

#BelieveInTomorrow

Sparkasse Bank AD Skopje

# ANNUAL REPORT 2022

**SPARKASSE**   
Bank

# SPARKASSE

Bank



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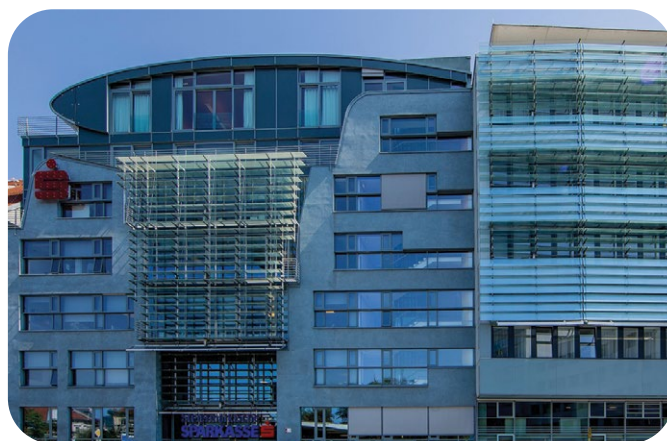
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# BANK PROFILE



## Bank profile

Bank profile  
Sparkasse Bank AD Skopje  
URN: 4558669  
Transaction account: 250-000000001-11  
Tax number: 4030993261735  
SWIFT: INSBMK22

## Registered seat

Str. Vasil Iljoski N° 14, 1000 Skopje  
Email: [contact@sparkasse.mk](mailto:contact@sparkasse.mk)  
Phone: 00 389 2 15 050  
[www.sparkasse.mk](http://www.sparkasse.mk)

## Basic Data

Established in:	1992
Assets:	1.35 billion euro
Owner:	Steiermaerkische Sparkasse AG, Graz, Austria
Number of branches:	36
Number of ATMs:	97
Number of clients:	122,822
Number of employees:	662

The data refer to the status as at 31.12.2022.

## Management Board

Chairman	Sanel Kusturica
Deputy Chairman	Nina Nedanoska
Member	Alvin Alicevic

## Supervisory Board

President	Georg Bucher, PhD
Vice President	Walburga Seidl
Member	Slavisa Kojic
Member	Hans Ludwig Diexer
Independent member	Kristijan Polenak
Independent member	Goran Petrevski

## Other members in North Macedonia

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Leasing

## Our owner

Steiermärkische Sparkasse is one of the most powerful banking groups in the region of Southeast Europe, which, with its presence in the Western Balkans countries, provides access to banking services for Austrian and regional companies as well as strong economic connectivity and stability throughout the region. Sparkasse Bank AD Skopje, having the support of a large financial group, is a trusted partner for its clients in the Republic of North Macedonia.

## Our Bank. At a glance Identity. Who are we

We are an independent savings bank, part of the Austrian Savings Bank Group and a member of the Solidarity and Guarantee Fund (Haftungverbund). Our history of nearly 200 years has a good foundation. We always focus on being a savings bank. We make things simple, so that people can better organize their lives and their future.

## Mission. What we want

Based on our risk-aware operating model, we want to constantly evolve with our clients. We want to be the best in terms of the quality of our consultations, economic competence, promptness in decision-making and in terms of regional connectivity, both in Austria and in the Western Balkans region.

## Goals. What we want to achieve

Our customers, natural persons should be given the opportunity to rely on a strong network of branches in the region and the best consultants. We want to be the first choice for our customers. Because we understand people, we know regional demands and we are firmly rooted in the region. Since we know the importance of the business relations that our bank has with its clients, we strive to be their foremost bank. Our customer orientation, availability and problem-solving expertise make us the first point of contact our clients turn to for their financial needs. We are the only bank with foreign investments in Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia. Together with Erste Group, we have developed a strong banking network in the Western Balkans, which provides us with attractive business opportunities. We promote our employees' motivation, enthusiasm, satisfaction in business transactions, passion and willingness to change as prerequisites for growth and success. Our management is aware of its function of setting an example for other employees and performs its function responsibly.

Shareholders – strengthening the capital and ensuring long-term stability in the Bank's operations through continuous provision of adequate rates of return, taking an acceptable level of risk and good decision-making on resource allocation; the employees - educated, trained and motivated employees, aimed at improving the quality of service to clients and the quality of work;

Community - raising awareness of social responsibility by participating in existing and introducing new innovative projects that will be of importance for the community.

# MANAGEMENT BOARD



## Sanel Kusturica

### Chairman of the Management Board

- retail related activities;
- marketing and product development;
- human resources;
- coordination of the General Secretariat and
- internal audit coordination.

*Sanel Kusturica*



## Nina Nedanoska

### Deputy Chairman of the Management Board

- corporate client operations related activities;
- finance related activities,
- trading and financial markets and
- property management, logistics and security related activities.



## Alvin Alicevic

### Member of the Management Board

- strategic risk management related activities,
- credit risk management;
- collection and collateral management;
- IT and organization and
- banking operations related activities.

# OUR OWNER



## Steiermärkische Sparkasse Headquarters in Graz, Austria

Steiermärkische Sparkasse is the majority owner of Sparkasse Bank, owning 99% of the shares of the Bank. Steiermärkische Sparkasse, headquartered in Graz, is one of the largest regional banks in the south of Austria. As a member of the Austrian Savings Bank Group (Sparkasse Group consists of 49 savings banks, with Erste Bank as the leader), we are part of one of the strongest banking groups in Europe. The Group has a long-term strategic orientation towards the Western Balkans region, making its parent bank a trusted partner for Sparkasse Banka AD Skopje and a dedicated investor in North Macedonia as a whole. As a universal bank, Steiermärkische Sparkasse offers a wide range of services for individuals, small and medium-sized enterprises, private banking, large clients and state institutions. The Bank's tradition spans over close to 200 years. To this day, the business activities of the Steiermärkische Sparkasse and its Group members are aimed not only at creating material wealth, but also at supporting social development, culture and

other socially beneficial projects. Steiermärkische Sparkasse allocates a portion of its profits to such initiatives.

Over 20 years ago, Steiermärkische Sparkasse initiated the introduction of an expansion strategy in its domestic market, including the new markets of Southeast Europe (SEE). As a result, today, Steiermärkische Sparkasse boasts a strategic banking share in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia, thus being one of the most encompassing banking networks in the region. The number of clients in the region has grown significantly over the past years and today Steiermärkische Sparkasse Group serves about 2.6 million clients in SEE. The Group is also excellently positioned to support Austrian and international clients in carrying out their activities in the region, by building multiple "economic bridges" between SEE and Austria/Central Europe.



# OUR VALUES



## AGILITY

We welcome everyday challenges with an open mind. We are proactive and we propose solutions. Our drive, initiative and creativity help us raise the bar of performance standards.



## EXCELLENCE

We strive for excellence in all our aspects and dealings. We make efforts to improve and exceed expectations on a daily basis and we continue to upgrade and improve, in order to be the best choice for our clients.



## PARTNERSHIP

We build steady partner relationships. We respect diversity. We pave the way to success with partnership values.



## PASSION

We operate with enthusiasm, dedication and a positive outlook. The passion that we have for our work motivates us to be the best version of ourselves at all times.



## TRUST

We believe in our Bank. We believe in our team. The trust we keep building together with our clients is the key to our success.



**SPARKASSE**   
Bank



# 1

# MACROECONOMIC ENVIRONMENT

## 1.1. Global and Regional Trends

Non-economic factors have again shaped economic development over the past year. The appearance of the omicron variant of Covid-19 reduced again the prospects for a quick and smooth exit from the global pandemic. Meanwhile, the invasion of Ukraine has sparked Europe's biggest armed conflict in recent year's decades. Primarily a humanitarian disaster, the war has had significant consequences on commodity and financial markets as well as on global supply chains. Global inflation is at multi-decade high growth. At first, the higher inflation was considered transitory, which was reflected in the increase in prices of a small number of products affected by the pandemic. But inflation has widened over time, and in response, central banks have generally taken steps to tighten policy. Higher inflation and changed expectations of the policy response led to volatility in financial markets, whereby the financial conditions from an extremely easy situation tightened significantly during the year.

In such an environment, policy makers face several challenges. In short, the priority is to reduce inflation, limit spending as much as possible on economic activity and preserve financial stability. At the same time, there is an imperative to restore monetary and fiscal buffers through the normalization of policy settings. Recent economic events make this task even more difficult. Fiscal policy in particular faces pressure to cope with higher living costs and, in some countries, rising military spending, at the same time, it must respect the long-term obligations for a "green" economy. These challenges have increased the importance of supply-side reforms to promote sustainable growth.

After two quarters of moderate uncertainty, the US economy saw a return to growth, but underlying domestic demand remained low. The weakness it recorded in the first semester of 2022 when the

