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DEVELOPMENT BANK OF NORTH MACEDONIA
JSC
SKOPJE

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2024

ANNUAL REPORT ON THE DEVELOPMENT BANK OF NORTH MACEDONIA JSC SKOPJE'S OPERATIONS



Skopje, April 2025

Abbreviations

AFD	French Development Agency
EIB	European Investment Bank
ESG	Environment, Social affairs and Governance
KfW	German Development Bank
NBRNM	National Bank of Republic of North Macedonia
DBNM	Development Bank of North Macedonia
RNM	Republic of North Macedonia
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CEB	The Council of Europe Development Bank

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Prepared by:	Approved by:	Adopted by:	
Management Board	Supervisory Board	General Meeting of Shareholders	

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DATA ON THE BANK

Full name:	Development Bank of North Macedonia JSC Skopje
Short name:	DBNM JSC Skopje / DBNM
Registered office:	“Dimitrie Chupovski” No. 26 Street 1000 Skopje – Centar, North Macedonia
Date of incorporation:	18.08.1998
Act of corporation:	Law on the Development Bank of North Macedonia (Official Gazette of RM No. 105/09 and Official Gazette of RNM No. 77/21 and 209/23)
Type:	Joint-stock company
Owner:	Republic of North Macedonia (100%)
Registered capital:	MKD 1,998,862,124
Number of shares:	643,134 shares and a par value of 3,108 MKD
Activities:	64.19 – Other monetary mediation
PIN of entity:	5240425
TIN:	4030998350604
Website:	https://www.mbdp.com.mk/

FUNDAMENTAL FINANCIAL INDICATORS

Indicator	2024	2023
Total Assets	18,647,935	18,473,338
Net Loans	17,560,813	17,135,097
Equity and reserves	3,781,874	3,631,665
Net-loans/Total assets	94.2%	92.8%
Liquid assets/Total assets	10.3%	11.0%
Liquid assets/Total liabilities	12.9%	13.7%
Net interest income	191,794	159,878
Total net income	249,027	234,662
Operating expenses	110,344	102,382
Net profit	150,207	91,550
Net income from interest/total net income	77.0%	68.1%
Net-interest margin	1.03%	0.87%
ROAA	0.81%	0.53%
ROAE	4.05%	2.55%
Operating expenses/total net income	44.3%	43.6%
Credit risk exposure, based on risk categories	A	99.51%
	B	0.43%
	C	0.00%
	D	0.00%
	E	0.06%
Equity adequacy	25.50%	24.91%
Number of employees (at the end of the year)	60	58

*Unless stated otherwise, all amounts listed in the tables of the Annual Report shall be expressed in thousands of denars.

Pursuant to Article 18 paragraph 3 of the Law on Development Bank of North Macedonia ("Official Gazette of RM" No.105/09 and "Official Gazette of RNM No.77/21 and 209/23), Article 93 of the Banking Law ("Official Gazette of RM" No. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16 and 7/19 and "Official Gazette of RNM" No. 101/19 and 122/21), Article 352 of the Law on Trade Companies ("Official Gazette of the RM" No. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15 192/15, 217/15, 6/16, 30/16, 6/16, 64/18, 120/18, 195/18, 239/18, Official Gazette of RNM No. 290/20 and 215/21) and Article 80 of the Statute of the Development Bank of North Macedonia JSC Skopje, the Management Board hereby delivers the following:

ANNUAL REPORT OF THE DEVELOPMENT BANK OF NORTH MACEDONIA JSC SKOPJE'S OPERATIONS

IN 2024

Summary














The Development Bank of North Macedonia AD Skopje (hereinafter referred to as "DBNM"/"the Bank") finished the year of 2024 with great results, noticing high level of assets and credits, with a favourable financial result.

During 2024, the Bank worked in accordance with the adopted Financial Plan and Strategic Guidelines defined by the Development Plan and Business Policy for the 2024-2026 period, while adjusting the current operations to the market, economic and non-economic conditions in the country. DBNM, acting as the only development bank fully owned by the state continued its role as an active participant in implementing the measures of the Government of the Republic of North Macedonia, related to increasing the investments and exports, promoting development, improving competitiveness and accelerating the green transition of domestic companies. The Bank kept the high dynamics of its operations and demonstrated its ability to respond to the challenges.

Under such conditions, the Development Bank placed loans in total amount of **EUR 62.3 million**, as follows: EUR 52.3 million from renowned international credit lines under exceptionally favourable credit balances with interest rates lower than market rates; EUR 8.7 million from the Bank's own assets and EUR 1.3 million in loans from credit line commissions.

The Bank also showed solid results in the field of credit insurance, where the volume of insured receivables amounted to **EUR 144 million**, and the results were similar in the factoring sector, with redeemed receivables in the amount of approximately **EUR 25 million**. The issuance of guarantees also gained momentum. The Guarantee Fund guaranteed loans with a total value of **EUR 39 million**, and the exposure based on customs guarantees reached **EUR 1.7 million**.

This year, the Bank's activities were marked by the launch of the credit line to support green investments and socially responsible investments, which established cooperation with the French Development Agency (FDA) for the first time. Thus, domestic companies had the following products at their disposal:

-  Credit line for permanent working capital, from the Bank's own funds;
-  Credit line for support of the export, from the Bank's own funds;
-  Credit line for energy efficiency (EE) and renewable energy sources (RES), from the Bank's own funds;
-  Credit line for digitization and digital transformation, from the Bank's own funds;
-  Credit line for investments, permanent working capital, mid-cap companies and green transition, with funds from the European Investment Bank;
-  Credit line for support of green investments and socially responsible investments, with funds from the French Development Agency;
-  Credit line for financing micro, small and medium-sized enterprises (SMEs), with funds from the German Development Bank;
-  Credit line for agriculture, with funds from the Agricultural Credit Fund;
-  Credit line for the production, processing, and export of agricultural products and their derivatives, with funds from the Compensation Funds;
-  Insurance of export and domestic receivables;
-  Export and domestic factoring;
-  Portfolio and individual guarantees, with funds from the Guarantee Fund;
-  Guarantees for customs debt upon import for inward processing (Customs Guarantee)

In conditions of unpredictability of the international and domestic financial markets, DBNM mainly exceeded the projected financial targets, realized the operational tasks, helped in the realization of the national development goals, and at the same time preserved the required level of liquidity and profitability and the high rates of stability and solvency.

BUSINESS ACHIEVEMENTS IN 2024	
285	million EUR net-credit portfolio
62	million EUR in total placed loans to the economy in the current year
144	million EUR insured receivables from credit insurance
25	million EUR redeemed receivables from factoring
39	million EUR guaranteed amount of loans from the Guarantee Fund
1.7	million EUR exposure on the grounds of customs guarantees
278	credited companies
~2000	supported employments
475	issued guarantees
495	approved credit limits for domestic and foreign buyers
1	new product/program
0.9%	growth of assets
2.5%	increased net-credit portfolio
0.1%	rate of non-functional exposure
POSITIVE	financial result
REALIZATION	of the main planned goals and tasks from the development plan and the business policy for the current year
RETAINED	profitability, solvency, liquidity and high quality of the loan portfolio

I. GENERAL DATA AND INFORMATION

1. Business environment

1.1. Macroeconomic environment

In 2024, the domestic and world economies were still under certain impact caused by the trade-related uncertainty and geopolitical tensions. Based on data of the State Statistics Office, the gross domestic product grew by 2.8%, the average annual rate of inflation measured according to the CPI index was 3.5%, while the unemployment rate at the end of the year was positioned at 11.9%. NBRNM carefully adjusted the monetary policy quite a few times, so that the basic interest rate increased from 6.30% at the beginning to 5.80% at the end of the year. The exchange rate of the MKD denar was stable and without significant oscillations. Standard & Poor's has maintained the country's credit rating at BB- with a stable outlook, while Fitch Ratings has affirmed the rating at BB+ with a stable outlook.

Globally, all major foreign trade partners of North Macedonia felt the uncertainty. In an environment of reduced inflationary pressures, the European Central Bank (ECB) increased the interest rate on the basic operations a few times, which at the beginning was 4.50% and reached 3.40% at the end of the year. The three-month EURIBOR decreased from of 3.905% to 2.714%.

1.2. Banking system of the Republic of North Macedonia

In 2024, domestic banks operated under conditions of markedly easing inflation and a favourable foreign exchange market, yet remained exposed to pronounced external risks stemming from heightened geopolitical and economic uncertainty. At the end of the year (31.12.2024), the banking system consists of thirteen banks, including five large, five medium and three small banks. According to the ownership, nine are in predominantly foreign ownership, while four are predominantly in domestic ownership. The total assets of the banking system amount to MKD 824.8 billion, i.e., there is an annual growth of 10.5% with a noticeable concentration of the assets in the large banks at 81.9%.

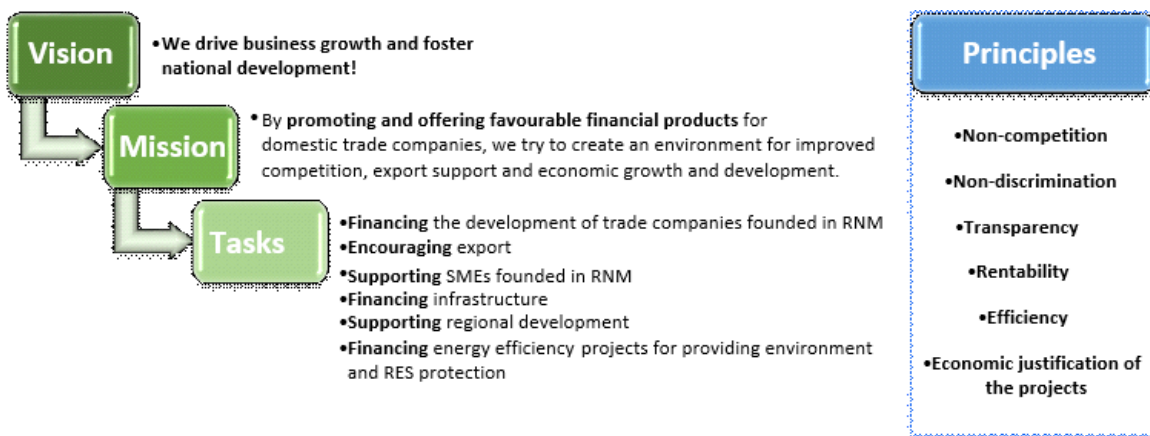
The NBRNM's assessment demonstrates that as of 31.12.2024, liquidity indicators are at a satisfactory level, and they further refer to the appropriate management of banks with liquidity risk. The solvency and capitalization of the banking system are stable with a capital adequacy ratio of 18.9%. The profitability of the domestic banking system is still stable with a rate of return on assets of 2.2% and a rate of return on capital of 17.6%. Credit risk is controlled with a rate of total non-functional loans of 2.78%, while the rate of non-functional and corporate loans is 3.5%.

As of 31.12.2024, the amount of total loans is MKD 494.4 billion, of which MKD 242.3 billion for the corporate sector (49.0%). The credit portfolio grew by 11.2% on an annual level (13.9% in the corporate sector). The deposit base was MKD 600.4 billion with annual growth of 12.4%. The interest rates mainly followed the monetary policy measures of NBRNM, as well as the global trend of the movement of interest rates.

in %	12.2024	12.2023
Total loans	5.30	5.47
Total deposits	2.17	1.79
Interest rate spread (p.p)	3.13	3.68
Newly approved loan	4.42	5.21
Newly received deposits	2.78	2.37
Interest rate spread (p.p)	1.64	2.84
Total corporate loans	4.96	5.33
Newly corporate approved loans	4.39	5.30

2. Profile and position of DBNM in the banking sector of RNM

The Development Bank of North Macedonia JSC Skopje is the only development bank in the Republic of North Macedonia established by a special Law on the Development Bank of North Macedonia (Official Gazette of RM No. 105/2009 and Official Gazette of RNM No. 77/21 and 209/23). The provisions of the Banking Law appropriately apply to DBNM unless otherwise regulated with the Law on DBNM. The supervision of the operation of DBNM within its competencies is performed by the NBRNM. The Ministry of Finance performs the supervision in the part of the operations that DBNM does on behalf of the Republic of North Macedonia. DBNM stands responsible for its duties with all its property. DBNM is a medium bank with 100% domestic capital, where the sole shareholder of the Bank is the Republic of North Macedonia.



