving financial literacy, in 2024 the Bank continued its educational activities aimed at increasing financial literacy among the population, especially among the younger demographic. In addition, in the past year, the Bank made a significant contribution to greater inclusion of blind and visually impaired persons through the introduction of tactile payment cards²⁷.

²⁷ More detailed information on the activities undertaken in the area of financial education and inclusion are provided in section XXI. Corporate Social Responsibility.

Business ethics and good corporate governance²⁸

As a joint-stock company whose shares are listed at the Macedonian Stock Exchange in the super listing sub-segment, the Bank regularly reports on significant financial and non-financial issues of interest to investors, shareholders and other stakeholders.

The Bank has adopted a Corporate Governance Code and a Code of Ethics, to which it adheres in its daily operations, and which are publicly available on the Bank's website. Each new employee in the Bank is obliged to familiarize himself or herself with the contents of the Code of Ethics and undertake to comply with its provisions. In that manner, at the beginning of 2024, all employees signed a Statement confirming the adherence to the Code of Ethics for the behavior of employees at Komercijalna Banka AD Skopje.

With regard to protected internal reporting (whistleblowing), the Bank has established procedures for processing reports from whistleblowers in cases of reasonable suspicion or information on criminal, unethical or other impermissible conduct that jeopardizes or threatens the public interest. In accordance with the adopted legal regulations, the Bank has adopted a Rulebook for Protected Internal Reporting in Komercijalna Banka AD Skopje, and has appointed an authorized person in charge of processing whistleblowers' reports that are publicly available on the Bank's website.

Personal data and data security are one of the Bank's priorities. The Personal Data Protection Policy is regulated by various acts of the Bank, ensuring consistent adherence to the rules and obligations stipulated in domestic and international regulations. The Privacy Policy, Cookie Policy, and other information and internal acts in this area are publicly available on the Bank's website, along with contact information for the Data Protection Officer at Komercijalna Banka AD Skopje. As done hitherto, in 2024 the Bank remained committed to adhering to its corporate values, good corporate governance and high ethical standards in its business operations.