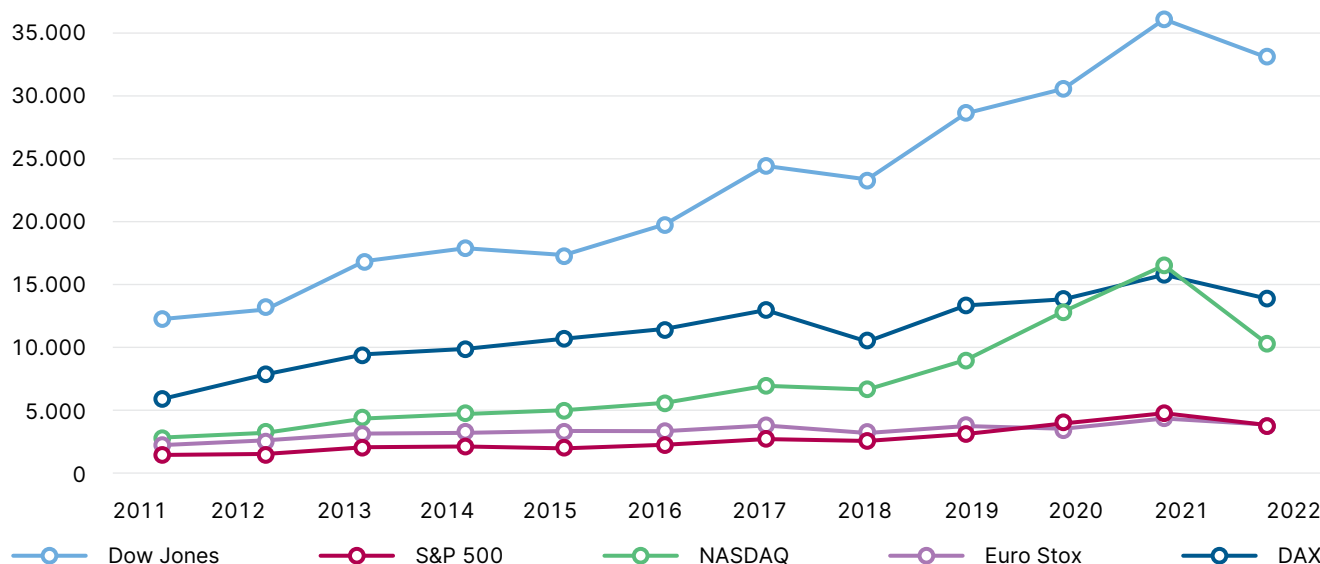
economy entered a technical recession was largely due to the increase in registered cases of omicron Covid-19 during the first quarter of the year, as well as high inflation, tightening of financial conditions, a sharp decline of consumption and motivation for business, the slowdown of private and residential investments and the decline of public consumption. The economy grew later in the year, with GDP increasing by 3.2% in the third quarter, and by 2.9% in the final quarter. Looking ahead, domestic demand is forecast to remain subdued as high inflation and tighter financial conditions continue to erode real household disposable incomes and constrain private consumption, while the decline in housing sales is linked to lower housing affordability and the increase in mortgage rates. In October, real inflation decreased by more than the expected level to 7.7%. Although still high by historical standards, inflation is thought to have peaked as energy and food prices moderated. Annual inflation fell to 6.3% but is expected to hold steady in 2023 due to increased pressure from service price movements. High inflation, fears of a recession and aggressive monetary policy tightening are among the many key factors that have led to equity markets having their worst year since 2008, but bonds are also facing one of their worst years, especially those with longer delivery period. In 2023, markets are likely to continue to experience increased volatility, especially during the first semester. The central bank raised interest rates seven times last year and is expected to do so again. While some of those rate hikes have already had a loosening effect - most notably in the housing market, it could be months before inflation returns to normal. The economy has not yet felt the full effects of the tightening cycle of interest rates. This means that pressure from higher borrowing costs will likely start to hit businesses and consumers, which is sure to slow growth.

The European economy was already facing high inflation rates at the start of 2022 year. The

Russian attack on Ukraine has led to noticeable shortage of important goods, primarily energy and agricultural products. The result was an even higher rate of inflation, reaching double-digit levels in some cases. High inflation rate inhibits economic development through various channels. The most important of these include a reduction in demand for consumer and investment goods. The monetary response to the high inflation rates also occurred from the European Central Bank, which increased the reference interest rates by +0.5% after 11 years. Rising interest rates make it difficult for companies to finance their investments. At the same time, it makes less sense for companies to expand their

production facilities when demand for consumer goods declines. This leads to a further reduction in overall economic demand for consumer goods. The final effect is a decline in the economy as a whole, but still in Europe, the extent of this economic decline varies from country to country. Last year, the Eurozone recorded growth at an annual rate of 0.5%, and with the increased energy costs, household costs also increased. This results in 3.5% growth in gross domestic product for 2022 as a whole, a faster growth rate than seen in China or the US, highlighting that although weakened, the Covid-19 pandemic continues to disrupt traditional models of global growth.

**Chart No 1** Trends of world stock indexes



EUR/USD exchange rate ranged from 1.13555 at the beginning to 1.0666 at the end of 2022 with a noticeable downward trend especially in the third quarter of 2022.

**Chart No 2** EUR/USD FX rate in 2022



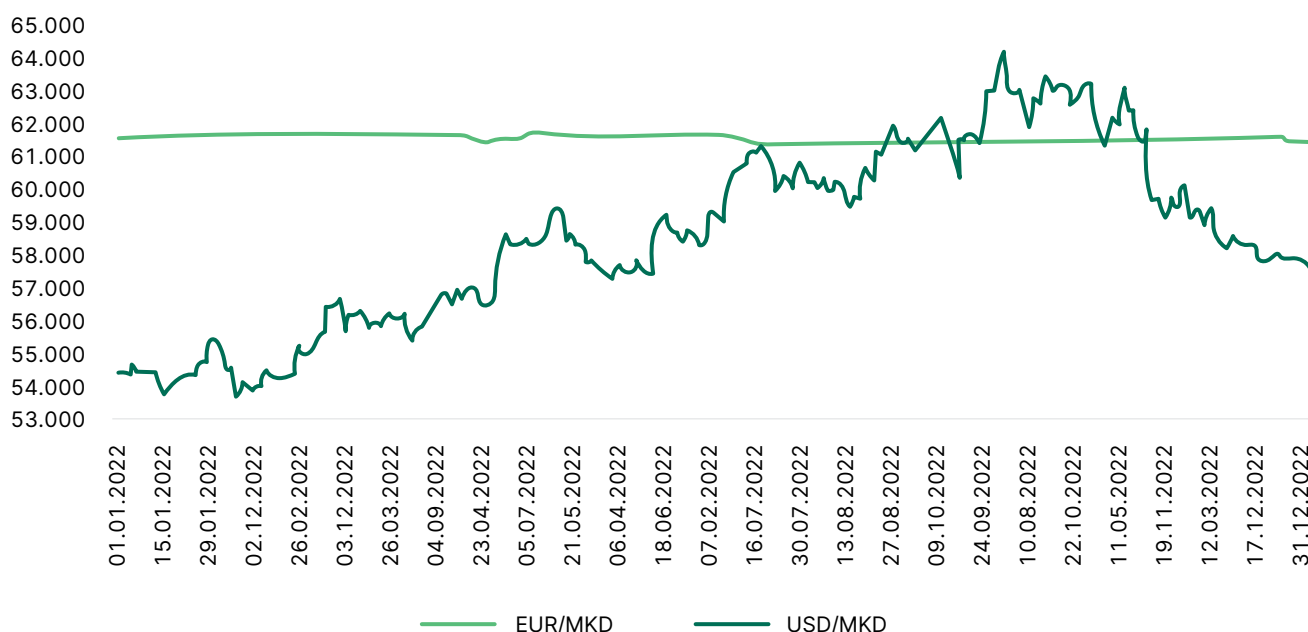
## 1.2. Macroeconomic trends in the Republic of North Macedonia

In the first half of 2022, economic growth - driven by private consumption and investment - proved stable, exceeding expectations. The employment rate reached historically high rates in several countries by mid-2022, and in the region it now stands at 46%, an increase of 3% over mid-2021.

However, the momentum of growth is now starting to slow in the face of mounting challenges. Higher energy and food prices have pushed inflation to levels not seen for a long time, eroding purchasing power and business confidence. The labor market is beginning to stagnate, with the employment rate falling due to high inflation and increased insecurity. North Macedonia is facing the highest rate of inflation, which disproportionately affects the real incomes of the poor. With limited fiscal space, rising public debt and rising financing costs, fiscal support should be targeted at the most vulnerable households and firms. Simultaneously with the measures of tight monetary policy, a balance should be achieved between the reduction of inflation and the suppression of economic activity. The formation of monetary policy depends on two key factors - the conditions of the foreign exchange market and the pressures on the exchange rate and inflation movements. The first pressures in these

two segments were observed with the emergence of the energy crisis at the end of 2021, when our reaction began, through a gradual reduction of liquidity with interventions in the foreign exchange market. The central bank continued to increase the base interest rate, but also the interest rate on overnight deposits, seven-day deposits, overnight loans and the interest rate on repo transactions. Changes have been made to the mandatory reserve instrument on several occasions, which affects the tightening cycle, but also encourages the process of denarization and green financing, all of which contribute to supporting stability in the economy. During 2022, the Central Bank increased the reference rate eight times, reaching a level of 4.25%. North Macedonia's average consumer prices rose by 18.7% year-on-year in December 2022, after rising by 19.5% in November. There are favorable trends in foreign exchange reserves, which at the end of 2022 reached 3.9 billion euros. As "Standard and Poors" concludes, energy prices have stabilized in the past months, so significant pressures on foreign exchange reserves are not expected during the year. In addition, according to their expectations, reserves will continue to grow, with an expected narrowing of the current account deficit and financial inflows through direct investments and certain debt flows. The exchange rate is still stable and no changes are expected in the exchange rate of the denar.

Chart No 3 MKD FX rate to EUR and USD in 2022



# 2 THE BANK ACTIVITIES

Sparkasse Bank AD Skopje (hereinafter: the Bank) continued the financing of the economy and the population even in conditions of a severe economic crisis followed by very high inflation and achieved growth in credit activity in order to support the economy, while at the same time leading a management policy of risks. The rate of non-performing loans remained at a low level of 2.9% despite the still specific circumstances.

In 2022, Sparkasse Bank carried out many significant activities in terms of taking care of its customers. Starting with a strategy for digitalization of processes, it introduced a new benefit for its customers, with which the authorized persons of Denar accounts, in addition to the realization of paper orders, will have the opportunity to realize transactions through mobile banking S-Banka and electronic banking NetBanking.

2022 was also significant in terms of savings, in addition to growing and guaranteed interest rates both in denars and in euros, the Bank also introduced new deposits such as Savings Plan and Deposit Plus, suitable for customers who are interested in saving on a monthly basis as well as for those who want to make a good saving plan for a longer period.

Sparkasse Bank AD Skopje, in cooperation with Winner Life Vienna Insurance Group AD Skopje as a strategic long-term partner and the WFP investment fund, is enriching its portfolio of insurance products by introducing a new product - Unit Linked, which offers life insurance with investment. UNIT Linked is a product intended for customers who want to be life insured, but at the same time invest in investment funds and achieve a return on the invested funds. For the entire duration of the contract, the client has life insurance for the agreed amount, which the client chooses himself, and after the contract expires, the value of the investment portfolio is paid out.

The bank, in accordance with its corporate strategy for social responsibility and care for employees, solemnly opened the Sparkasse Training Center in the Skopje neighborhood of Autokomanda. All current employees and new employees of the Bank, as well as potential candidates for employment - students and high school students, will have at their disposal a dedicated training center for continuous professional and personal development, in which all types of training will be held, which will be conducted by external trainers, bank employees or guest lecturers.