The Bank operates in accordance with the strategic policies, goals and priorities of the Republic of North Macedonia. To fulfil its development role, the Bank uses two sources of funds: (a) own sources, (b) credit lines provided by international financial institutions and (c) credit lines established with funds from the Budget of the Republic of North Macedonia. In addition, the Bank performs commission work on behalf of the state. DBNM's strategy is to be guided by the principle of providing long-term sources of funds under favourable financial conditions. It plans and monitors the concentration of exposure by sources of funds, and makes constant efforts for its diversification, taking care to maintain an optimal level of profitability, liquidity and solvency, minimizing risks and preserving the interests of its main shareholder - the state. DBNM can legally receive deposits from legal entities and natural persons, but only if they serve as security for payments related to DBNM's activities, i.e., deposits are excluded as a possible source of financing business activities.

To achieve the goals, while adhering to the principles of operation, DBNM carries out its activities through participating commercial banks and/or directly to end users. This business model of DBNM is due to the need for:

- establishing a partnership with commercial banks to overcome the differences in the supply and demand of loans, especially loans with favorable conditions;
- supporting economic stability, growth and development;
- direct or indirect support to certain sectors where additional funding is needed;
- improving standards by encouraging activities for environmental protection and social responsibility.

As of 31.12.2024, DBNM accounts for 2.3% of the total assets of the banking system, making it the eighth bank in terms of assets. At the same time, about 7.7% of the total credits of commercial banks to non-financial companies (corporate sector) were placed with funds from DBNM.

3. Achieving the goals from the Development Plan and Business Policy for 2024

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

Based on the results achieved in its operations to date, the Bank largely fulfilled the planned financial and operational objectives outlined in the Development Plan and Business Policy for 2024.

FINANCIAL PLAN REALIZATION

BALANCE SHEET	balance 31.12.2024	plan 31.12.2024	Index
Cash	631,586	1,675,714	37.7
Net loans	17,560,813	17,973,253	97.7
Fixed assets	101,909	112,895	90.3
Other assets	353,627	358,199	98.7
TOTAL ASSETS	18,647,935	20,120,061	92.7
Liabilities for loans	14,827,091	16,368,452	90.6
Reservation	17,056	54,628	31.2
Other liabilities	21,914	17,052	128.5
Total liabilities	14,866,061	16,440,132	90.4
Recorded capital	1,998,862	1,998,862	100.0
Reserves	1,632,805	1,632,803	100.0
Retained profit	150,207	48,264	311.2
Total capital and reserves	3,781,874	3,679,929	102.8
TOTAL LIABILITIES	18,647,935	20,120,061	92.7

INCOME STATEMENT	Realization 2024	plan 2024	Index
Net income/interest expense	191,794	141,795	135.3
Total net income	249,027	203,681	122.3
Reservations	28,754	-17,705	
Operational costs	-110,344	-132,349	83.4
NET PROFIT	150,207	48,264	311.2

OBJECTIVE

REALIZATION

Continuing the realization of a new EIB 7 credit line with a total credit potential of EUR 100 million	☑	Realization has started and EUR 84.2 million have been placed in the Macedonian economy from the EIB 7 credit line
Making a credit arrangement with CEB for the realization of a credit line with a total credit potential of EUR 50 million	☑	The financial agreement with CEB was signed at the end of the year. In cooperation with the Ministry of Finance, final preparations are underway for the launch of the credit line
Initiating and realization of a AFD credit line with a total credit potential of EUR 50 million	☑	The AFD credit line has been initiated and is currently underway, with EUR 12.5 million disbursed to the Macedonian economy to date
Automatization and digitalization of the existing processes	☑	A Document Management System – DMS has already been implemented. The other processes are ongoing and in accordance with the Bank’s needs and possibilities
Implementation of web-based tool (platform) for the products of credit insurance in order to improve the customer user experience	☑	Agreements with donors and suppliers are have been signed, hence, the delivery and implementation of the solution is expected in the near future
Development and improvement of the IT and implementation of new software solutions in order to reach fully integrated system of recording, analysis and reporting	☑	Changes are made continuously in accordance with the regulations, optimization of part of processes in accordance with the needs and supply of hardware and software with higher technology
Collaboration with development banks from the region and further regarding exchange of experience, ideas and know-how	☑	Collaboration with development banks in the region and further is ongoing
Coming up with new and favourable financing sources	☑	Agreements have been signed with the Government and the Ministry of Finance for the introduction of a credit line to support investments and the development of private commercial companies, secured with funds from the Budget of the Republic of North Macedonia, in the amount of EUR 250 million.
Dynamization of sales activities in order to efficiently use the total potential of the Bank	☑	The bank's credit portfolio has increased by 2.5%, the scope of insured receivables has increased by 18%, the scope of redeemed receivables has increased by 19% and the issued guarantees have increased by 56%.
Intensifying the promotional activities through direct and indirect marketing and promotion channels	☑	Marketing and promotion activities are ongoing and follow the pace of the Bank’s portfolio growth
Maintaining the high quality of the credit portfolio	☑	The credit portfolio continues to maintain its high quality. The rate of non-performing exposures as of 31.12.2024 is 0.06%.

Continuous improvement of the risk management system, i.e., their identification, assessment, monitoring and control	☑	Risk management systems are maintained and continuously improved according to needs and regulations
Conducting a policy for efficient cost management	☑	Realized operating costs are 17% lower than projected ones with the financial plan for the current year
Maintaining the value of the capital and increasing it through the policy of setting aside the net profit for reserves	☑	The realized net profit is allocated to the Bank's capital and reserves
Continuous maintenance of an adequate level of own funds in function of maintaining the internally defined capital adequacy rate	☑	The capital adequacy ratio is continuously maintained above the legally prescribed level and within the internally defined values
Appropriate human resources management and continuous upgrading of their knowledge and expertise	☑	The Bank has a Human Resources Service, and staff is continuously upgraded through both internal and external trainings
Providing compliance of the Bank's operations with the laws and by-laws	☑	The compliance control service of the Bank continuously follows the Bank's compliance with the respective regulation
Continuous measure-taking in order to prevent money laundering and financing of terrorism	☑	The Bank continuously takes AML/CFT measures in accordance with the laws and by-laws

II. CORPORATE MANAGEMENT

4. Management bodies and other bodies










Managing DBNM in 2024 was carried out in accordance with the Banking Law (Official Gazette of RM No. 67/07, 88/07, 118/08, 42/09, 90/09, 67/10, 26/13, 13/14, 15/15, 153/15, 190/16, 7/19 and Official Gazette of RNM No. 101/19, 107/20 and 122/21), the Law on Development Bank of North Macedonia (Official Gazette of RM No. 105/09 and Official Gazette of RNM No. 77/21 and 209/23), the Decision on the rules for good corporate management adopted by the Council of the NBRNM and the Code of Corporate Management adopted by the General Meeting of the Development Bank of North Macedonia JSC Skopje. The assessment of the Bank's management should reflect the unique business model of the Bank as a development bank fully owned by the Republic of North Macedonia.

During 2024, DBNM carried out its activities through the following bodies of the Bank: General Meeting, Supervisory Board, Audit Committee, Management Board, Risk Management Committee and Credit Committee.

Entities with special rights and responsibilities in the Bank (a natural person - member of the Supervisory Board, member of the Management Board, member of the Audit Committee, member of the Risk Management Committee and other managers in the Bank, in accordance with the Statute of the Bank) did not report any conflict of interest or affiliation with third parties in accordance with the Banking Law, during 2024.


4.1. General Meeting

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

-  adopts the Statute and the amendments thereto;
-  reviews and adopts the Annual Report on the Operation of the Bank including the written opinion thereon, prepared by the Supervisory Board;
-  reviews and adopts the Report of the auditing company and the written opinion thereon, prepared by the Supervisory Board;
-  adopts the annual account and the financial statements of the Bank;
-  decides on the use and allocation of the profit or loss coverage;
-  decides on a new issue of shares of the Bank;
-  decides on the status changes of the Bank;
-  selects an audit company and decides on a proposal to terminate the contract with the audit company;
-  decides on other issues of importance for the Bank's operations provided by the Bank Statute.

The Bank's General Meeting works at sessions that are held as needed, and at least once a year. The Annual General Meeting of Shareholders must be held not later than six months of the calendar year for the previous year. During 2024, the General Meeting of Shareholders held 3 (three) regular sessions.

At the meetings held on 11.01.2024, 29.02.2024, and 27.05.2024 the General Meeting adopted the following:

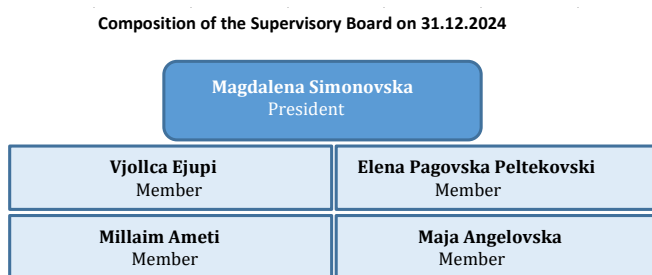
-  Proposal - Decision on amending and supplementing the Statute of the Development Bank of North Macedonia JSC Skopje;

- ▣ Consolidated text of the Statute of the Development Bank of North Macedonia JSC Skopje;
- ▣ Decision on determining the monthly remuneration for the members of the Supervisory Board and the Audit Committee;
- ▣ Annual Report on the Bank's operations in 2023, with an Adoption Decision thereto;
- ▣ Annual report on the operations of the Supervisory Board of the Bank in 2023, with an evaluation of its own operations in terms of individual members and collectively;
- ▣ Report from the Audit Company RNM MAKEDONIJA DOOEL Skopje for performed audit of the Bank's financial statements for the year that ended 31.12.2023 and the written opinion thereon prepared by the Supervisory Board of the Bank, with an Adoption Decision;
- ▣ Decision on adoption of the annual account of the Bank for 2023;
- ▣ Decision on the use and allocation of the realized profit for 2023.
- ▣ Rules of Procedure of the Shareholders' General Meeting of the Bank, with an Adoption Decision;
- ▣ Decision on the selection of an audit company to perform the audit of the financial statements and operations of the Development Bank of North Macedonia AD Skopje for the years ending 31.12.2024 and 31.12.2025.

4.2. Supervisory Board































Pursuant to the Law on DBNM, the Supervisory Board of the Bank consists of 5 (five) members. The Government of the Republic of North Macedonia appoints the members of the Supervisory Board, three on proposal of the Minister of Finance, one on proposal of the Deputy Prime Minister in charge of economic affairs and one on proposal of the Minister of Economy. The Government of the Republic of North Macedonia appoints the members of the Supervisory Board upon prior consent of the Governor of the NBRNM. The Government of the Republic of North Macedonia dismisses the members of the Supervisory Board.





