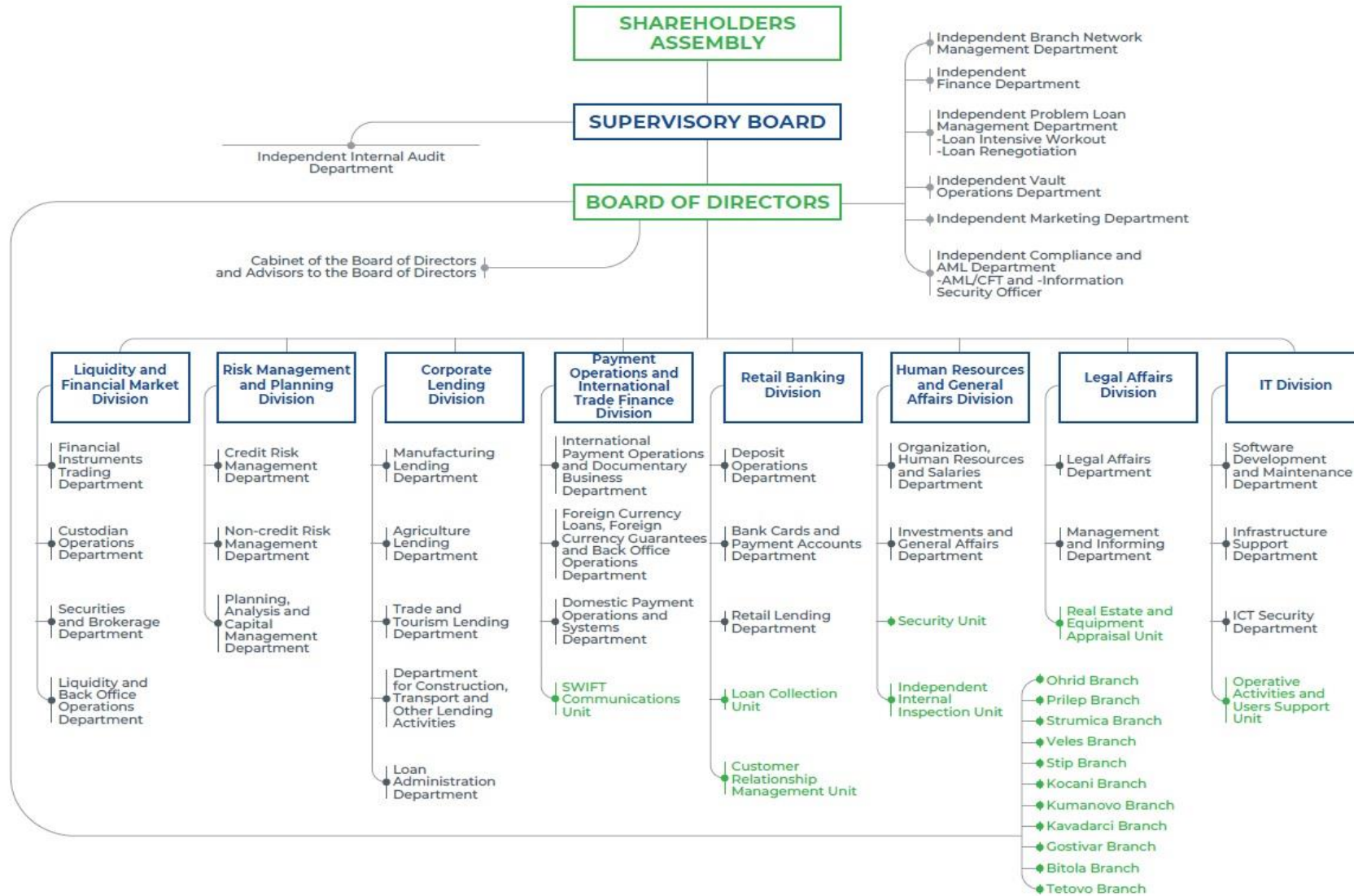
Skopje, February 2025

BOARD OF DIRECTORS

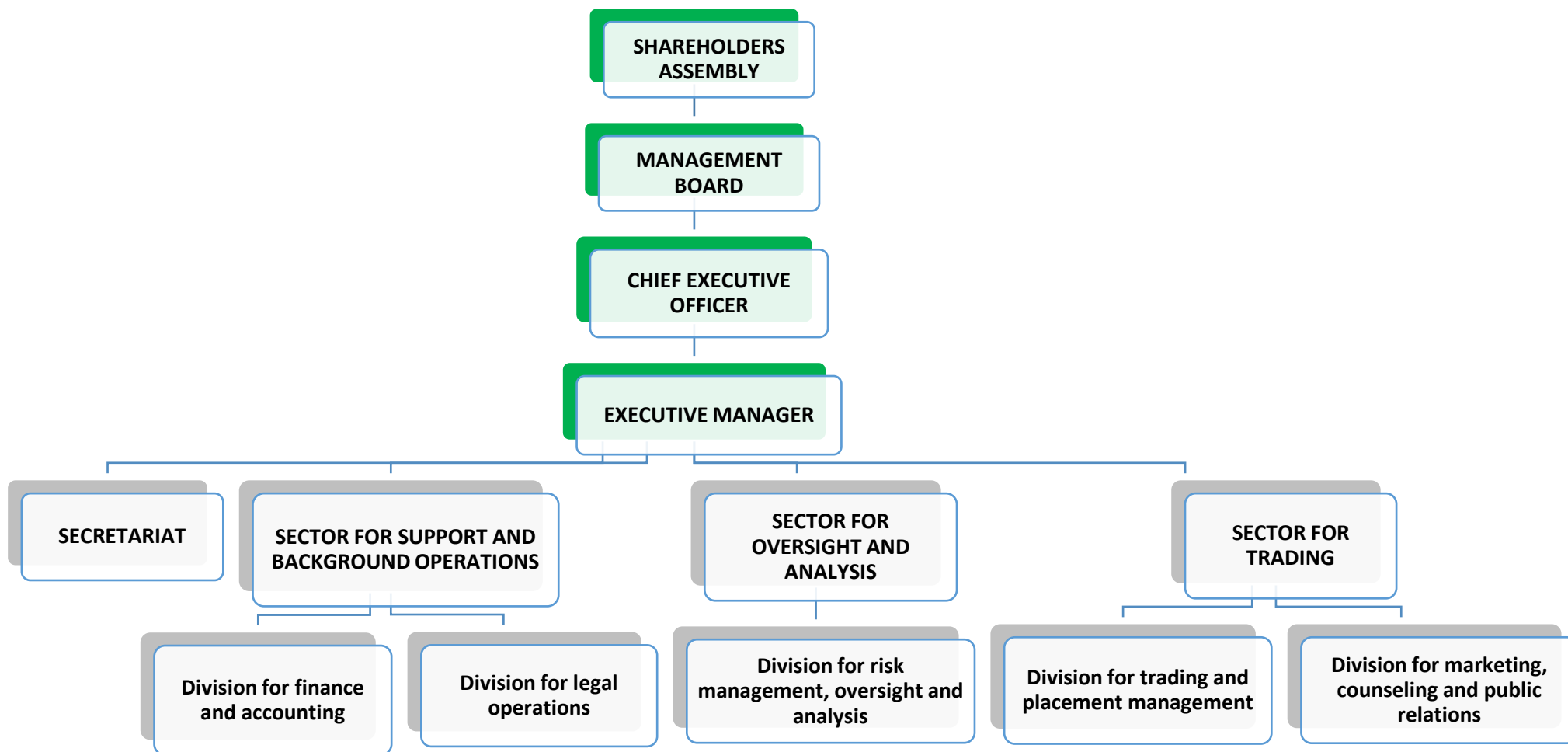
²⁸ Detailed information on the composition and structure of the Boards, as well as the Boards' operations is provided in Chapter XX. Corporate Governance Report.