In the conditions of a major energy crisis, the Bank in cooperation with the European Bank for Reconstruction and Development (EBRD) supported the green economy in North Macedonia by providing a loan of 23 million euros for lending to local micro, small and medium enterprises (MSMEs). The loan will enable the Bank to increase lending to MSMEs with a focus on regional and rural enterprises. 30% of the credit line will be targeted for investments that will help small businesses improve energy efficiency, or produce and switch to renewable energy.

As part of the green transition, for the first time in the country's banking sector, Sparkasse Bank started issuing Visa Eco cards made of recyclable material, with special degradability (degradable) properties. The production of cards of degradable material will affect to save a minimum of 300 kg of plastic produced and disposed in the environment annually, or the equivalent of 1,800 kg of CO<sub>2</sub>.

The bank successfully ended this year with prudent management of the imposed risks and achieved a return on capital (RoE) of 11.0% and a cost-to-income ratio of 47.8%.

**Table No 1** Key financial indicators of the Bank

In million MKD	2021	2022
<b>Income Statement</b>		
Net interest income	1,810.2	1,979,2
Net fee and commission income	562.8	643,1
Net FX gains/losses	238.1	364,6
Net operating income	108.8	86,5
Impairment loss	-560.7	-477,5
Personnel expenses	-724.8	-700,9
Depreciation	-132.0	-153,2
Material, services and administrative expenses	-392,5	-460,5
Other operating expenses	-218,9	-152,8
Profit before tax	691,0	1.128,4
Net profit	640,5	1.033,1
<b>Balance Sheet</b>		
Total assets	73,067.4	83.112,5
Total equity	8.873,0	10.659,2
<b>Assets structure and quality</b>		
Liquid assets / Total assets	23.2%	24,3%
High liquid assets / Total assets	13.8%	15,4%
Loans / Deposits	105.4%	104,6%
Corporate loans / Gross loans	52.2%	53,9%
Retail loans / Gross loans	47.8%	46,1%
Share of fixed assets in total assets	1.6%	1,5%
<b>Financial indicators</b>		
Capital Adequacy Ratio	16.8%	18,5%
Own funds	10,375.3	12.477,9
Return on average assets (ROAA)	0.9%	1,3%
Return on average equity (ROAE)	8.1%	11,0%
<b>Profitability ratios</b>		
Net interest income / Total operating income	87.1%	97,0%
Net interest margin (net interest income / average interest-bearing assets)	2.9%	2,7%
Salary expenses/Total operating income	34.9%	34,4%
Operating expenses/Total operating income (Cost-to-income)	50.9%	47,8%
Impairment loss on assets/Net interest income	31.0%	24,1%
Provisions / Gross loans	-0.9%	-0,7%
<b>Other indicators</b>		
Number of employees	684.0	662,0
Average number of employees	691.0	683,0
Assets per average number of employees	105.7	121,7
Gross loans per average number of employees	79.6	88,5
Deposits per average number of employees	71.7	80,6

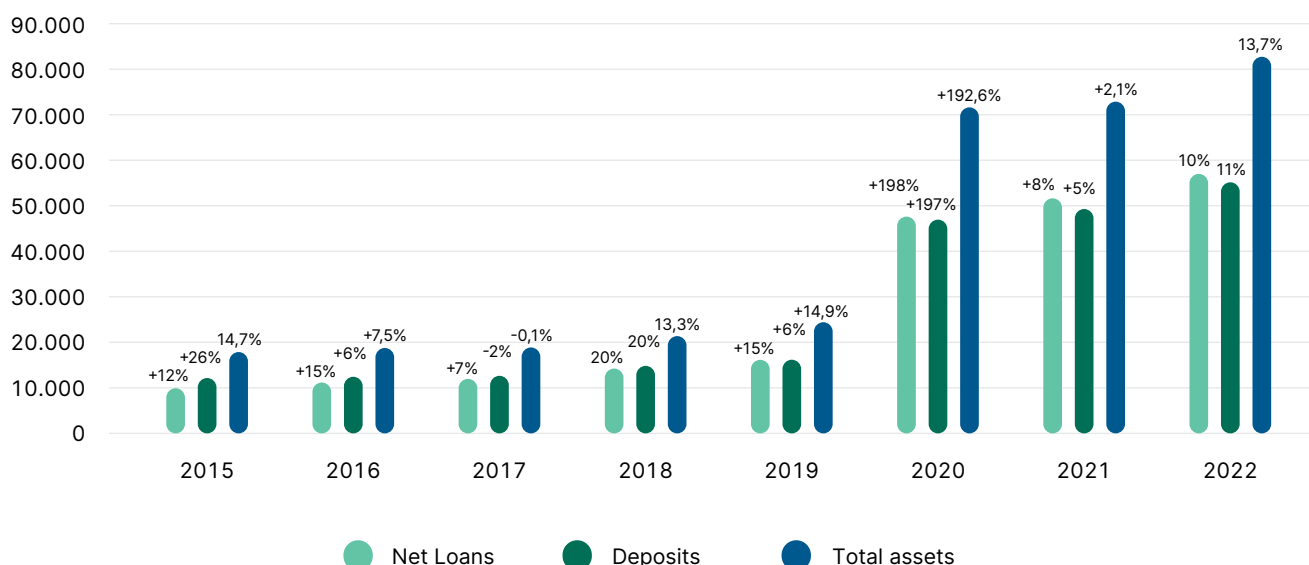


# 3 FINANCIAL PERFORMANCES OF THE BANK

## 3.1. Assets and liabilities of the Bank

**Total assets** of the Bank at the end of 2022 amount to MKD 83.112 million, which is an increase by 13.7% compared to the last year.

**Chart No 4** Balance sheet items per years and annual growth trend



\* The balances from 2020 is integrated data from both banks

**Cash and Cash Equivalents** on 31.12.2022 amount to MKD 16.637,3 million, a increase by 32.4% compared to the last year as a result of optimizing the sources of financing and increasing the loan portfolio.

**Investments in Securities** at the end of 2022 amount to MKD 7.452,1 million recording an increase by 7.3% compared to the last year.

**Loans and advances to customers** total to MKD 56.994,2 million, recording an increase by 10.2% compared to the previous year. The bank continued its successful cooperation with large companies that dominate credit growth and this one, but supported more accelerated and more pronounced growth in cooperation with small and medium-sized legal entities.

**Table No 2** Loan structure by debtors

In million MKD	2021	2022	change %
Corporate	28,735.8	32,554,8	13,3%
Households	26,289.7	27,888,7	6,1%
<b>Total loans and advances to customers</b>	<b>55,025.5</b>	<b>60,443,5</b>	<b>9,8%</b>
<b>Reduced by: impairment loss-related provisions</b>	<b>-3,300.9</b>	<b>-3,449,6</b>	<b>4,5%</b>
<b>Net loans and advances to customers</b>	<b>51,724.6</b>	<b>56,993,9</b>	<b>10,2%</b>

\*Including Sectors State and Other Financial Institutions

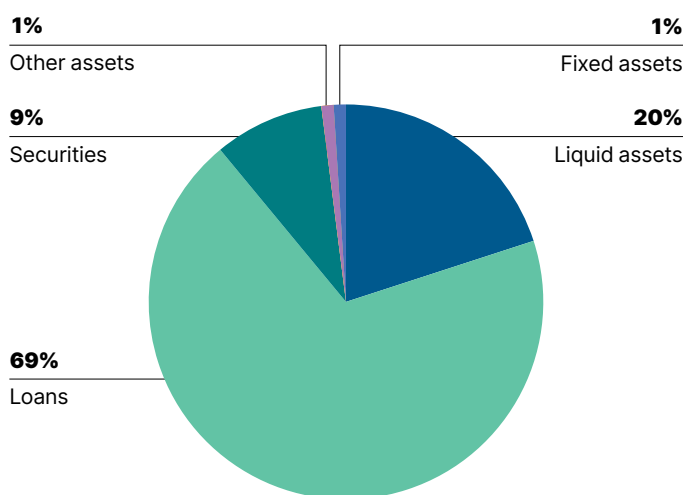
**Other receivables** amounting to MKD 572,4 million include fee and commission receivables, other customer receivables, charges paid in advance and receivables on other bases.

In 2022, the Bank has **Foreclosed assets** in the amount of 94.3 million denars and it records a decrease compared to 2021 of -22.3%, which is due to the sale of foreclosed assets during 2022.

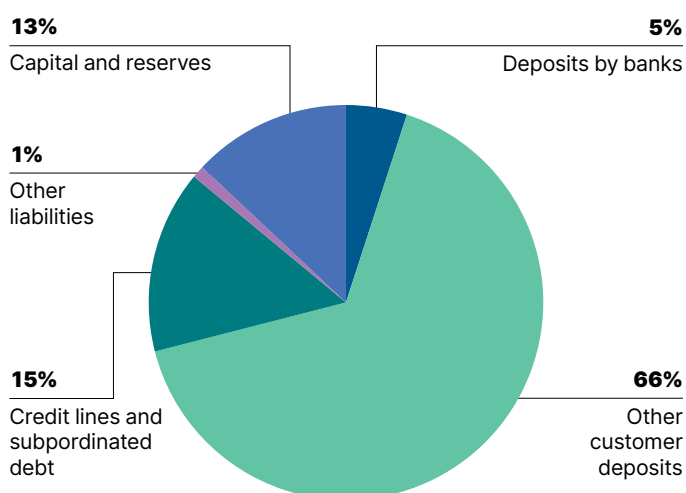
**Intangible assets** amount to MKD 316.4 million recording an increase of 14.8% or MKD 40.9 million.

**Immovable Property and Equipment** amount to MKD 920.1 million, a increase by 2.1% or MKD 19.2 million.

**Chart No 5** Assets structure



**Chart No 6** Liabilities structure



**Total liabilities** of the Bank on 31.12.2022 amount to MKD 72.453,3 million. Together with the equity of MKD 10.659,1 million, total asset sources of the Bank amount to MKD 83.112,5 million.

**Deposits by banks and credit lines** on the date of the analysis total to MKD 14.059,5 million.

**Deposits of legal entities** amount to MKD 29,050.0 million and show an increase of 13.4% compared to the previous year due to the increased balance of the companies' transaction accounts. Their participation in total customer deposits is 52.8%. The share of household deposits in total deposits is 47.2%, and they amount to 26,016.0 million denars and show an increase of 8.9% compared to the previous year.