The Supervisory Board of the Bank, in accordance with the Decision of the Government of the Republic of North Macedonia on the appointment of members of the Supervisory Board of the Development Bank of North Macedonia JSC Skopje, No. 14-8429/1 dated 30.07.2021, Decision No. 14-13064/1 dated 21.12.2021, and Decision No. 15-8708/1 dated 22.08.2023 in 2024 worked in the following composition:



The Supervisory Board supervises the operations of the Management Board, approves the policies for performing financial activities, and supervises their implementation. The Supervisory Board is in charge of ensuring good operation, management and stability of the Bank, as well as timely and accurate financial reporting to NBRNM. The Supervisory Board of the Bank performs the following tasks:

- ▣ adopts the Bank's Business Policy and Development Plan and monitors its implementation;
- ▣ appoints and dismisses members of the Bank's Management Board;

-  appoints and dismisses members of the Risk Management Committee;
-  appoints and dismisses members of the Audit Committee;
-  appoints and dismisses members of the Bank's Credit Committee;
-  adopts the Bank's financial plan;
-  organizes the Internal Audit Service;
-  approves the Annual Plan of the Internal Audit Service;
-  adopts the Information System Security Policy and monitors its application;
-  adopts the Bank's Risk Management Policies and monitors their application;
-  adopts a Policy for Avoiding Conflicts of Interest, which identifies possible conflicts of interest and the measures and activities for their prevention, and monitors its application;
-  adopts a Remuneration Policy, in accordance with the Bank's business policy, development plan, financial plan and conflict of interest policy, and monitors its application;
-  adopts and implements a policy on the method of selection, monitoring of operations and dismissal of the members of the Supervisory Board, the Risk Management Committee, the Audit Board and the Management Board;
-  reviews the reports on the operations of the Bank's Management Board;
-  reviews the reports of the Risk Management Committee;
-  reviews the reports of the Audit Committee;
-  reviews the reports of the Internal Audit Service;
-  reviews the reports of the entity/service for the control of compliance of the Bank's operation with the regulations;
-  approves the annual account and financial statements of the Bank;
-  approves exposure to an entity of over 20% of the Bank's own funds, with the exception of exposure based on the purchase of securities issued by the National Bank and the Republic of North Macedonia;
-  approves transactions with persons related to the Bank in the amount of over MKD 6,000,000;
-  approves the acquisition of capital shares and the purchase of securities, greater than 5% of the Bank's own funds, except for the purchase of securities issued by the National Bank and the Republic of North Macedonia;
-  decides on the purchase and sale of real estate greater than 5% of the Bank's own funds;
-  approves the Audit Committee's proposal for the appointment of an audit firm, or the proposal for terminating the contract with the audit firm and is responsible for ensuring an appropriate audit;
-  adopts the Internal Audit Policy and monitors its application;
-  reviews the supervision reports, other reports submitted by the National Bank, the Public Revenue Administration and other competent institutions and proposes, that is, undertakes measures and activities to overcome the identified inconsistencies and flaws in the Bank's operations;
-  approves the Annual Report on the operation of the Bank and submits a written opinion thereon to the General Meeting of the Shareholders of the Bank;
-  reviews the Report of the audit company and submits a written opinion thereon to the General Meeting of the Shareholders of the Bank;
-  adopts the Corporate Governance Code that governs the Bank's management and supervision rules and monitors its application;
-  adopts the Bank's Code of Ethics and monitors its application;
-  determines the acceptable level of risk;
-  establishes and monitors the implementation of the risk management system;

-  establishes and monitors the implementation of the internal audit and monitors the operations of the Audit Committee;
-  monitors the Bank's financial operations and the manner in which financial reporting is performed;
-  monitors the remuneration system in the Bank and evaluates whether it is in accordance with the remuneration policy, the risk culture and the risk-taking capacity of the Bank;
-  monitors the implementation of the Bank's internal acts on protected reporting;
-  gives consent to conclude reinsurance contracts;
-  determines the general conditions for credit insurance against commercial and political risks;
-  gives consent to conclude agreements with the Republic of North Macedonia;
-  decides on the Bank's membership in organizations and institutions in the country and abroad;
-  gives consent for business trips outside the country, if more than three employees travel;
-  adopts the Report on the inventory of assets and sources of assets;
-  decides on the write-off of receivables;
-  reviews reports on restructured claims and claims for which the due date has been extended;
-  monitors the execution of the decisions, conclusions and directions adopted by the Bank's General Meeting of Shareholders;
-  decides in the second instance upon appeal of dissatisfied workers against a decision of the Bank's Management Board or upon an objection for reconsideration of the decision;
-  approves the exposure limits of separate types of risks;
-  approves the launch of a new product, activities or system that have a significant impact on the acceptable level of risk and the risk profile of the Bank;
-  approves the Policy for publication of reports and data by the Bank;
-  reviews the self-assessment and evaluation reports of the members of the Risk Management Committee, the Audit Committee and the Management Board in accordance with the policy on the method of selection, monitoring of the work and dismissal of the members of the Supervisory Board, the Risk Management Committee, the Audit Committee and the Management Board;
-  approves the establishment and organization of the internal control system;
-  performs other tasks in accordance with the legal and by-law regulations, the Statute and general acts of the Bank.

At least once a year, the Supervisory Board evaluates its own operations from the individual members' point of view and collectively and reports to the General Meeting of the Bank. The Supervisory Board forms boards, commissions and other decision-making bodies regarding activities that the Bank performs on behalf of the Republic of North Macedonia. With the Decision adopted by the General Meeting of DBNM, the members of the Supervisory Board have been determined a monthly remuneration for their work in the Supervisory Board of the Bank.

In the January - December 2024 period, the Supervisory Board held a total of 9 (nine) sessions. Within the competences established by law, the Supervisory Board undertook a number of activities and adopted several acts related to the regular operation of the Bank. Among the more significant acts, the following stand out:

DECISION	
1.	Decision on the adoption of the Report on the executive inventory of assets, receivables and liabilities until 31.12.2023
2.	Decision to approve the unaudited financial statements of the Development Bank of North Macedonia JSC Skopje, prepared in accordance with the Law on Trade Companies and the regulation of NBRNM, for the year that ended on 31.12.2023
3.	Decision on the adoption of the Financial Plan for the operation of the Development Bank of North Macedonia JSC Skopje in 2024
4.	Decision to approve the Plan and work program of the Internal Audit Service for 2024
5.	Decision to approve the Annual Account for 2023
6.	Proposal - Decision on the use and distribution of the realized profit for 2023
7.	Decision on the adoption of the Development Plan and Business Policy of DBNM JSC Skopje, for the 2024 – 2026 period
8.	Decision on the adoption of the Annual Report on the operation of the Guarantee Fund for 2023
9.	Decision on the adoption of the Annual Report on the operation of the Development Fund for 2023
10.	Decision on the adoption of the Annual Report on the operation of the DBNM JSC Skopje during 2023 including a written opinion thereon
11.	Decision to approve the revised financial statements of the DBNM JSC Skopje for the year ending on 31.12.2023
12.	Decision on adoption of the Decision on the interest rates of DBNM JSC Skopje
13.	Decision to approve exposure limit to participating banks
14.	Decision to approve the proposal of the Audit Committee for the appointment of an Audit Firm to perform the audit of the financial statements of the Bank's for the years ending on 31.12.2024 and 31.12.2025
15.	Decision on the indebtedness of DBNM to the Development Bank of the Council of Europe (CEB)
16.	Decision on the accession of the Development Bank of North Macedonia as a member in the Economic Chamber of North-West Macedonia
17.	Decision on making a Reinsurance Agreement for 2025

The Supervisory Board revised the Bank's acts, approved/adopted the reports, information and other proposed materials for the Bank's operations in 2024.

4.3. Audit Committee

The Audit Committee consists of 5 (five) members. The Audit Committee members are appointed and dismissed by the Supervisory Board. Three members in the Audit Committee are elected from among the members of the Supervisory Board, and two are independent members. At least one member of the Audit Committee should be an authorized auditor. The members of the Audit Committee elect from amongst their ranks a President, in charge of the organization of the operations of the Audit Committee.

During 2024, the Audit Committee of DBNM worked in the following composition: **Millaim Ameti** – president; **Magdalena Simonovska** – member; **Vjollca Ejupi** – member; **Lenin Prculovski** – member and **Biljana Sekulovska** – member.

As of 28.10.2024, the Audit Committee dismissed **Vjollca Ejupi** and appointed **Elena Pagovska Peltekovski** in her place. As of 31.12.2024 the Audit Committee continued to work in the following composition:

Composition of the Audit Committee on 31.12.2024

Millaim Ameti President	
Magdalena Simonovska Member	Elena Pagovska Peltekovski Member
Lenin Prculovski Member	Biljana Sekulovska Member

The Audit Committee performs the following activities:

- ▣ reviews the financial statements of the Bank and takes care of the accuracy and transparency of the published financial information for the Bank’s operations in accordance with the accounting regulations and international accounting standards;
- ▣ reviews and evaluates internal control systems;
- ▣ monitors the operations and evaluates the efficiency of the Internal Audit Service;
- ▣ monitors the Bank’s audit process and evaluates the work of the audit company;
- ▣ adopts the accounting policies of the Bank;
- ▣ monitors the compliance of the Bank's operations with the regulations related to the accounting standards and financial statements;
- ▣ maintains a relationship with the Management Board, the Internal Audit Department and the audit company regarding the identified non-compliances with the regulations and weaknesses in the Bank's operations;
- ▣ reviews the Risk Management Committee's reports;
- ▣ proposes the appointment of an audit company and termination of agreement with an audit company; and
- ▣ reports to the Bank’s Supervisory Board on its operations at least once quarterly.

During 2024, the Audit Committee sessions reviewed the Bank's financial reports and determined the objectivity of the published financial information on the Bank's operations, as well as their compliance with accounting regulations and international accounting standards. The Audit Committee monitored the work of the Internal Audit Service and evaluated the work of the audit company, which as an independent auditor audited the Bank's financial statements for 2024. At the sessions of the Audit Committee, the reports on the Bank's risk profile were reviewed, analysing separately each risk to which the Bank is exposed during its operations.

4.4. Management Board

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












Management Board composition on 31.12.2024

Operating Officer. During 2024, the Management Board of the Bank worked in the following composition:

Kire Naumov, as a member of the Management Board - Chief Executive Officer of the Bank was appointed by Decision of the Supervisory Board no. 02-2254/1 dated 16.9.2019 and was re-elected for this function with a Re-election Decision no. 02-7741/4 dated 05.08.2021. With a Decision by the Supervisory Board, the CEO has been appointed for a tenure of 6 (six) years. The Governor of the NBRNM calling upon Decision number 15-26453/8 dated 19.11.2021, issued consent for the appointment of Kire Naumov as a member of the Board - Chief Executive Officer for a period of six years.

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

The Board performs the following activities:

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

Within the scope of its legal and statutory competencies, the Management Board adopts all necessary internal acts to ensure the Bank operates in accordance with applicable laws and bylaws. It regularly reports on its activities to the Supervisory Board.

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

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

4.5. Risk Management Committee

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

During 2024, the Risk Management Committee operated in the following composition:



The Risk Management Committee performs the following activities:

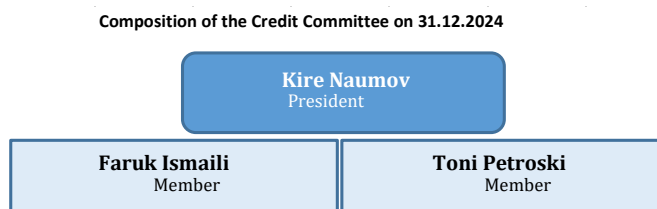
- ▣ permanently monitors and assesses the level of risk of the Bank and identifies the acceptable level of risk exposure in order to minimize the Bank's losses as a result of the Bank's risk exposure;
- ▣ establishes risk management policies and monitors their implementation;
- ▣ follows the NBRNM regulations related to risk management and the Bank's compliance with these regulations;
- ▣ evaluates the risk management systems in the Bank;
- ▣ determines short-term and long-term strategies for dealing with certain types of risks which the Bank is exposed to;
- ▣ analyses the Bank's risk exposure reports prepared by the Bank's units that perform risk assessment and proposes strategies, measures and instruments for risk protection;

- ▣ monitors the efficiency of the functioning of internal control systems in risk management;
- ▣ analyses the effects of risk management on the Bank's performance;
- ▣ analyses the effects of the proposed risk management strategies, as well as the proposed strategies, measures and instruments for risk protection;
- ▣ assesses the compliance of the prices of the products and services offered by the Bank with the level of risk taken, in accordance with the Bank's business policy and the development plan;
- ▣ quarterly reports to the Supervisory Board on the changes in the risk positions of the Bank, the changes in the risk management strategy, the risk management effects on the performance of the Bank, as well as the undertaken measures and instruments for hedging risks and effects thereof;
- ▣ approves exposure to a person/entity from over 10% to 20% of own funds of the Bank.