APPENDIX

Appendix 1- ORGANIZATION CHART OF KOMERCIJALNA BANKA AD SKOPJE



Appendix 2- ORGANIZATION CHART OF KB INVEST AD SKOPJE²⁹



²⁹ This organization chart has been published in accordance with the Decision on the rules for good corporate governance in banks, item 59, paragraph 2, line 4.

Statement of Compliance with the Corporate Governance Code

We, the undersigned members of the Board of Directors of Komercijalna Banka AD Skopje, hereby state that in its operations Komercijalna Banka AD Skopje adheres to the Corporate Governance Code for joint stock companies listed on the Macedonian Stock Exchange AD Skopje, published on the Stock Exchange's website at www.mse.mk.

Komercijalna Banka AD Skopje adheres to the principles and best practices of corporate governance prescribed by the Code according to the 'comply or explain' approach by submitting questionnaires, the form and content of which are prescribed with the Code.

By this Statement we hereby confirm that the questionnaires are published on SEI-NET and on the website of Komercijalna Banka AD Skopje, and that the answers contained therein are correct and true and accurately show the application of the principles and best practices of corporate governance by Komercijalna Banka AD Skopje, as prescribed by the Corporate Governance Code.

BOARD OF DIRECTORS

CHIEF SALES AND DEVELOPMENT OFFICER

Nikola Dzambazovski

CHIEF CORPORATE BANKING OFFICER

Biljana Maksimovska Popovikj

CHIEF FINANCE OFFICER

Maja Stevkova Shterieva

CHIEF OPERATIVE OFFICER

Ilija Iloski

CHIEF EXECUTIVE OFFICER

Hari Kostov

Pursuant to Article 384-a of the Law on Trade Companies, the Board of Directors of Komercijalna Banka AD Skopje issues the following

S T A T E M E N T

We, the undersigned members of the Board of Directors of Komercijalna Banka AD Skopje, hereby state that:

The Supervisory Board of Komercijalna Banka AD Skopje adopted the Corporate Governance Code of Komercijalna Banka AD Skopje on June 28, 2018.

The Corporate Governance Code of Komercijalna Banka AD Skopje is published on the Bank's website.

The Bank adheres to and applies in full the provisions of the Corporate Governance Code. In addition to the rules prescribed by legal regulations and bylaws, the Bank has, within the Corporate Governance Code, also prescribed provisions related to the composition and competencies of the Credit Committee, as well as rules for the composition and competencies of the IT Committee.

When applying the Corporate Governance Code, the Bank shall not diverge from the prescribed rules and principles.

BOARD OF DIRECTORS

CHIEF SALES AND DEVELOPMENT OFFICER
Nikola Dzambazovski

CHIEF CORPORATE BANKING OFFICER
Biljana Maksimovska Popovikj

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