**Table No 3** Customer deposits

In million MKD	2021	2022	change %	share
Legal entities	25,610.8	29,050,0	13,4%	52,8%
Households	23,899.8	26,016,0	8,9%	47,2%
<b>Total customer deposits</b>	<b>49,510.6</b>	<b>55,066,0</b>	<b>11,2%</b>	<b>100,0%</b>

*\*Including Sectors State and Other Financial Institutions*

### 3.2. Equity

**Equity** together with share premiums, reserves and profit for the year on 31.12.2022 total to MKD 10.659,2 million. It's amount records an increase of 20.1% compared to the previous year, and it's share in the total asset sources of the Bank is 17.8%.

During 2022 there was a new twenty-first issue of shares. A total of 417,972 ordinary shares were issued with a total nominal value of the issue of MKD 1,115,995,000.

**Subordinated debts** for the period ending 31.12.2022, total to MKD 2.421,8 million and they are kept on the same level as of the previous year.

The Bank continuously maintains a high capital position of 18.49%, following its strategy for long-term maintenance of a high capital adequacy ratio above the regulatory minimum of 15%.

### 3.3. Incomes and expenses of the Bank

In 2022, the Bank achieved the following operating results in the analyzed period:

**Table No 4.** Interest incomes

In million MKD	2021	2022	% change
Non-financial companies	854.0	932,4	9,2%
State	112.8	160,2	42,0%
Banks	14.2	36,2	155,2%
Other financial companies	12.6	19,5	54,8%
Retail	1,286.7	1.319,7	2,%
<b>Total interest income</b>	<b>2,280.3</b>	<b>2.468,0</b>	<b>8,2%</b>

**Interest income** from lending at the end of 2022 total to MKD 2.468,0 million recorded a slight increase compared to the previous year in conditions of constant trend of reduced interest rates, added by crisis operating conditions.

In total income, the share of interest realized by the population increased by 2.6%, while non-financial companies recorded an increase of 9.2%.

**Table No 5.** Interest expenses

In million MKD	2021	2022	change %
Non-financial companies	13.7	21.4	56.2%
State	0.0	0.0	n/a
Banks	158.3	216.6	36.8%
Other financial companies	177.3	145.5	-17.9%
Retail	120.8	105.8	-13.0%
<b>Total interest expenses</b>	<b>470.1</b>	<b>488.8</b>	<b>4%</b>

**Interest expenses** at the end of 2022 amount to MKD 488.8 million and recording a increase by 4% on annual basis as a result of the trend of reduced interest rates.

Interests paid for deposits from banks and Non-financial companies have largest share in interest expenses.

According to the above, **net interest income** Ha on 31.12.2022 amount to MKD 1.979,2 million, recorded a slight increase from 9.3% compared to the previous year.

**Fee and commission incomes** at the end of the year amount to MKD 1.072,9 million, recording an

increase by 8.4% compared to the previous year.

**Fee and commission expenses** totaling to MKD 429.8 million recording a slight increase by 0.8% compared to the previous year.

**Net fee and commission income** for provision of banking services at the end of the year amount to MKD 643.1 million recording an increase by 14.3% compared to previous year.

**Net FX gains/losses** realized for the period ending 31.12.2022, amounts to MKD 364,6 million. The position of net FX gains/losses compared to 2021 recorded an increase by 53.1% or MKD 126.5 million.

**Other operating income** as of 31.12.2022 amount to 86.5 million denars and recorded a decrease of -20.5% compared to last year 2021.

**Net impairment loss** of the financial assets amounts to MKD 458,5 million. Compared to last year it has decrease of -13.8%. In 2022, compared to the budgeted amount, the Bank did not fully realize the planned cost of value correction and special reserve, that is, the realization is at the level of only 83%. This positive trend is the result of the realization of a lower level of expected inflow of non-functional placements in conditions of full realization of the expected collection.

**Personnel expenses** total to MKD 700.9 million. Their amount has decreased compared to 2021 by -3.3%. The number of employees by the end of 2022 was 662.

The amount of **depreciation** calculated on 31.12.2022 total to MKD 153.2 million and marks a increase by 16.1% on annual level.

**Other operating expenses** for the period ending 31.12.2022 total to MKD 613.3 million, a increase by 0.3% compared to 2021.

The Bank ended 2022 with a positive financial result of MKD 1.128,4 million before tax, with profit tax amounting to MKD 95.4 million.

**Net income** of the Bank totals to MKD 1033.1 million (2021: MKD 640.5 million).

# 4 RISK MANAGEMENT

The focus of risk management in 2022 was first of all efficient risk management that enables the Bank to efficiently use available capital and support healthy and long-term sustainable businesses and creditworthy households. The challenges related to the new Geopolitical crisis were in the focus of risk management primarily from the aspect of credit risk and liquidity risk, but the active management of these risks allowed the Bank to maintain a stable level of portfolio quality and maintain the desired level of liquidity.

The bank applies a prudent risk management policy in order to maintain the level of non-performing loans at the lowest possible level. Also, this way of dealing with risks is to ensure the highest possible collectability of placements, maintain an adequate level of capital adequacy, manage other risks in the operation and protect against unforeseen developments and possible threats from failure to implement the planned policy.

## 4.1. Implementation of the Group Risk Management Standards

The implementation of a large part of the Group's practices, documents and policies in the field of risk management provides great support in the processes related to risk management for the Bank. Within the framework of the Risk Governance project, during 2022, new Group documents and revised versions of the already adopted documents were adopted, which represent compliance with the Group standards.

Regular monitoring of the degree of compliance with the Group standards and implementation of the established gaps was constantly carried out.

In order to promptly recognize losses due to damage to the portfolio, as a result of the Geopolitical crisis, the Bank applied the so-called Stage Overlay methodology for raising the level of special reserve in placements in the most affected industries. The bank also uses FLI (forward looking information) to measure Expected Credit Losses. The most

significant assumptions in the FLI (forward looking information) concept and which correlate with the level of Expected credit losses are related to macroeconomic variables: GDP growth, inflation rate and unemployment rate.

## 4.2. Credit Risk

The focus of Credit Risk Management in 2022 was to maintain a stable quality of the portfolio in the conditions of a deteriorated macroeconomic environment under the influence of the Geopolitical crisis as a result of the Ukrainian-Russian military crisis, interrupted or difficult supply chains that affected the growth of inflationary pressures. In such conditions, the Bank managed to keep the quality of the portfolio at an adequate level and achieve a rate of non-performing placements at the level of 2.84%, which represents a decrease compared to the end of 2021 when it was 3.95%. The year was marked by stable growth of the portfolio, controlled low level of inflow of non-performing placements, significantly lower than planned. On the side of realizing the collection of non-performing placements, the expected results were fully realized, which also had a positive effect on the rate of non-performing placements.

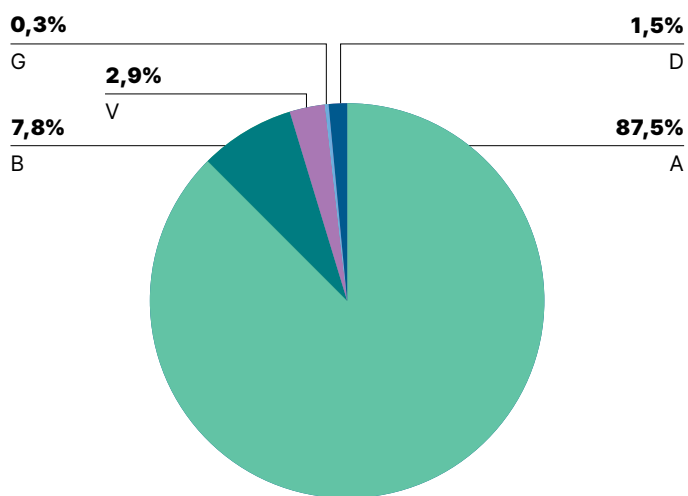
In 2022, compared to the budgeted amount, the Bank did not fully realize the planned cost of value correction and special reserve, that is, the realization is at the level of only 83%. This positive trend is the result of the realization of a lower level of expected inflow of non-functional placements in conditions of full realization of the expected collection. On the other hand, in 2022, the annual reassessment of the risk parameters affected the allocation of additional value correction as a result of the deterioration of the risk parameters, but also as the application of the new Stage Overlay methodology as a result of the geopolitical crisis, which implies additional reservations for industries that according to the Grouping analysis, the sectors Cyclical products and the Energy sector are potentially the most susceptible to the crisis.

Credit risk management includes a constant analysis of the Bank's credit portfolio, in terms of the share of non-performing placements, the coverage of the portfolio with an appropriate level of provisions, the concentration of the largest placements, sector diversification, analysis and evaluation of the financial performance of clients, monitoring of regularity in fulfilling customer obligations.

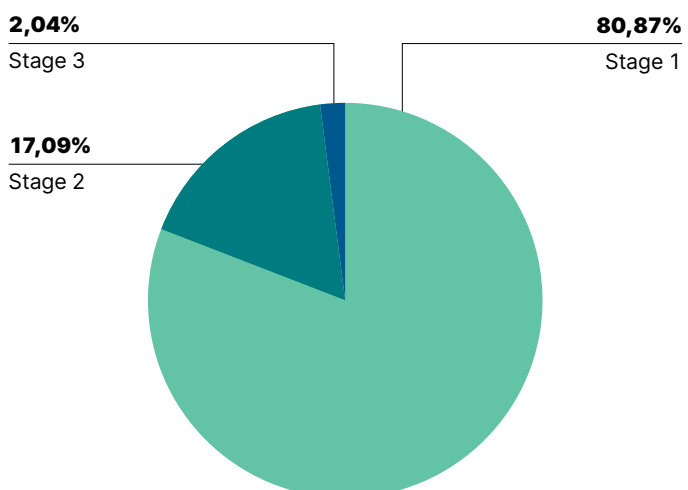
Also, the Bank managed to achieve a significantly higher level of coverage of non-performing loans with provisions of 198%, which is significantly higher than the level of the end of 2021, primarily as a result of a low rate of non-performing placements in conditions of additional allocation of value correction.