The Risk Management Committee makes self-assessment of its operations at least once a year in regards of the individual members and jointly and submits it to the Supervisory Board of the Bank. During 2024, the Risk Management Committee made decisions at meetings that were held at least once a week and in accordance with the Banking Law, submitted reports on its operations to the Bank's Supervisory Board.

4.6. Credit Committee

The Credit Committee is composed of 3 (three) members, of which the Management Board Members are members of the Credit Committee in accordance with the Bank's Statute, while the third member is appointed and dismissed by the Bank's Supervisory Board. The Credit Committee of the Bank in 2024 operated in the following composition:



The Credit Committee has the following tasks and responsibilities:

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

During 2024, the Credit Committee held meetings at which they discussed and approved credit and factoring applications submitted by the participating banks in the loan programs of DBNM and the insured entities.

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

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

In 2024, the information regarding membership of the members of the Supervisory Board, Risk Management Committee, Audit Committee and the Management Board in other bodies of supervision and/or management are given as follows:

Name and surname:	Magdalena Simonovska
Function	President of the Supervisory Board Member of the Audit Committee
Term of office	10.12.2021 - 10.12.2025
Name of employer	Ministry of Finance
Salary, compensation to salary, bonus, insurance and other rights	MKD 828,000
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname	Elena Pagovska Peltekovski
Function:	Member of the Supervisory Board Member of the Audit Committee (Since 29.10.2024)
Term of office	13.04.2022-13.04.2026
Name of employer	Government of RNM General Secretariat
Salary, compensation to salary, bonus, insurance and other rights	MKD 787,488
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Maja Angelovska
Function:	Member of the Supervisory Board
Term of office	13.11.2023 - 13.11.2027
Name of employer	AD Croatia Osiguruvanje -zivot
Salary, compensation to salary, bonus, insurance and other rights	MKD 1,834,107 salary and compensation to salary, loyalty policy EUR 1,500 per year, Directors and Officers (D&O) Insurance Policy EUR 8,500
Membership in other supervisory bodies	/

Membership in other management bodies	/
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Name and surname:	Millaim Ameti
Function:	Member of the Supervisory Board President of the Audit Committee
Term of office	10.12.2021 - 10.12.2025
Name of employer	Government of the Republic of North Macedonia General Secretariat
Salary, compensation to salary, bonus, insurance and other rights	MKD 349,702 (General Secretariat as of 22.06.2024)
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Vjollca Ejupi
Function:	Member of the Supervisory Board Member of the Audit Committee (until 28.10.2024)
Term of office	10.12.2021 - 10.12.2025
Name of employer	Ministry of Economy
Salary, compensation to salary, bonus, insurance and other rights	MKD 732,961
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Lenin Prculovski
Function:	Member of the Audit Committee
Term of office	23.04.2019-23.04.2025
Name of employer	National Group for Insurance AD Osiguritelna Polisa – Skopje
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Biljana Sekulovska
Function:	Member of the Audit Committee
Term of office	23.06.2022 – 23.06.2028
Name of employer	Solutions Fenix Nova
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Kire Naumov
Function:	Member of the Management Board
Term of office	19.11.2021 – 19.11.2027
Name of employer	DBNM JSC Skopje

Salary, compensation to salary, bonus, insurance and other rights	
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Faruk Ismaili
Function:	Member of the Management Board President of the Risk Management Committee
Term of office	19.12.2021- 19.11.2027
Name of employer	DBNM JSC Skopje
Salary, compensation to salary, bonus, insurance and other rights	
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Aleksandar Stanojkovski
Function:	Member of the Risk Management Committee
Term of office	19.07.2021 – 19.07.2027
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Faadis Rexhepi
Function:	Member of the Risk Management Committee
Term of office	20.12.2021 – 20.12.2027
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Darko Stefanovski
Function:	Member of the Risk Management Committee
Term of office	19.07.2021 – 19.07.2027
Membership in other supervisory bodies	/
Membership in other management bodies	/

Name and surname:	Gjorgji Kokinovski
Function:	Member of the Risk Management Committee
Term of office	19.07.2021 – 19.07.2027
Membership in other supervisory bodies	/
Membership in other management bodies	/

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

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

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

The Supervisory and the Management Board of the Bank have not reached a Decision on determining a variable part of the compensation for the members of the Management Board of the Bank, i.e., for the persons with special rights and responsibilities in the Bank.

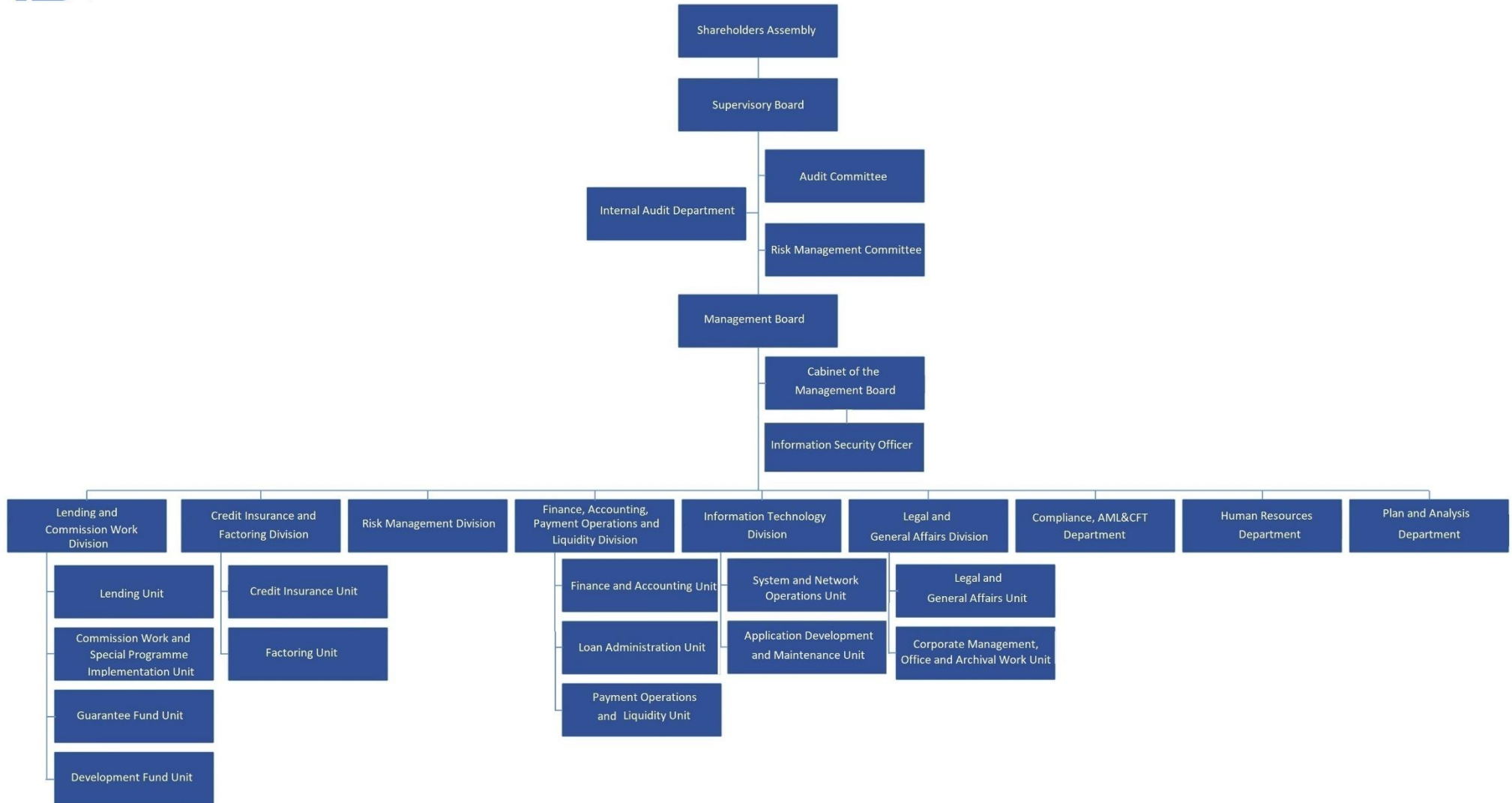
In the reported year, the gross amount of MKD 2,889 thousand was paid to the members of the Supervisory Board on the grounds of membership and insurance fees, and gross amount of MKD 677 thousand was paid to the members of the Audit Committee. There is no compensation for membership in the other bodies of the Bank planned or paid. The members of the Management Board were paid MKD 6,352 thousand on the grounds of gross-salary, salary compensation, bonus, insurance and other rights, and 11 persons with special rights and responsibilities were paid MKD 15,674 thousand.

5. Organization structure

Pursuant to the Rulebook on the organization and systematization of the operations and the operational tasks, the Bank is organized into six sectors, four services and eleven departments. The bank has not established any subsidiaries.

As of 31.12.2024, 60 individuals have been employed in DBNM.

Development Bank of North Macedonia JSC Skopje














6. Shareholder's structure

Pursuant to the Law on the Development Bank of North Macedonia (Official Gazette of RM no. 105/09 and Official Gazette of RNM no. 77/21 and 209/23), DBNM is a joint stock company in which the Republic of North Macedonia is the sole shareholder. The Government of the Republic of North Macedonia is registered in the Bank's Book of Shareholders with a total of 643,134 ordinary voting shares and a nominal value of MKD 3,108 per share.

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

The Code of Corporate Management of the Development Bank of North Macedonia JSC Skopje no. 02-4950/5 dated 27.12.2023 has been prepared in accordance with the Decision on rules on good corporate management by the Council of NBRNM.

DBNM, i.e., the management bodies of the Bank and the employees during 2024, fully adhered to the principles of corporate management accepted in the Code of Corporate Management, as follows:

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




8. Information and data on the Bank's conflicts of interest protection policy

The basic postulates of the policy are laid down in the Bank's Policy on Avoiding Conflicts of Interest no. 02-4916/4 dated 25.12.2023, and in the Code of Ethics of DBNM no. 02-2639/2 dated 26.06.2023. The Policy on Avoiding Conflicts of interest and the Code of Ethics are reviewed by the Bank's Supervisory Board at least once a year.

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

9. Information on use of outsourcing

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

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

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

III. FINANCIAL OUTCOMES

10. Balance Sheet

The total net balance on 31.12.2024 amounts MKD 18,648 million, with dominant share in the structure of assets of 94.2% being credit activities. The growth of assets by 0.9% and net loans by 2.5% compared to the previous year are generally due to full placement of the EIB 7 and AFD credit lines and dynamizing the activities of the factoring service. The assets and the net loans have been realized slightly below the level determined in the financial plan, as a result of external circumstances that are not connected with operation of the Bank. The decrease in cash and cash equivalents is mainly due to an increase in lending and factoring. The current level of cash and cash equivalents continues to satisfy regulatory and internal liquidity indicators. The net value of the basic assets that make up the real estate, equipment and intangible assets are within the needs for the operational operation of the Bank.

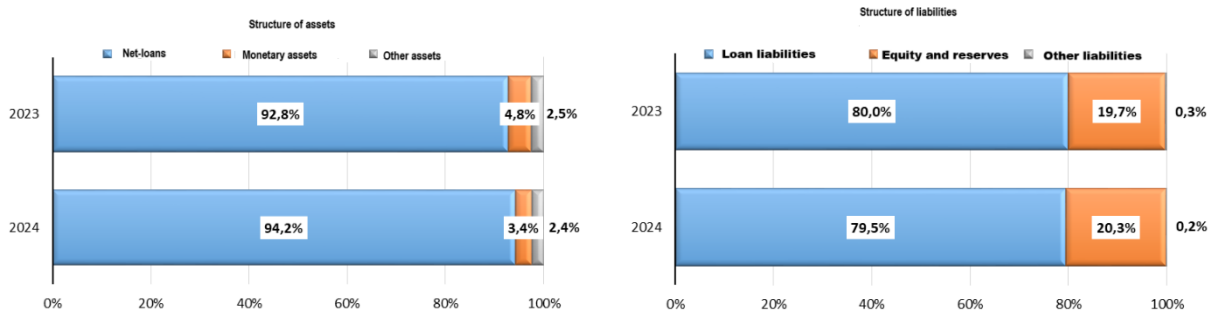
As of 31.12.2024, the Bank's total liabilities reach an amount of MKD 14,866 million, in which the dominant rate continues to be the liabilities under loans with a share of 99.7%, of which the majority are liabilities under long-term loans to the EIB. The special reserve for potential losses for off-balance sheet rates amounts to MKD 17 million and results from the classification of the credit exposure of off-balance sheet activities based on issued credit insurance policies.

BALANCE SHEET	31.12.2024	31.12.2023	Index
Cash and cash equivalents	631,586	877,701	72.0
Loans and receivables from banks	17,313,008	16,892,230	102.5
Loans and receivables from other entities	247,805	242,867	102.0
Investments in securities	342,586	341,097	100.4
Other receivables	11,041	16,761	65.9
Intangible assets	6,481	1,585	408.9
Real estate and equipment	95,428	101,097	94.4
TOTAL ASSETS	18,647,935	18,473,338	100.9
Liabilities for loans	14,827,091	14,778,949	100.3
Special reserve and reservation	17,056	37,074	46.0
Income tax liabilities (current)	7,662	5,653	135.5
Other liabilities	14,252	19,997	71.3
TOTAL LIABILITIES	14,866,061	14,841,673	100.2
Registered capital	1,998,862	1,998,862	100.0
Other reserves	1,632,805	1,541,253	105.9
Retained earnings/accumulated losses	150,207	91,550	164.1
Total equity and reserves	3,781,874	3,631,665	104.1
TOTAL LIABILITIES AND EQUITY AND RESERVES	18,647,935	18,473,338	100.9
Potential assets			
Potential liabilities		1,102,143	0.0

The total capital and the reserves that make up the founding capital, the reserves formed from the profits made in previous years and the profit from the current period amount to MKD

3,782 million and account for 20.3% of the Bank's liabilities. Compared to the previous year, they marked a growth of 4.1%, mostly as a result of the allocation of the net profit of the Bank. The plan at this rate has exceeded by 2.8%.

In the case of off-balance sheet liabilities, the total potential liabilities resulting from issued insurance policies for the insured's claims from commercial and non-commercial risks covered by reinsurance contracts, liabilities based on factoring and liabilities based on customs guarantees, at the end of 2024 amount to MKD 913 million which represents a decrease of 17% compared to the previous year, resulting from objective factors, i.e., decline in exports, reduced industrial turnover, and external political uncertainty.



11. Income Statement

In 2024, DBNM achieved a positive financial result in the amount of MKD 150 million, i.e., 64.1% higher than the previous year and above the financial plan for the current year. Increased net income from regular operations as a result of intensification of the Bank's activities, the trend of interest rate growth and rational management of operating costs have the greatest impact on the increase in profit.

Net interest income, which represents a basic component in the formation of the Bank's total income, in the current year reached MKD 192 million, i.e., they recorded an annual growth of 20.0%. Net income from commissions and fees that come from activities in credit insurance and commission operations amount to MKD 56 million, with a decrease of 10.3%. The other revenues from operations amount to MKD 1.7 million. The correction of the value of financial assets, on a net basis, showed an income in the amount of MKD 29 million.

INCOME STATEMENT	2024	2023	Index
Interest income	486,566	292,168	166.5
Interest expenditures	-294,772	-132,290	222.8
Net interest income/expenditures	191,794	159,878	120.0
Income from commissions and compensations	110,993	91,982	120.7
Expenditures for commissions and compensations	-55,165	-29,761	185.4
Net income/expenditures from commissions and compensations	55,828	62,221	89.7
Net income/expenditures from exchange differences	-298	-1,128	26.4
Other income from the activity	1,703	13,691	12.4
Correction of value of cash, net-basis	28,754	-30,063	
Loss due to impairment of non-financial assets, net basis	0	0	

Expenditures for employees	-74,019	-65,936	112.3
Depreciation	-7,868	-7,167	109.8
Other expenditures from the activity	-28,457	-29,279	97.2
Profit/Loss before tax	167,437	102,217	163.8
Income tax	-17,230	-10,667	161.5
PROFIT/LOSS FOR FINANCIAL YEAR	150,207	91,550	164.1

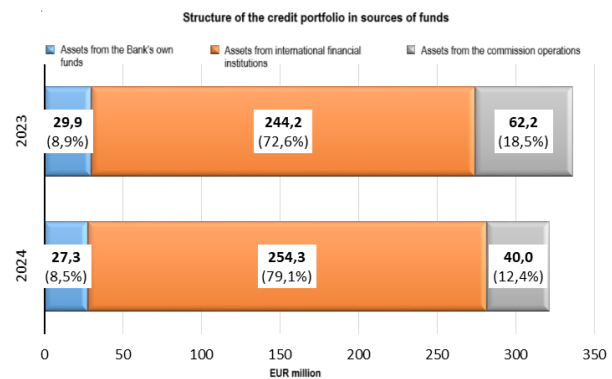
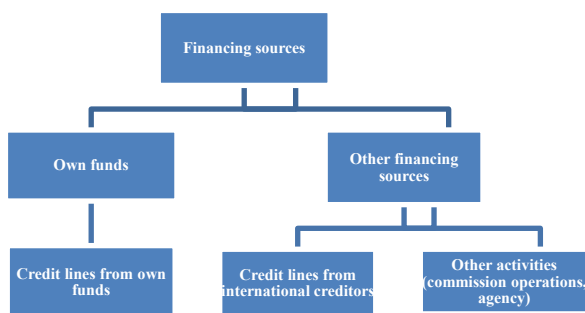
Regarding expenses, general and administrative costs and depreciation were realized in the amount of MKD 110 million, which is an increase of 7.8% compared to 2023, primarily as a result of the increased prices of goods and services. However, in relation to the plan, a saving of 16.6% has been achieved in operational costs.



IV. BUSINESS ACTIVITIES

12. Crediting

DBNM maintains a combined model of lending to customers through commercial banks and directly. DBNM's credit activities are financed from its own sources and other sources, i.e., funds provided by international financial institutions and funds for commission operations.



12.1. Credit lines from DBNM's own funds

From DBNM's own funds, several credit lines have been created in order to meet the development goals of the Bank, as follows:

- credit line for financing production intended for export (amount up to EUR 2,000,000 with a repayment period of up to 2 years);
- credit line for financing fixed working capital (amount up to EUR 300,000 and a repayment period of up to 3 years);
- credit line for development of micro, small and medium-sized enterprises (amount up to EUR 500,000 per credit user with a repayment period of up to 11 years);
- credit line for digitalization and digital transformation (amount up to EUR 300,000 per credit user and a repayment period of up to 8 years)
- credit line for EE and RES (an amount of up to EUR 500,000 per credit user and a repayment term of up to 12 years).

12.2. Credit lines from international financial institutions

12.2.1. EIB credit lines

In 2024, DBNM implemented the EIB 7 credit line, and at the same time continued to use and implement the rest of the credit lines from the revolving fund of the credit lines from the first to the sixth arrangement with the EIB.

The EIB 7 loans in total amount of EUR 100 million are intended for financing fixed assets, permanent working capital and mid-cap companies, and green transition projects. They are placed to the end users under extremely favourable conditions, with a fixed interest rate of up to 3.5% annually.

Name of credit program from EIB 7	Amount of separate loan to the end users	Repayment period	Grace period included	Purpose
Investment loans for SMEs with up to 250 employees	from EUR10,000 to 3,500,000	up to 12 years	up to 2 years	<ul style="list-style-type: none"> - Purchase of real estate (except for land); - Purchase of equipment; - Purchase of working capital (not exceeding 30% of the loan value); and - Investments in intangible assets.
Loans for permanent working capital for SMEs with up to 250 employees	from EUR 5,000 to 666,700	up to 3 years	up to 6 months	<ul style="list-style-type: none"> - Purchase of working capital.
Loans for mid-caps with 250 to 3000 employees	from EUR 40,000 to EUR 6,000,000	up to 12 years	up to 12 years	<ul style="list-style-type: none"> - Financing projects in knowledge-based economy, energetics, ecology, industry, tourism, healthcare, education, services, green transition etc.

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

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

12.2.3. Credit line for green and socially responsible investments financed by the French Development Agency – AFD

In 2024, DBNM began, for the first time, disbursing funds under the credit line for green and socially responsible investments, secured through a EUR 50 million loan from the French Development Agency (AFD). This credit line is intended to support women entrepreneurship, company digitalization, and green investments aimed at addressing the effects of climate change. The credit line is implemented through qualified participating banks and is offered to end users under exceptionally favourable terms, with a fixed annual interest rate of 3.5%.

Component	Amount of separate loan to the end users	Repayment period	Grace period included	Purpose
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Women entrepreneurship	from EUR 5,000 to 350,000	up to 15 years	up to 3 years	Purchase of capital goods and working capital (not exceeding 30% of the loan value) for companies: - Women-owned (with a minimum of 5% of the ownership structure held by women); - Managed by women (with a minimum of 30% of the management structure held by women).
Digitalization				Purchase of capital goods and working capital (not exceeding 30% of the loan value) for support of digitalization projects.
Green investments	from EUR 5,000 to EUR 1,500,000			Purchase of capital goods and working capital (not exceeding 30% of the loan value) for supporting investments in green projects aimed at adapting to or mitigating the effects of climate change.

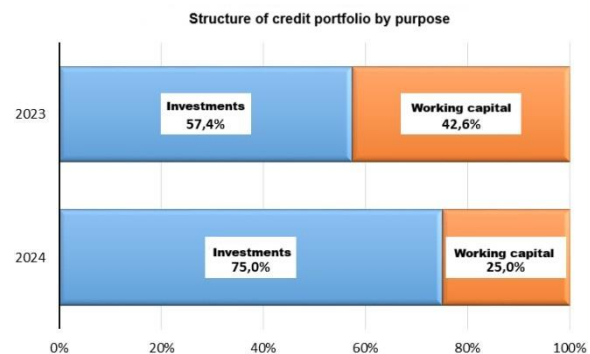
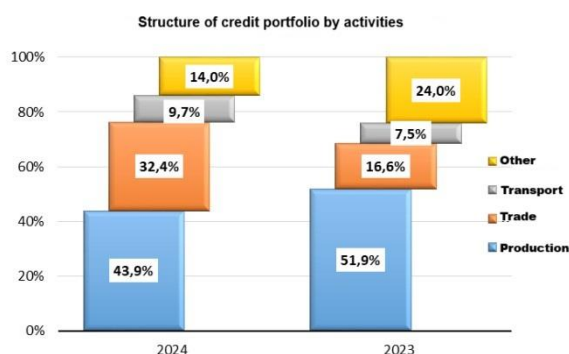
12.3. Other credit lines and projects

12.3.1. Renewable Loan Fund/Agricultural Credit Discount Fund (RLF/ACDF)

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

Source	Amount in EUR	No. of projects
Own funds	8,663,000	32
EIB	39,224,724	107
KfW	600,000	4
AFD	12,500,000	58
RLF/ACDF	1,351,754	77
Total	62,339,298	278

The Bank has a diversified credit portfolio structure by activities and purpose. In 2024, it disbursed loans totalling EUR 62.3 million to support of 278 projects.