**Chart No 7** Total exposure to credit risk by risk category

**RISK CATEGORIES ACCORDING TO LOCAL STANDARDS**



**RISK CATEGORIES ACCORDING TO INTERNATIONAL STANDARDS**



**4.3. Liquidity Risk**

During 2022, the Bank actively monitored, managed and controlled the liquidity risk exposure covering management of assets and liabilities resources in accordance with financial and cash flows and their concentration. Liquidity risk exposure was measured through externally and internally determined limits, i.e. the Bank's compliance therewith.

In 2022, until the period before the integration, the Bank fulfilled all group liquidity indicators that are in accordance with the BASEL III methodology and the indicators were constantly within the established total limit. After the integration, the Bank is intensively working on the preparation of databases in order to enable the continuity of calculation of these indicators on a daily basis according to Group standards within the framework of the BITA/BRITA project.

**4.4. Interest rate risk**

Interest rate risk, as a part of the market risk, in the course of 2022, was under permanent monitoring and control in order to facilitate it's efficient management and to achieve the planned financial results as well as to increase economic and market value of the Bank assets and equity. Active interest rate policy was managed during 2022 based on the Strategic Plan of the Bank as well as on the competitive position as compared to the banks in the market.

**4.5. Currency Risk**

During 2022 currency risk management was realized in conditions of stable MKD exchange rate. The Bank assumed intensive activities for adequate identification, measurement, monitoring and control of the currency risk exposure, which covered determining currency risk sources, measurement methods thereof, establishing limits and other control mechanisms.

**4.6. Operational Risk**

In order to reduce and maintain the operational risk at an acceptable level, during 2022 the Bank managed it by identifying, assessing, measuring, mitigating, monitoring and controlling the exposure

to this risk. The identification of the operational risk was carried out by the Bank through the monitoring of risk events, an implemented system of internal controls, a system of monitoring key risk indicators, assessment of key risks through the RCSA method, while the measurement of this risk was carried out by applying a Basic Indicator Approach.

#### **4.6.1 Court proceedings against the Bank**

For the period ending 31.12.2022, a total of 24 active proceedings are ongoing against the Bank totaling to MKD 95.6 million.

#### **4.7. Internal Capital Adequacy Assessment Process (ICAAP)**

Pursuant to the applicable regulation requiring introduction of internal capital adequacy, the Bank, during 2022 also monitored the Internal Capital Adequacy based on the Group standards. Internal Capital Adequacy supports the Bank in the risk management process as well as in maintaining coverage potential in compliance with the risk profile, size and complexity of its financial activities.



# 5 CORPORATE BANKING

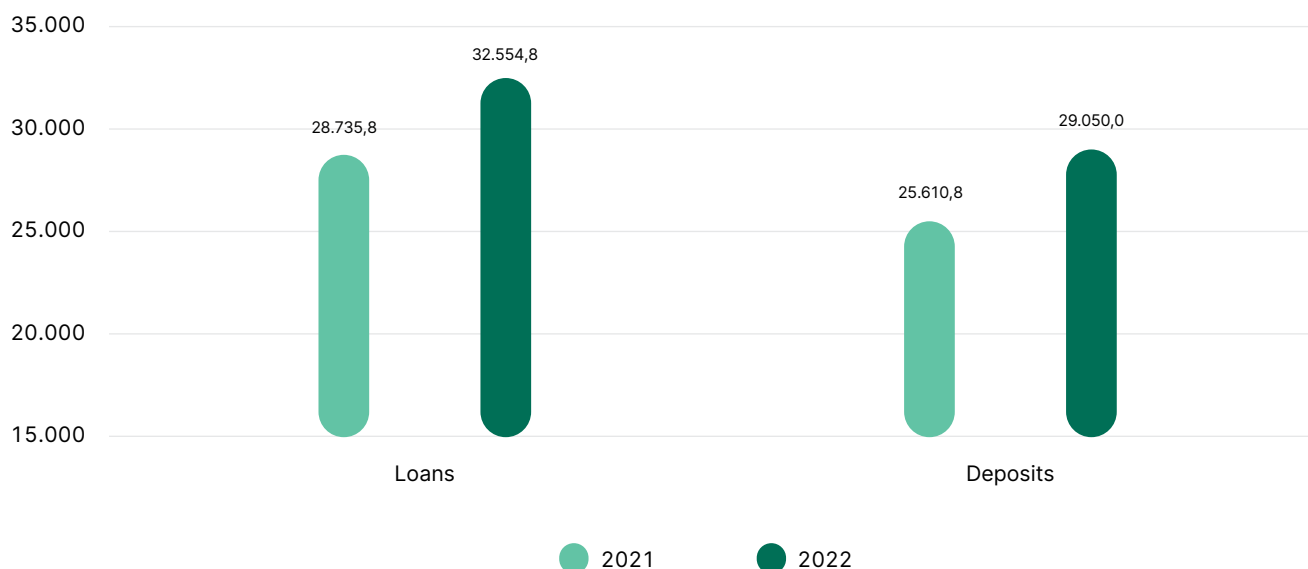
Corporate lending was in function of supporting the Macedonian economy for its recovery. In the first half of the year, the impact of COVID-19 continued to be felt, while in the second half, with the easing of emergency measures, the economic activity of companies increased. The bank actively supports its corporate clients in their investments, which is visible through the achieved results for 2022.

Sparkasse Bank AD Skopje achieved an increase in the functional portfolio by 15% and reduced the share of non-functional placements to 3%. Despite the impact of the crisis, the Bank, within the framework of its credit policies and financing standards, supported successful and sustainable companies, from all acceptable activities. The bank continued its successful cooperation with large companies that dominated credit growth this year as well, but it supported more accelerated and more pronounced growth in cooperation with small and medium-sized legal entities. This trend is in line with the Bank's strategic determination to further expand its activities and client base in this market segment, which dominates the total balance of functional loans among legal entities with over 50%. In the past year, the bank also had increased activity in the

area of project financing, where after the integration it is the absolute market leader, providing this type of financing for more than 10 years. The two main segments we specialize in are real estate financing, as well as energy project financing (from renewable sources).

In the future period, we are closely monitoring the development of EURIBOR, whose positive movements mean an increase in interest rates for a significant part of the credit portfolio of corporate clients. This development prompts us to consider expanding the range of credit products in order to get closer to our customers and continue our support to them. In terms of the potential for offering services, the Bank, as a member of a large banking group, will continue to support domestic legal entities in their operations in the country and abroad. With the presence in the markets of Central and Southeastern Europe, it will continue to provide customers with quick and economical access to foreign markets in the area of financial services, but also in the area of business contacts in the region. At the same time, the Bank, through joint financing with the other members of the Group, will continue to support larger-scale investment projects.

**Chart No 8** Corporate loans and deposits (in MKD million)



# 6 RETAIL BANKING

After the successful completion of the merger process, Sparkasse Bank AD Skopje dedicated itself to improving the user experience and satisfaction of its customers. For this purpose, significant activities were undertaken to introduce new functionalities, strengthen sales channels and optimize processes.

In accordance with the modern trends of the banking model of operations in Erste Group and Sparkasse, Sparkasse Bank AD Skopje in 2022 continued to modernize the network of branches with the implementation of the new branch model, which is made according to the highest standards for safety and security at work, with high-quality materials, modern design, and saving heat and electricity. In addition, relocations of several Exhibitions were carried out in order to ensure better positioning and greater territorial coverage. Sparkasse Bank branches are located in all major cities across the country and are available to customers every working day from 8:00 a.m. to 4:00 p.m. and on Saturdays at certain locations. To make it easier to find the nearest location, the Bank offers an additional functionality "branch and ATM locator" through the "Sparky" Viber Chatbot application. At the same time, the 24/7 zones in Skopje and Ohrid enable constant availability of services.

In 2022, after the end of the pandemic, we faced significant new challenges caused by the war in Ukraine and the global economic crisis. The population, as the most vulnerable category to such movements, first reacted by withdrawing their savings or free funds from bank accounts. At the same time, the growth of inflation led to an increase in the cost of living on the one hand, but also to the search for ways to invest in real estate to protect capital. However, the bank managed to maintain the stability of its portfolio and in the second half of the year realized growth in both the deposit and loan portfolios. By investing in the level of knowledge of the employees, applying an advisory role, support

and an offer adapted to the needs, expectations and possibilities of the customers led to the strengthening of relations and trust.

Taking into account the needs and expectations of the customers, in addition to the optimization of the processes, in 2022 the project for the introduction of a digital signature was implemented, making the Bank one of the first banks on the market to offer this user experience. At the same time, communication with customers is rapidly becoming digitalized, with regular use of alternative communication channels such as "Sparky" chat, Viber and SMS messages, e-mail messages and other channels in order to minimize the need for physical contact with customers. The bank's branches continued to be an equally accessible channel for customer support and service through fast and easily accessible service, in new and improved conditions.

During 2022, Sparkasse Bank applied targeted sales of products by creating direct offers to certain groups of clients in order to satisfy their needs using alternative sales channels. The acquisition of new customers has been strengthened by utilizing the potential in the existing corporate portfolio, but also with the Mobile Banking Program.

This Program enables the sale of products and services intended for individuals through credit intermediaries, which intensifies field activities and field sales, and ensures a greater presence of the Bank's products on the market as a result of direct contact with customers.

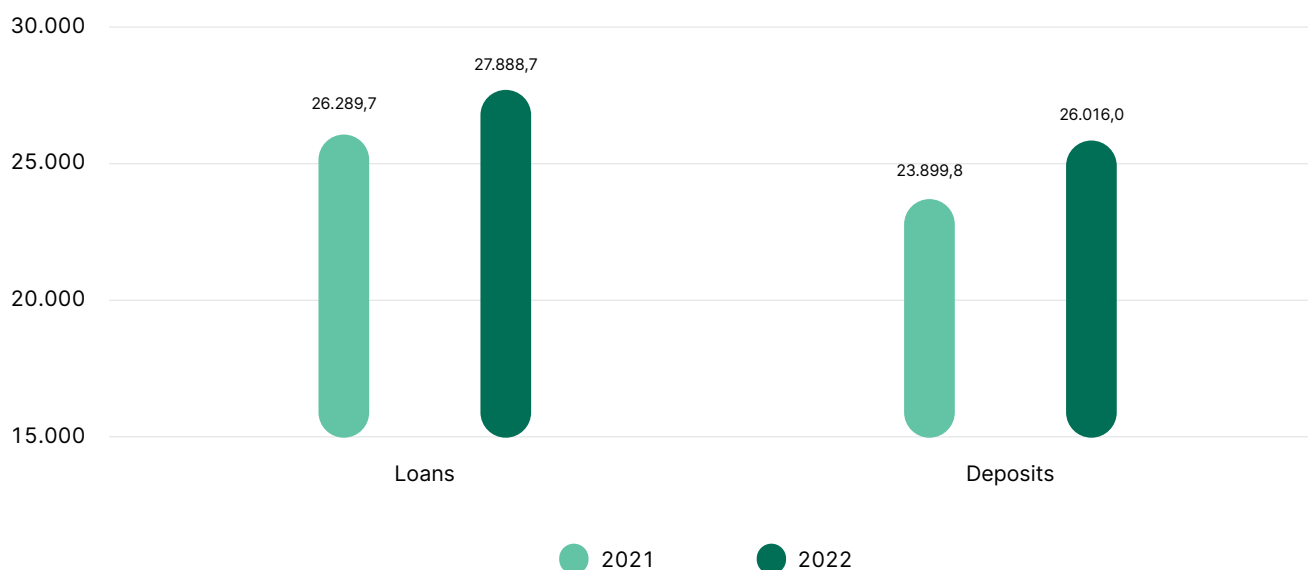
The total credit portfolio of the population at the end of 2022 is MKD 27,888.7 million and recorded a growth of 6.1% compared to the credit portfolio at the end of 2021. In 2022, compared to 2021, an increase in the credit portfolio was observed for housing loans by 11.6%, while an increase was observed for consumer loans by 6.5%.



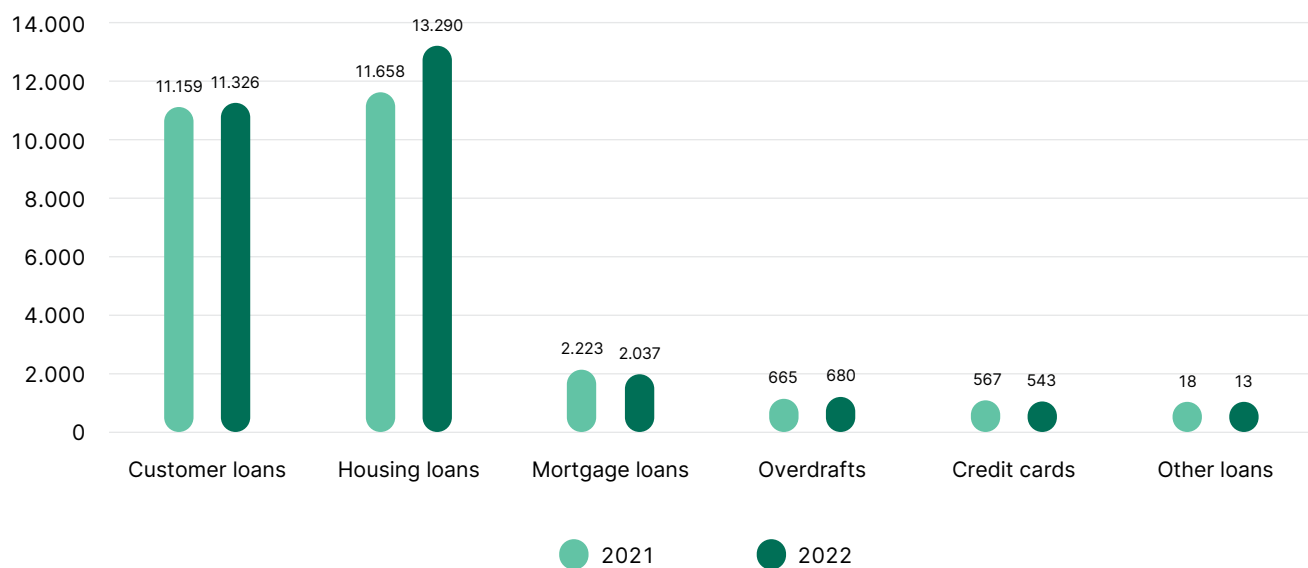
In the area of deposits of natural persons, the emphasis was placed on maintaining the stability of the deposit portfolio and accelerated growth. We continued to stimulate good savings habits, promoting our long-standing tradition of stability

and trust. The balance of deposits of natural persons at the end of the year amounted to 26,016 million denars and recorded an increase of 8.9% compared to the deposit portfolio in the previous year.

**Chart No 9** Retail loans and deposits (in MKD million)



**Chart No 10** Structure of retail performing loans (in MKD million)



# 7

## ACTIVITIES IN SECURITIES MARKETS AND LIQUIDITY MANAGEMENT



In 2022, Sparkasse Bank AD Skopje continued the continuity of positive results from the activities related to the financial markets and further strengthened its market position. At the same time, the Bank prudently managed its denar and foreign exchange liquidity, taking into account regulatory requirements and customer needs.

In the area of foreign exchange trading, the Bank increased its turnover by 37% and improved its market share by 0.15%. Also, in the area of foreign exchange trading, the Bank maintained a high market share in interbank foreign exchange trading and trading with exchange offices. In the part of trading with exchange offices, the Bank significantly increased its market share from 20.86% to 24.11%.

Considering securities services, in the international capital markets trading segment, the Bank is again the leader in the country achieving a market share of around 50%. Sparkasse is still the custodian bank of the largest fund in the country – KB First Pension Fund, with assets of over EUR 900 million.

During 2022, the Directorate for Trading and Financial Markets, in coordination with the Operational

Liquidity Management Committee, made it possible to maintain an optimal level of liquidity. This enabled the smooth running of the financial transactions of the customers, the performance of credit and deposit activities and the achievement of the Bank's business goals. The established liquidity management system enabled efficient measurement, monitoring, control and management of operational liquidity and consistency in the implementation of the Bank's liquidity risk management policies.

The Bank placed the excess liquidity on the money market, treasury bills, government bills and on the domestic and international bond markets, in currencies and maturities depending on the needs for maturity compliance of assets and liabilities on the balance sheet. Considering to the high level of liquidity, investments in treasury bills are constantly maintained up to the maximum allocated level, according to the proportional distribution of the supply of treasury bills defined by NBRSM. Investments in domestic government securities and foreign securities with an investment rating are achieved in accordance with the Bank's strategy for placements of excess liquidity in financial instruments.

# 8 MARKETING ACTIVITIES

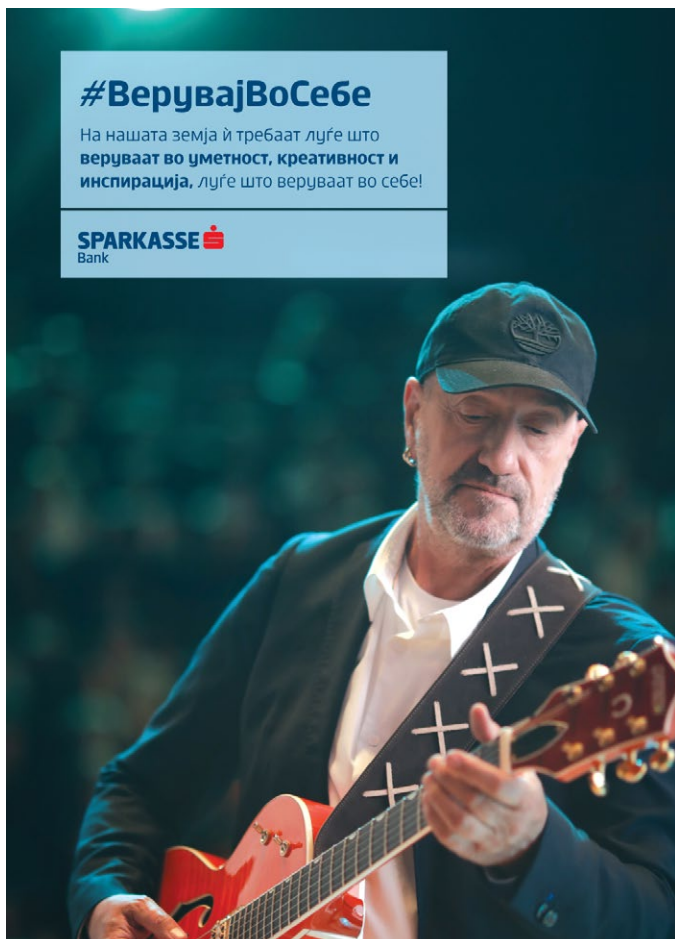
In 2022, Sparkasse Bank's vision and strategy were aimed at positioning the bank among the leading banks on the market in North Macedonia. Following this vision, marketing activities in 2022 were focused on further strengthening the image of the Bank, differentiation of products and their provision compared to other banks and highlighting the brand in the media space, through all communication channels, in a modern and creative way.

"Believe in yourself" is a wider regional campaign that was implemented in 2022 by Sparkasse Bank and the other members of the Erste and Staermerkische Sparkasse group. All the Bank's projects (events, campaigns, corporate culture, social responsibility projects, internal communication) were communicated under the universal platform "Believe in Yourself", and the platform was recognizable with

its own visual identity.

The new corporate image campaign of Sparkasse Bank was also produced under the slogan "Believe in yourself", which, with mass media coverage, ensured the strengthening of the brand and its appropriate positioning.

In 2022, Sparkasse Bank for the first time chose its own brand ambassador, a representative of the Bank who, with his appearance and engagement, directly represents the values of the Bank, values in which he believes and which he stands for. Vlatko Stefanovski, a successful and proven artist, is the bank's brand ambassador for 2022 and 2023. He is an established top musician and represents an excellent combination of the values that Sparkasse Bank wants to promote.



The brand ambassador was also part of the new image campaign that ideally conveyed the message that Sparkasse Bank believes in brave and dedicated people, who aim for higher values and push the boundaries.

Advertising campaigns for the Bank's offers throughout the year were represented through the most influential television and digital media, as well as through the implementation of numerous events, social responsibility projects, donations and sponsorships, which also achieved the goals of the marketing strategy, maintaining the fourth position in the banking sector according to Top of mind, as well as the high awareness of the SPARKASSE brand (source: FMDS research).

### 8.1. Promotion of new products

In the spirit of the image campaign that was carried out under the corporate slogan "Believe in yourself", together with the brand ambassador of the Bank - Vlatko Stefanovski, two product campaigns followed, promoting offers for consumer and housing loans.