13. Insurance of receivables:

13.1. Instruments for insurance of receivables (foreign and domestic)

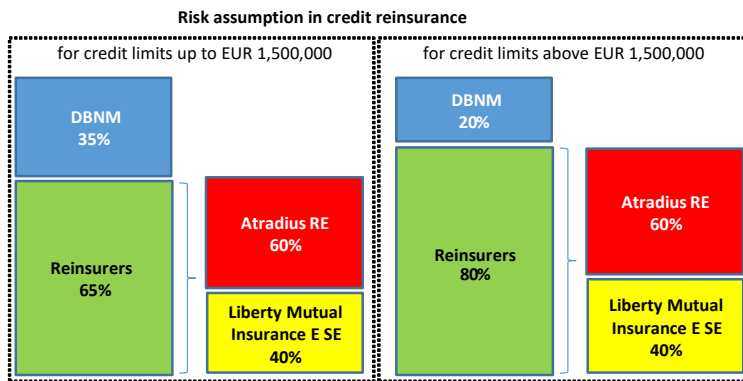
DBNM is a development institution that insures foreign and domestic receivables against short-term commercial and political risks.

Insurance against short-term commercial risks
<ul style="list-style-type: none"> • before delivery of goods / services (bankruptcy risk); • upon delivery of goods / services (bankruptcy risk, prolonged non-payment risk).

Political risk insurance
<ul style="list-style-type: none"> • risk of war or similar events; • risk of license revocation; • termination of contract.

13.2. Reinsurance contract

In 2024, the Bank reinsured the total insured foreign and domestic portfolio. The reinsurance was carried out in accordance with the concluded quota (compulsory) reinsurance contract with the reinsurers Atradius RE based in the Republic of Ireland and Liberty Mutual Insurance Europe SE based in Luxembourg. With the quota contract for reinsurance, more favourable conditions were achieved in relation to the assumed risk, premium rates, insured risks, and other conditions compared to previous years.

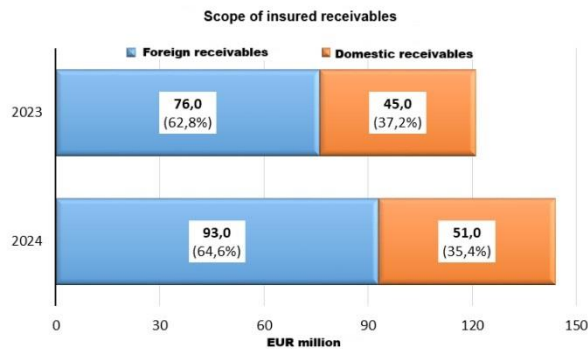


According to the quota contract for reinsurance, DBNM assumes 35%, and the reinsurers assume 65% of the insured risk of DBNM for approved credit limits up to EUR 1,500,000. For approved credit limits for buyers over EUR 1,500,000, DBNM assumes 20% of the insured risk, and reinsurers assume 80% of the insured risk.

13.3. Insurance against short-term commercial risks

During 2024, DBNM signed insurance policies against short-term commercial risks for foreign and domestic receivables, with 70 insured entities, and credit limits were approved for over 495 domestic and foreign buyers. Receivables with a total value of EUR 144 million (+18% annual growth) have been secured, of which foreign receivables in the amount of EUR 93 million in 33 countries, and EUR 51 million for domestic receivables. At the same time, the Bank, due to insured events (bankruptcy and prolonged non-payment), was paying out damages



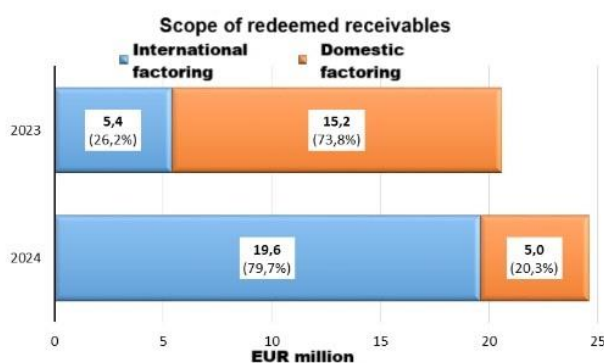


to the insured entities.

14. Factoring

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

DBNM performs factoring with the right of recourse on foreign and domestic receivables. Therefore, the Bank contributes to easier short-term financing of companies for their current needs; improving cash flow; accelerating business cycles; increasing working capital and ensuring business growth and development, especially for export-oriented companies.



During 2024, through factoring DBNM supported the liquidity of Macedonian companies with a total of over EUR 24.6 million (19% annual growth) in redeemed receivables. EUR 19.6 million of those were aimed at supporting export of Macedonian products and services, for redeeming receivables to buyers located in more than ten countries and EUR 5 million were aimed for redemption of domestic receivables.

15. Guarantees

15.1. Guarantee fund

The Guarantee Fund is formed with the Agreement on Issuance of Guarantees from the Guarantee Fund concluded by DBNM and the Ministry of Finance. The purpose of the Guarantee Fund is to support micro, small and medium-sized enterprises in the Republic of North Macedonia, especially in conditions of economic, energy and price crisis, so that they can more easily obtain the necessary financial resources for normal functioning. The purpose of the Guarantee Fund is to support the private sector through banks and savings banks (portfolio guarantees) or directly (individual guarantees), by providing part of the collateral for issued loans.

The maximum guaranteed percentage for portfolio guarantees is up to 80% for loans intended for working capital and up to 50% for loans intended for fixed assets and up to 35% for credit lines for fixed assets or working capital approved for users classified under the B risk category. So far, twelve financial institutions are included in the state guarantee scheme. Beneficiaries of the individual guarantees are large traders who carry out export, i.e., trading companies in which the revenues based on exports have a share of at least 30% in the total realized revenues in the fiscal year that precedes the year in which the guarantee is approved. The maximum guaranteed percentage in individual guarantees is up to 50% of the amount of the loan.

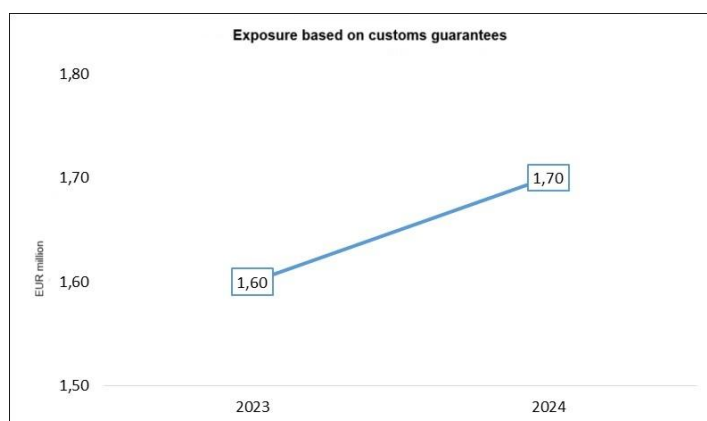
With the aim of increasing the attractiveness of this product, in 2024 an Annex to the Agreement on Issuance of Guarantees was signed, which introduced the following changes: (a) the risk category was expanded to include not only Category A but also Category B clients; (b) the scope of guaranteed loans was extended to include loans financed with funds from DBNM; (c) the obligation for promissory note endorsement by owners was limited from those holding at least 5% of the company’s share capital to those holding at least 10%; and (d) the deadline for exemption from commission fees for issued guarantees to banks, savings houses, and individual guarantee beneficiaries was extended until 31.12.2025.

As of 31.12.2024, DBNM has issued guarantees from the Guarantee Fund for disbursed loans in the total amount of EUR 39.3 million (56% annual growth) which supported 475 clients.



15.2. Customs guarantees during importation for the purpose of refinement

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



As of 31.12.2024, the exposure of DBNM based on customs guarantees issued amounted to EUR 1.70 million for eleven clients.

16. Risk management

DBNM JSC Skopje has a well-established risk management system and continuously manages risks in accordance with the nature, type and scope of financial activities it performs. Risk management is primarily based on internal acts for the identification, measurement (assessment), control, and monitoring of individual risks; rules for stress testing; procedures for the introduction of new products; rules for the use of services provided by external parties; as well as an appropriate information system. The established risk management system includes efficient risk management process that is based on the defined acceptable level of risk and the established risk culture, appropriate organizational set-up of risk management, process of determining the internal capital and process of determining the internal liquidity.

Risk represents the probability that a certain activity or event may have a direct negative impact on the solvency, liquidity, and/or profitability, or may cause difficulties in the implementation of the Bank's Development Plan and Business Policy. Risk is properly managed when it is identified, understood, assessed, monitored, and controlled. Additionally, risks are not identified and assessed in isolation, therefore one transaction may carry several types of risks and one type of risk may have the effect of increasing other risks. The Bank covers at least the following risks: credit risk; country risk and credit exposure concentration risk; liquidity risk; currency risk; risk of interest rate changes in a portfolio of banking activities; operational risk; reputation risk and strategic risk.

16.1. Credit risk

Credit risk is a risk of loss for the Bank, due to the inability of the client or another contracting party to settle its liabilities in the agreed amount and/or agreed deadlines. Given the fact that all changes in macroeconomic indicators in a country lead to qualitative changes in customers, in addition to credit risk, the bank includes the risk of the country. Loans are the largest and most obvious source of credit risk. However, there are other sources of credit risk that stem from the performance of the bank's activities and are included in the balance sheet and off-balance sheet records. Namely, the bank performs the activities on the basis of defined criteria for new credit risk exposures, as well as for the distribution of the existing credit risk exposures. Before approving any activity that has an impact on credit exposure, the bank shall assess the risk profile on an individual basis (client/transaction) which includes the following: assessment (quantitative and qualitative) of the creditworthiness of the client/other party and neatness of the client in settling their obligations. The Bank assesses the need and appropriate final impairment of the active balance sheet claims, i.e., it allocates a special reserve for the off-balance sheets' items arising from each credit agreement by determining the present value of future cash flows arising from those claims. The Bank determines the amount of the expected credit loss at least once a month on an individual basis for all credit exposures.

As of 31.12.2024, the average exposure of DBNM's portfolio, calculated as the ratio between the determined amount of expected credit losses and the total credit exposure, stood at 0.17%, which is within the acceptable level of credit risk. The Bank's credit exposure is concentrated within the risk category A – 99.51%, while risk categories B and D account for 0.49% of the total credit exposure.

16.2. Country risk

Country risk is the risk of loss arising from the Bank's exposure to a client from a specific country, which stems from the regulatory, economic, social, and political conditions in the country where the client is headquartered. In order to address this risk, the bank establishes an

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

16.3. Exposure concentration risk

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

16.4. Currency risk

Currency risk is a risk of loss due to changes in cross-currency exchange and/or changes in the value of the MKD in relation to the value of other foreign currencies. The Bank establishes a system of identification, measurement, monitoring and control of currency risk which is exposed in its operations, which covers all activities, and transactions that are recorded in the balance sheet and off-balance sheet records in foreign currency and MKD indexed in foreign clause. Specifically, foreign exchange risk is the risk to which the Bank is exposed when holding an open foreign currency position that may lead to a loss due to changes in exchange rates or in the value of the denar (MKD) relative to other foreign currencies. DBNM usually places funds from foreign sources in the same currency or in MKD with FX clause in the currency of the origin of the funds. The policy of the Bank is to manage the positions in foreign currency or in MKD with foreign currency deposit in a way that enables monitoring, controlling and eliminating the negative impacts of the exchange rate changes on the stability of the financial position of the Bank. The exposure to currency risk has maintained a consistent and stable trend and remains within the acceptable level of foreign exchange (currency) risk.

16.5. Liquidity risk

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

As of 31.12.2024, liquidity indicators were above the internally defined limits and within the acceptable level of risk. Regarding the maturity structure of assets and liabilities, the

difference is positive for each time period, meaning that the expected contractual inflows exceed the expected contractual outflows.




16.6. Interest rate risk in the banking portfolio

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

As of 31.12.2024, the exposure to interest rate risk in the banking portfolio, measured through the weighted value (change in the economic value of the portfolio of banking activities) relative to the Bank's own funds, remained within the internally defined acceptable level and within the regulatory limit.