At the same time, a successful and innovative campaign that marked last year was "One move, many benefits", which the bank realized in cooperation with VISA. Within the framework of this campaign, customers were required to transfer their salary to Sparkasse Bank, thus receiving benefits - a bonus of 2,000 denars and 6 months of free use of the S or S plus package without compensation, as well as an included Visa debit card.

Considering its success, the campaign in cooperation with VISA continued during the year under the name "Transfer Salary". The campaign for new wage earners was unique and met with great interest among potential clients, which gave a positive basis for its continuation in the future.

Sparkasse Bank continued with the support of green loans, i.e. Eco loans, which help customers to invest in new energy efficient technologies and receive a return of funds up to 20% of the investment value.

In the direction of continuous promotion of all campaigns, the packages for individuals were modified according to the financial needs of the

**Дома си каде што се чувствуваш најубаво!**

Избери паметно - аплицирај за **Станбен кредит** од Шпаркасе Банка, со фиксна каматна стапка за првите 5 години и создади нов дом по сопствен вкус.

**ФИКСНА КАМАТНА СТАПКА ОД 3,1%**

**SPARKASSE** Bank  
Верувај во себе

**S Plus – Понудата што ја чекаше!**

Опреми го својот дом според твоите желби и потреби со **S Plus потрошувачки кредит** на Шпаркасе Банка.

**ФИКСНА КАМАТНА СТАПКА ОД 5,2%**

**SPARKASSE** Bank  
Верувај во иднината



customers, and some of the packages were also rebranded. At the same time, the S-package and the S-Plus package were introduced with numerous benefits for users, including a lower monthly commission for the package and up to 30% of the regular commissions for the individual products included in the package.

In 2022, great focus was placed on providing a quality and attractive offer for deposits for natural persons, as well as appropriate media presentation of the same.

The deposit offer was enriched with two new products - Savings Plan and Deposit Plus. With the Savings Plan, customers have the opportunity to choose how much they want to save on a monthly basis, to open a standing order for the deposit of an amount and date that suits them, as well as to make additional payments through mobile and electronic banking. Meanwhile, Deposit Plus is a deposit that provides attractive fixed interest rates to customers who want to save in denars for the long term.

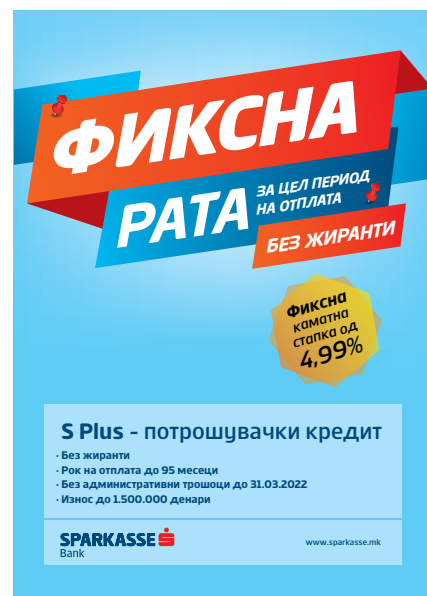
In addition, the well-known "Deposit Progress", with excellent favorable conditions for saving in Denars and Euros with growing fixed interest rates and the possibility of additional investments, was in promotion during the biggest period of the year.

Following the modern trends of the banking model of operations in Erste and Staermerkiss Sparkasse Group, Sparkasse Bank continued with the implementation of the new branch model, which

was created according to the highest standards for safety and protection at work, with high-quality materials, which apart from its modern design, allow saving of heat and electricity.

In the last quarter of the year, Sparkasse Bank included in its operations the use of electronic identity, digital signing of documents and digital archiving. Digital identity and digital signing enable the Bank's customers to identify themselves without physical presence in the bank and to sign electronic documents with their qualified digital signature, from anywhere in the world.





In the same quarter, Sparkasse Bank started issuing the new Visa Eco cards made of recyclable material, with special degradability properties, thus becoming the first bank in the country to issue fully recyclable cards. The production of cards of degradable material will affect saving a minimum of 300kg of plastic produced and disposed of in the environment annually, or the equivalent of 1,800kg of CO2. By doing so, it demonstrated its active focus on achieving the highest possible degree of sustainability in all aspects of the business, with the

aim of maximally reducing the negative impact on climate change.

In the last month of the year, Sparkasse Bank AD Skopje introduced a new version of the S-Banka mobile application, which is characterized by new modern functionalities, optimized user experience, as well as a refreshed design.

At the very end of 2022, a new "Save the Last Gift for Yourself" campaign was launched in collaboration with Mastercard, which allowed the first 1,000 payment card users of this brand to make 15 transactions worth at least 15,000 denari during the campaign, to receive a refund of 1,200 denari. The right to participate campaign featured all Mastercard Debit Standard and Mastercard Gold Debit debit cards, as well as credit card users: Mastercard Standard, Mastercard Gold and Mastercard Platinum.

## 8.2. Sponsorships, Donations and Events

In 2022, Sparkasse Bank continued the tradition of supporting events that enrich cultural life and affirm art. Within the "Sparkasse Life" platform, we continued with the corporate strategy in the direction of supporting events and projects significant for Macedonian art and culture, in order to strengthen the perception of the Bank as an institution with an urban image that shows care for the community and nurtures cultural values.



During 2022, Sparkasse Bank supported various festivals in the field of musical art. For the first time, it was the main sponsor of the 12th edition of the most massive summer music event – „D Festival“, as well as the „Taxirat music festival“.

Sparkasse Bank traditionally supported another spectacular edition of “Ohrid Summer”, very significant for the domestic cultural and artistic scene.

This year too, the bank provided support to festivals that celebrate film art, through its partnership with the Cinedays International European Film Festival,





where top European film achievements were shown in front of the GTC plateau. The bank was also part of the multimedia event - Ohrid Beach Film Festival which aims to encourage dialogue and critical reflection inspired by the screenings of European films.

Sparkasse Bank has traditionally been a sponsor of the Strumica Carnival, the cult event in the Municipality of Strumica that celebrated its 30th anniversary. The bank also supported the international art colony "Vevčani Sightings", which was held for the 11th time in the picturesque Vevčani, where we were amazed by the talent and works of over 20 established artists from the country and abroad.

Corporate values are those that best represent the business culture of a company. The bank is proud of it's employees - ambassadors who reflect these values with their commitment and engagement. During 2022, employees were promoted through a digital PR campaign for "Ambassadors of corporate values", who were selected by their colleagues as





the best presenters of the five corporate values – excellence, trust, passion, partnership and agility.

The bank continued to support the development of the sports spirit among its employees, while at the same time encouraging them to create healthy habits and giving recommendations for leading a healthy life. Our employees under the common motto “Strength is in the team” have traditionally joined the sports events “Skopje Marathon”, “First to the Top”, “Ohrid Run” and “Business Run”. Moreover, at the “Ohrid Run” event, which took place in Ohrid, our colleagues out of 1300 runners from 18 countries in the world won first place in the women’s category, an achievement we are particularly proud of.

Sparkasse Bank also made a significant donation to SOS Children’s Village, which celebrated the 10th anniversary of the joint co-operation this year. From 19.08 – World Humanity Day, until 30.09.2022 the campaign “For more children’s smiles” lasted, in which for an open deposit of the type – Savingplan, Children’s Savings, Deposit Progress or Deposit Plus, Sparkasse Bank donated 600 denari ions to SOS Children’s Village. The successful end of the donation was marked at an event on 09.12, returning the cash donation for the needs of SOS Children’s Village, followed by an acoustic concert by the brand ambassador, educating children about the role of banks, saving and why it is important to save, as well as a creative workshop in which children produced wonderful New Year’s works.

In addition, the Bank continued the “Corporate Philanthropy” project, by encouraging employees to develop individual donations by allocating a certain amount from their monthly income, as a donation intended for the needs of orphaned children and parental care cared for within the SOS Children’s Village Macedonia.

Among the more significant projects and events supported by Sparkasse Bank during 2022, we highlight: organization of the “Erste Investor’s Breakfast” conference for the ninth time together with Erste Bank; support of Days of Austrian Literature in North Macedonia with the aim of affirming Austrian literature before the domestic readership; official sponsor of the first Balkan Economic Forum conference, which was held on 18.11 under the auspices of the RSM Government; support for future young doctors at the 24th

**ЗА ПОВЕКЕ  
ДЕТСКИ  
НАСМЕВКИ**

**И јас бирам, да донирам!**

Со секој нов депозит во Шпаркасе Банка (Штеден План, Детско Штедење, Депозит Прогрес или Депозит Плус) придонесуваш за СОС Детско село. Шпаркасе Банка во периодот од 19.8.2022 до 30.9.2022 за првите 300 отворени депозити ќе донира по 600 денари за повеќе детски насмевки во СОС Детско село.

**SPARKASSE** Bank **СОС ДЕТСКО СЕЛО** #заповекедетскинасмевки

International Medical Scientific Congress organized by the Macedonian Medical Student Association in Ohrid; support of the EKO children’s masquerade ball in cooperation with Pacomak and Ramstor Mall; support of the International Judo Tournament “Struga Open” organized by the judo club “Dream” – Struga where judokas from 9 different countries from 43 different clubs took part, as well as other smaller events.

During 2022, Sparkasse Bank also supported organizations that aim to promote economic development in the field of economy and business in the Republic of North Macedonia, as well as the development of international cooperation by sharing knowledge, connecting businesses and encouraging changes in the region: Faculty of Economics – Skopje, Gotse Delchev University – Shtip, Faculty of Economics – Prilep, University American College – Skopje, European Business Association of North Macedonia, Junior Achievement Macedonia, Chamber of Commerce of Macedonia and Chamber of Commerce of North-West Macedonia.

# 9 CORPORATE SOCIAL RESPONSIBILITY

Within the framework of a platform for corporate social responsibility - Sparkasse Life, the Bank continued its activities in 2022 for the expansion and development of the areas covered by this platform. The main segments of support include culture and art, healthcare, sports, financial education and the community to which we belong.

As part of the sustainability strategy that was focused on in 2022, the Bank invested in photovoltaic systems in the Central Buildings of Sparkasse Bank in Skopje and Ohrid, with the aim of own production of electricity. In addition, as part of the green transition, the Bank acquired an official electric vehicle for the needs of its employees and at the same time installed a charger for electric cars with 100% green energy for the needs of its customers.