16.7. Operational risk

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

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

Operational risk management is part of an integrated approach to manage all the risks to which the bank is exposed. Operational risk management is implemented at every level within the organizational structure and at the same time it is integrated in the daily activities of DBNM. In this way it is possible to minimize the possibilities for the occurrence of loss events, to improve the quality of the work processes and the services of the bank, as well as the increase of the efficiency in performing the activities. Through constant training and education of employees, monitoring the frequency and prevention of errors, and protection, efforts are made to reduce the exposure to operational risk.

16.9. Reputation risk

Reputation risk is a current or future risk to the Bank's profit or own funds arising from unfavourable perceptions from customers, creditors, shareholders, investors and regulators of the Bank's operations. It is the responsibility of all employees to protect the Bank's reputation. A

system of regular monitoring of the Bank's activities for reputation risk management has been established, as well as activities for reducing the probability for occurrence of some of the sources of this risk. Given the shareholder structure, as well as the fact that reputational risk is a risk of losing confidence in the bank that affects profits and equity due to unfavourable business opinion regardless of whether there is a real basis for such an opinion, the impossibility of predicting this risk based on real indicators, as well as the lack of possibility for adequate quantification of this risk; the Bank establishes a proactive approach to the reputation risk management process.

In all media reports during 2024, the Bank is mentioned in a positive and neutral context. To the questions received through the e-mail service and social media, as well as the requests and complaints received, DBNM responded promptly and fully, thus, the reputational risk for the Bank is assessed as low.

16.10. Strategic risk

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

17. Capital adequacy

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

As of 31.12.2024, the capital adequacy ratio of DBNM is 25.50%, which indicates This indicates that the Bank has sufficient capital to cover the assumed risks in accordance with the applicable laws and bylaws.

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

The regulation compliance control and prevention of money laundering and financing of terrorism service independently performs identification and monitoring of the risks of non-compliance of the Bank's operations with the regulations. In the course of 2024, the Service continuously monitored the compliance of the Bank's operations with the regulations and the prevention of money laundering and financing of terrorism in addition to the adoption of the draft regulations, the adoption of new laws and bylaws, amendments to the valid regulations and assessed their impact on the Bank's operations. The members of the Supervisory Board, the Management Board and the employees of the Bank were promptly informed about the changes in the laws and bylaws and were advised about their application. The necessary measures and activities were continuously undertaken in order to harmonize the Bank's operations with the new/amended regulations. Also, adhering to the regulations related to the Bank's operations and

the Bank's internal acts was monitored and the members of the Supervisory Board and the Management Board were informed about it.

During 2024, the compliance control service of the Bank's operations with the regulations and AML/CFT by providing recommendations, actively participated in drafting and revising the Bank's internal acts in order to harmonize them with the new laws and by-laws. Internal trainings were conducted, and employees were informed about the ways of implementing the new legal regulations and internal acts of the Bank in their daily operations. Moreover, there was continuous control of the fulfilment of the Bank's obligations regarding the timely delivery of reports to external institutions and internal reports, giving opinions and recommendations during the execution of current activities of the departments/services for consistent application and compliance with the legal regulations. The Management and Supervisory Board of the Bank were regularly informed about the activities undertaken in order to fulfil the function of control of compliance of the bank's operations with the regulations, through the monthly and semi-annual reports.

19. Activities pursuant to the Law on Prevention of Money Laundering and Financing of Terrorism

DBNM is an entity obliged to take measures and actions to prevent money laundering and financing of terrorism in accordance with the Law on Prevention of Money Laundering and Financing of Terrorism. In order to prevent this type of risk, the Bank has adopted and is applying a Program for efficient reduction and management of the identified risk of money laundering and financing of terrorism.

During 2024, the Bank implemented measures and activities in accordance with the Law on Prevention of Money Laundering and Financing of Terrorism, monitored the Bank's compliance with changes in domestic regulations and undertook activities to improve the internal system and processes in the area of prevention of money laundering and financing of terrorism.

20. Information system security

DBNM's information system security policy defines the application of international security standards and protective mechanisms for minimizing risks, prevention of potential damages, as well as operational risk management. It was created in order to ensure confidentiality, integrity and availability of information system assets, to ensure uninterrupted delivery of information, data and services and to protect employees from human error. Additionally, the policy includes measures for the protection of personal data, in accordance with the applicable regulations.

Information security at the Development Bank of North Macedonia is based on a comprehensive set of internal acts in the field of information security, which are regularly updated to ensure alignment with the latest security standards and regulatory requirements. These acts include policies, procedures, and guidelines for the secure management of information, with a particular focus on preventing security incidents and minimizing potential risks. DBNM has established a detailed Business Impact Analysis (BIA) framework, which serves as a foundation for effective and comprehensive assessment of security threats to the information system. In line with global trends, the Bank is prepared to proactively respond to emerging risks, including those originating from the digital space. The Business Impact Analysis is conducted using a qualitative method. Each year, the Bank's governing bodies receive a

comprehensive risk assessment and analysis, along with at least two reports related to the security of the information system.

In line with its security measures, at least once a year, the Bank participates in the external assessment of the security of the SWIFT system. Furthermore, the security of the information system is subject to regular annual audits conducted by both internal and external auditors, with the aim of ensuring compliance with best security practices as well as applicable legal and regulatory requirements. Simultaneously, the Bank has successfully implemented the measures, recommendations, management, requirements, controls of the SWIFT service that were introduced in order to strengthen the security of the local computer network as a point where hacker attacks are concentrated.





The Continuity Plan of the Bank's operations provides for the establishment of a plan for continuation of operations in cases when a critical interruption of the business processes is caused, during which the Bank is not able to fulfil its business tasks. The plan includes strategies, activities and procedures for the continuation of business operations and functions related to the restoration of communication and information assets. As part of these measures, the Bank maintains a backup data centre located at a geographically remote site. The Continuity Plan is tested on a regular basis, i.e., at least once a year, whereas the results of the testing are presented to the management bodies and the regulatory authorities.

In DBNM, the controls in the field of information system security are strengthened regularly. It follows the world trends in the field of crime in the digital space (cybercrime), and takes administrative, organizational, and technical measures to reduce these threats. Particular emphasis is placed on the protection of personal data through the implementation of appropriate technical and organizational measures for their secure storage, processing, and use. Apart from the technical protective measures, the Bank invests in regular training and raising employee awareness regarding security threats, including risks related to the misuse of personal data. This is achieved through internal and external training sessions, as well as through programs aimed at building a culture of cybersecurity within the Bank.

The IT department and the person in charge of the information system security work in synergy, complement each other and continuously upgrade and improve the Bank's security capacities, with an ultimate goal to protect the critical information systems.

21. Information technology

During 2024, the Information Technology Department provided continuous ICT support to the business processes in the Bank. Significant activities that have been successfully implemented are as follows:

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

undertook penetration testing and independent assessment of the SWIFT system.













22. Internal audit

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

The internal audit during 2024 performed its activities in accordance with the Annual Work Plan and Program, prepared on the basis of a preliminary analysis of the Bank's basic business processes and the potential risks to which all business outflows are exposed. The Annual Work Plan and Program are approved by the Supervisory Board of the Bank. During 2024, the Internal Audit Department performed 12 regular audit audits, monitored the implementation of the given recommendations, regularly reported to the Bank's Supervisory Board and cooperated with the Management Board, the Audit Committee, and the Supervisory Board of the Bank.







23. Planning and analysis

Planning is a creative, continuous and proactive process which enables plans, programs, scenarios, solutions, projects and activities to be developed and proposed in order to achieve the defined priorities of the Bank. With strategic planning as an activity aimed at the future of the Bank, scenarios are developed, funds are determined for their realization and proposals are made to the management authorities for the needs of making decisions in the short, medium and long term. With the analysis as an activity mainly focused on past events, an assessment of the micro and macro-economic conditions in the domestic and global economy is carried out and the management bodies in the Bank are informed about them. The Plan and Analysis Service, as the bearer of the planning and analysis processes in DBNM, carried out the following activities during 2024:




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

24. Promotion and marketing

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

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

During 2024, DBNM mostly carried out promotional and marketing activities through:

-  direct promotion and marketing — in cooperation with partner financial institutions, chambers of commerce and associations, associations, non-governmental organizations and marketing coverage throughout the country, DBNM directly maintains contact with existing and potential customers;
-  constant participation of experts from the Bank at forums, seminars, workshops and other public events;
-  continuous use, upgrading and updating of the Bank's website www.mbdp.com.mk and continuously updating the social media accounts for mass communication and constant contact with the public.

25. International cooperation

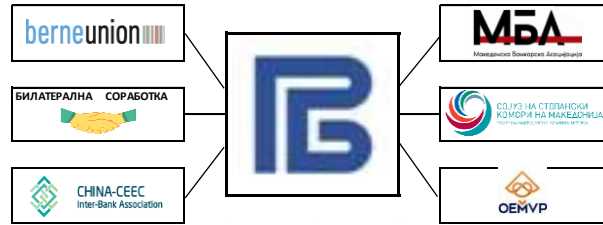
DBNM has been a full member of the International Association of Export Credit Agencies - Berne Union since 1999. In 2023, the Bank actively participated in the work of the Berne Union Annual Meeting, contributing to the achievement and fulfilment of the goals of the association: mutual cooperation, exchange of experiences, acceptance of international standards, promotion of credit insurance, provision of mutual assistance and exchange of information.

DBNM has been a full member of the China-CEEC Inter-bank Association and the countries of Central and Eastern Europe since 2017. The association was established within the framework of the "17 + 1" initiative and unites the China Development Bank and the respective development financial institutions of the countries of Central and Eastern Europe. The purpose of the Association is to promote the development of economic, social, trade and investment relations through the cooperation of the financial sector.

This year, a representative of the Development Bank was part of the delegation of the Republic of North Macedonia within the bilateral screening of the European Union for Chapter 30: "External relations" in Brussels, where the Bank's products intended to support exports were presented.

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

associations from abroad. At the national level, the Development Bank of North Macedonia (DBNM) is a member of several associations and chambers through which it articulates its interests, positions, activities, and business principles.












V. ESG REPORTING







26. DBNM's commitment to appropriate ESG risk management

The reporting on the manner of treating Environmental, Social and Governance (ESG) risks is increasingly gaining importance in the financial sector. International investors, creditors and other participants in the financial market have always considered that financial factors alone are not enough to determine the risk profile and value creation potential of banks, but that social action is also needed on their part. Consequently, the ESG risks management is one of the key prerequisites for appropriate planning of activities, but also for preserving and promoting the reputation and importance of DBNM as a development bank.




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

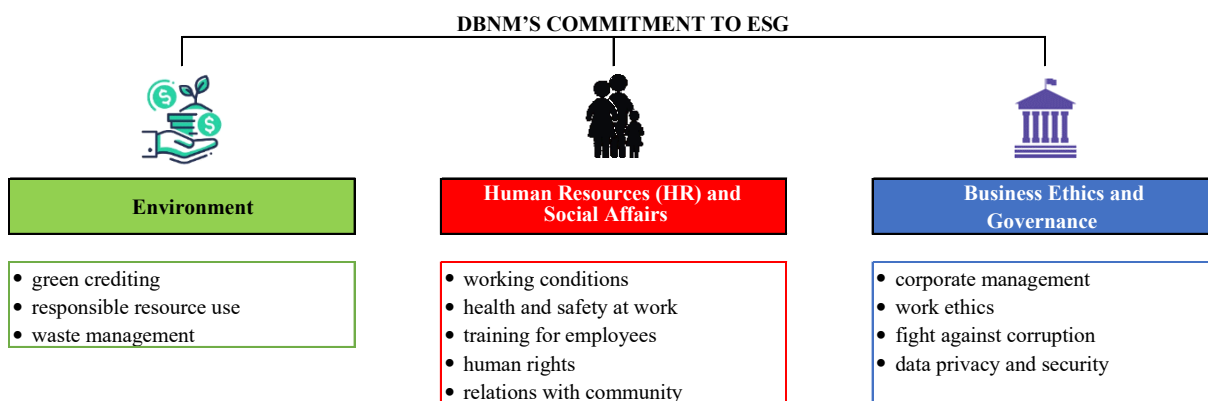
-  do not meet environmental protection regulations;
-  are from the field of hazard activities;
-  relate to wildlife trade;
-  relate to the storage of harmful radioactive waste;
-  relate to the production and trade of arms;
-  include the purchase of securities;
-  include exploitative forms of forced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

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

-  relate to experiments with live animals;
-  are ethically and morally controversial (GMOs, abortion clinics, organ trafficking, nuclear energy, genetic engineering and cloning, etc.);
-  relate to tobacco production and trade;
-  are related to the mining, production, refining, transportation and distribution of coal, oil and natural gas.
-  contravene the principles of the United Nations for the protection of human rights;
-  are subject to economic sanctions by the United Nations and the EU.

Taking the above into account, DBNM is in the process of implementing measures and activities for the appropriate management of ESG risks, which will contribute to further strengthening the Bank's reputation and improving cooperation with its partners and clients. They are generally realized within three pillars:

-  Environment;
-  Human resources and social affairs; and
-  Business ethics and governance.



27. Environment

As an environmentally-friendly Bank, DBNM manages environmental risks through two levels: **(a) green lending**, i.e., placement of loans in projects in the field of environmental preservation, energy efficiency and renewable energy sources and **(b) care for the environment** in daily operations, i.e., responsible use of resources and waste management.

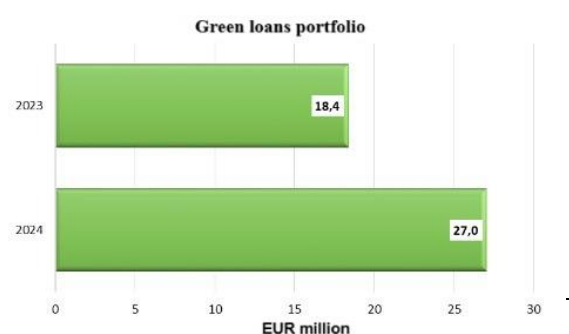
27.1. Green lending

Pursuant to the provisions of the Law on DBNM, one of the basic tasks of the Bank is to finance EE projects, secure and protect the environment and RES. During 2024, DBNM played a significant role in addressing the energy and price crisis faced by domestic companies by placing credit lines with favourable interest rates. Among the companies, adjustment in relation to the consumption of electricity through investments for energy efficiency and investments in renewable energy sources was needed. These investments should provide them with long-term savings in energy costs, market sustainability, as well as environmental protection.

In support of this goal, the Bank maintains a portfolio comprising four specialized credit lines:

- Credit line for energy efficiency and renewable energy sources financed by the Bank's own funds;
- Credit line for energy efficiency and renewable energy sources financed by the Development Fund;
- Credit line for investments, fixed working capital, mid-cap companies, and green transition, financed by the European Investment Bank;
- Credit line for supporting green and socially responsible investments, financed by the French Development Agency (AFD).

As of 31.12.2024, the portfolio of green loans of DBNM amounts to EUR 27.0 million, which



represents a growth of 46.7% compared to the previous year.

27.2. Care for the environment

In addition to green financing, the Bank is also concerned about the impact that its operations have on the environment. Measures are implemented to save electricity, which consist of: turning off the lights when leaving the room and when there is enough daylight; replacement of old incandescent lamps with compact fluorescent lamps, with the option of sensor lamps; ban on using additional heating and cooling devices; prescribing the minimum and maximum operating temperature of the air conditioners depending on the time of year; recommendations for turning off IT devices after the end of working hours, for avoiding the use of elevators, for reducing printing, etc. In 2024, total electricity consumption amounted to 77,654 kWh, remaining at the same level as the previous year. However, electricity consumption per employee decreased from 1,321 kWh to 1,294 kWh. Approximately 7.5% of the total electricity consumed was sourced from renewable energy production.

The Bank also monitors water consumption as part of its commitment to environmental sustainability. In 2024, total water usage amounted to 1,044 m³, representing a slight decrease compared to the previous year. However, water consumption per employee remained nearly unchanged at 16 m³. Parallel efforts are being made to reduce fuel consumption and carbon dioxide (CO₂) emissions. The Bank utilizes official vehicles that comply with the Euro 6 AP emissions standard, which contributes to lower fuel consumption and reduced air pollution. As a result, fuel consumption per employee declined from 72 liters to 70 liters, while CO₂ emissions were reduced by 4.8 kg per employee, based on an estimated emission factor of 2.4 kg of CO₂ per liter of fuel.

The Bank continuously works to reduce waste generation through responsible paper usage, the implementation of electronic applications, digital communication with clients, and the ongoing digitization of internal processes. All generated waste is sorted and collected by authorized operators for recycling. To further reduce paper consumption, the Bank has continued its digital transformation initiatives. As part of these efforts, the implementation of a Document Management System (DMS) is in its final phase.

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

28. Human resources and social affairs

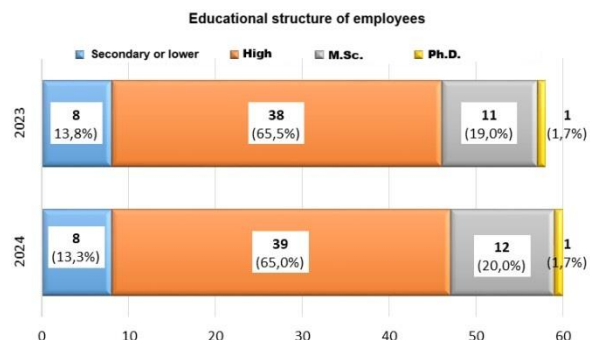
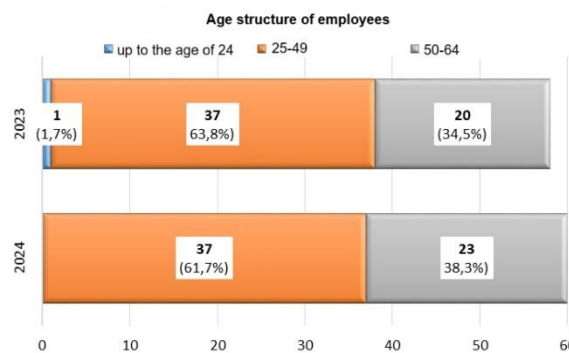
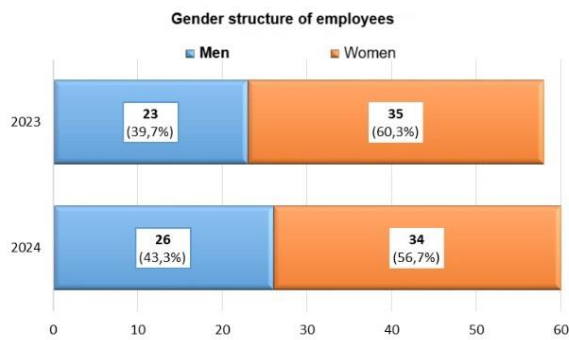
28.1. Human resources

Employee turnover rate	2024	2023
Initial no. of employees	58	52
No. of new employees	3	6
No. of employees who left	1	0
Due to retirement	1	0

DBNM is an institution dedicated to fostering a supportive working environment and a comprehensive system for the personal and professional development of its employees, regarded as its most valuable asset. The recruitment process is clear and transparent, with candidate selection strictly based on personal integrity, qualifications, and equal opportunity principles. Employees have the right to unionize, and human rights are rigorously upheld in accordance with the Constitution and applicable laws. Furthermore, the Bank implements the highest standards of workplace protection and safety. This fosters strong employee loyalty to the Bank and maintains a consistently low employee turnover rate.












Due to resignation	0	0
Due to being fired	0	0
Final no. of employees	60	58
Employee turnover rate	1.7%	0.0%

DBNM firmly believes in social equality of women and men. In their work, it advocates for gender equality, suppression of gender stereotypes, empowering women in the economy, i.e., valuing the leadership potential of women. The bank consistently respects domestic laws and by-laws, recommendations and obligations regarding gender equality and is guided by the principles of the Strategy for Gender Equality 2022-2027, which is a basic strategic document of the Republic of North Macedonia that establishes a comprehensive framework for further activities aimed at promoting gender equality and empowering women. Gender equality in DBNM is confirmed by the fact that as of 31.12.2024, four out of five members of the Supervisory Board (80%), three out of five members of the Audit Committee (60%), five out of eleven remaining persons with special rights and responsibilities (45%) and 34 out of a total of 60 employees in the Bank (57%) are women. The bank also has a dynamic employee age structure and well-educated workforce.



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

- continuous improvement of the organizational structure, establishment of new organizational units and opening new job positions;

-  improving the description of work tasks divided by job positions;
-  determining the need for new employments;
-  redistribution of employees in the existing organizational unit to a suitable employment position;
-  redistribution of employees between organizational units;
-  preparation of internal acts in the field of organization of operations and regulation of employment relationships;
-  preparation of annual employee training plans;
-  organizing internal employee trainings;
-  participation in external trainings and seminars for professional development of employees;
-  team building activities;
-  development of the system for rewarding employees in the direction of valuing the results and commitment of employees in order to increase the motivation of employees and improve the efficiency in the execution of work tasks;
-  developing a corporate culture of employee involvement in the realization of the Bank's strategic and operational goals.

This year, the Bank's employees also achieved notable success in sports, each within their own capacities. At the traditional banking sports games organized by the Union of Workers of Financial Organizations of Macedonia (UFOM), the DBNM team won second place in the table tennis tournament. Additionally, at the sports games held on the occasion of 'World Savings Day,' the team secured second place in the darts tournament.

28.2. Social affairs

Bearing in mind the role of a pioneer and driver of social changes, within the framework of the credit line for green and socially responsible investments, established through a loan from the French Development Agency (FDA), DBNM provided a dedicated component to support women's entrepreneurship, thereby improving access to finance for domestic companies owned and/or managed by women.

With the aim of establishing an efficient system of economic and social support, as well as promoting the productive engagement of unemployed individuals in the country, the Employment Agency of the Republic of North Macedonia, as the lead institution, in cooperation with DBNM, implements the project "Self-Employment through Credit Support". This credit program targets long-term unemployed individuals, recipients of unemployment-related financial assistance, young people entering the workforce for the first time, as well as enterprises seeking to hire new employees. Loans are granted under exceptionally favourable conditions. Beneficiaries of this program are required not to return to the unemployment registry for at least the duration of the loan repayment period.

29. Business ethics

In this domain, DBNM follows the provisions of the corporate management code, which is a set of rules and standards that the Bank follows during its operations, with the aim of ensuring a high level of business ethics in relations with interested parties: creditors, shareholders, regulatory and supervisory authorities, credit rating agencies, auditing companies, banks through which DBNM carries out part of its activities, clients and other persons who have an interest in DBNM's operations. It also covers the rules of supervision and management in DBNM and enables the establishment of a clear organizational structure, with clearly defined and transparent lines of responsibility. The rules and principles stated in the code are in accordance with the

national and recognized standards for corporate management, which are based not only on absolute compliance with the legal requirements for performing the activities of DBNM, but also on the application of ethical rules in business conduct, which also are common to all participants in the business community.

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

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

Management Board
Chief Executive Officer Kire Naumov <i>(Handwritten signature)</i> <i>(Round stamp reading: Development Bank of the Republic of North Macedonia – Skopje)</i>
Chief Operating Officer Faruk Ismaili <i>(Handwritten signature)</i>

Prepared by: Goran Kovachev, Ph.D. *(Handwritten signature)*

Proofread by: Denica Andreevska Bogdanova *(Handwritten signature)*

(Translator's note: Goran Kovachev's handwritten signature is placed on every page of this document)

With my signature and seal, I certify that the foregoing is a true and correct translation from Macedonian into English.

Nr. 08-1-2886/2004-2

Skopje, June 19th, 2025

Court Certified Translator

Stanka Radeva