Also, in the middle of 2022, the Bank invested in electric scooters as an ecological means of transportation for employees, in order to avoid city congestion and to stimulate employees to use ecological transportation, in order to reduce the emission of greenhouse gases in the air. In order to encourage employees to use environmentally friendly means of transportation, in June 2022, on the World Bicycle Day, a free service for employees' bicycles was organized.

"Best of South East" is a program that Sparkasse Bank realizes every year in cooperation with the parent bank, Staermerkische Sparkasse, and through which the participation of talented students from North Macedonia and the region of Southeast Europe is enabled. The program allows students to gain international academic experience at prestigious faculties, such as the Karl Franzens University in Graz, University of Music and Performing Arts Graz, Technische Universität Graz and Montanuniversität Leoben. At the same time, students get the opportunity for work practice in the renowned Staermerkische Sparkasse Group, where they can acquire new knowledge and

experience needed for their further professional progress.

With the purpose of supporting the community in which it operates, as well as supporting young people and promoting their professional development and abilities, Sparkasse Bank provided support to 14 young people selected as the best scholars by the European Forum Alpbach, as well as to three students enrolled in the first year on the first cycle of studies at the Faculty of Economics - Prilep as part of the continuation of the successful cooperation between Sparkasse Bank and the Faculty of Economics in Prilep. Sparkasse Bank also participated in the "Career Development Day" event, where students were presented with opportunities for employment and internships in our Bank during and after completing their studies.

Traditionally, the month of saving - October, was dedicated to saving and the importance of saving as one of the biggest investments we can make for ourselves and our loved ones. Sparkasse Bank's team together with the Medo Shtedo mascot visited many kindergartens and schools throughout the republic and educated the little ones that it is necessary to create the habit of saving from an early age. With these financial educations, the children learned what money means, how to have a proper relationship with it and why it is important to save.

Sparkasse Bank also gained several important recognitions during the year. In the organization of Superbrands Macedonia, the strongest brands in our country are selected every year, and only the most successful from each area are allowed to participate in the selection. In 2022, Sparkasse Bank was declared a Superbrand for the first time in the category of financial institutions in the country, fulfilling the four basic criteria necessary to receive this award: quality, reliability, recognition and emotional attachment of users to the brand.

Also, in the middle of 2022, the Bank acquired a Certificate for Fair Financial Services for Consumers, by the Consumers' Organization of Macedonia, as a confirmation that the Bank is oriented towards respecting the rights of consumers and that it is dedicated to taking care of satisfaction to consumers in all areas of activity.

In the last month of 2022, a mass action was organized for afforestation of the burned area in Ginovci, Kriva Palanka, where Sparkasse Bank employees planted 2,500 acacia seedlings on one hectare of land on behalf of the Bank's clients and associates. In this way, Sparkasse Bank expressed its immense gratitude for the trust and successful cooperation with its customers.

In that direction, the Bank also prepared unique New Year's gifts for its loyal and significant customers - a personalized certificate for planted acacia in their name, a creative idea that was well received by customers and colleagues.

On the occasion of the International Day of Human Solidarity, Sparkasse Bank organized a blood donation drive in the office building in Skopje, in which the Bank's employees participated and showed their humanity in action.

During the year 2022, the Bank made a donation of computer equipment in order to improve the working conditions in the primary school Goce Delchev in Skopje.

## SUSTAINABILITY AND ESG

During 2022, the Bank carried out a large part of its activities, paying particular attention to environmental protection, social responsibility and good corporate governance. For this purpose, on a meeting held on November 29, 2022, the Bank's Supervisory Board acknowledged the Sustainability Strategy of Sparkasse Bank AD Skopje. The Strategy was developed in accordance with group standards and best practices and is based on the 2030 Agenda for Sustainable Development, adopted by all United Nations member states in 2015, which includes 17 Sustainable Development Goals (SDGs), which are urgent a call to action from all countries - developed and developing - in a global partnership.

Sparkasse Bank AD Skopje focuses on 9 of these 17 goals:

1. No poverty
2. Good health and well-being
3. Quality education
4. Gender equality
5. Decent work and economic growth
6. Industry, innovation and infrastructure
7. Reduced inequalities
8. Sustainable cities and communities
9. Climate action

The Strategy defines the goals and principles for sustainability that the Bank will strive to achieve, such as:

- Corporate governance and society (strategy and goals; recognition and promotion)
- Clients (strategy and goals; long-term customer relationships; responsible banking; entrepreneurial spirit; Environmental Protection)
- Environment (strategy and objectives; environment / sustainable locations; Environmentally friendly mobility; ecological footprint)
- Employees (strategy and goals; health and welfare; Quality education; gender equality and fewer inequalities; employer branding)
- Perspectives (what will the Bank do to make financial health a reality; financial health principles of the Bank)

With the adoption of the Sustainability Strategy, the Bank established an official Sustainability Team that proposes the strategic orientation to the Management Board and is responsible for periodic monitoring and implementation of the measures from the Sustainability Strategy.

Members of the Sustainability Team are:

- Director of General Secretariat Directorate
- Director of Marketing and product development Directorate

- Director of Human Resources Directorate
- Director of Property, logistic and safety Directorate
- Director of Strategic risk Directorate

The sustainability team meets at least once a month and closely monitors the implementation of approved projects and measures, proposes new initiatives, carries out consultations, supports sustainability ideas from other organizational units, develops and proposes the Annual Sustainability Report together with responsible marketing associates suggests a communication strategy. The Team regularly informs the Management Board of the Bank about its activities.

During 2022, the following activities related to the Strategy were significant for the Bank:

## Environment

The energetic crisis that arose as a result of the military activities between Ukraine and Russia, is the biggest challenge of the European continent since 2022 which resulted in great instability in the energetic sector and the prices of energies that imposed certain measures in order to save energies and their consumption. The Bank managed this situation on a high level, which resulted in fulfilling the goals for saving electric energy and having an optimum source management. According to the consumption analysis of electric energy during the period of 2021/2022 there is a 415.513 kWh savings or 17,84% lower consumption of electric energy, or in other words protecting the environment through lowering CO2 gas emission which is almost 195.000 kg/per year.

Electric energy savings measures:

- Positioning the branches according to defined

standards for sustainable buildings that include energy savings, energetic-efficient technologies, digital marketing elements, eco floors etc,

- Change of lights with LED ( most of the branches have 100% implementation of this measure), light sensor instalments in technical rooms,
- Photovoltaic system installation in Skopje building – Bank Headquarter and the Administrative building in Ohrid,
- Constantly educating the employees about the best practices for saving the energy sources.

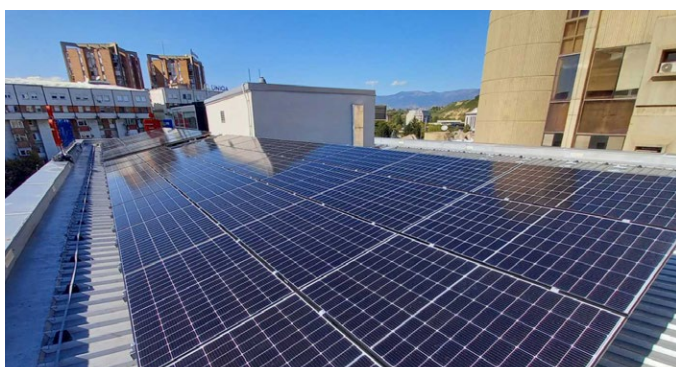
One of the most important investments during 2022 is the photovoltaic system installed at Sparkasse Business Centre buildings in Skopje and Ohrid.

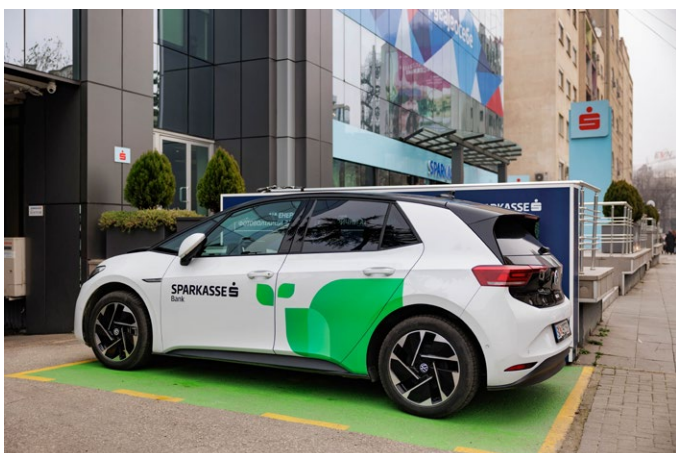
Regarding the available surface for the two buildings there were 175 pieces of photovoltaic panels installed for producing electric energy with total power of 71,75kW and installment of 5 inverters as a support for these photovoltaic panels.

The average annual production of electricity from renewable sources in ideal conditions would be maximum ~ 96.740 kW, or total of~ 19.394 eur with assumed average price of electric energy on the stock market of 200 eur/MWh.

The cost for installing the photovoltaic systems on both facilities is 69.431 eur total with expected return on investment of approximately 3 to 4 years according the assumed stock market price of 200eur/MWh.

The expected produced electricity from the two photovoltaic systems will directly affect the protection of the environment by reducing CO2 emission by approximately 45.441 kg/per year which equals 1707 planted trees.





Also through the introduction of digitalization and paper removal in business communication in 2022, the use of paper has been reduced with more than 5% savings in the total consumption of paper, in other words the CO2 emission has been reduced by approximately 1.539 kg/per year.

E-mobility/In order to be in pace with the world trends for reducing the emission of harmful gases in the atmosphere, the Bank is using electric vehicles with tendency to reduce costs of motor fuels as well. The fleet has been enriched with 2 (two) electric vehicles and 4 (four) e-scooters for short distance tasks. The total share of electric and hybrid vehicles takes approximately 10% share in the Bank's total car fleet.

In 2022, as a socially responsible company oriented towards the use of green energy, the Bank completed the project for procurement of two electric vehicles, VW ID3 model and installed two chargers for recharging the electric vehicles from/

in Skopje and Ohrid Headquarters. This allocation is aimed at reducing traveling costs between the two cities as the most frequent destination.

The vehicles have a capacity of 58 kWh and an average area coverage of 250 to 350 km depending on the conditions. The chargers of electric vehicles have a delivery capacity of maximum 22kwh and they can use energy from photovoltaic systems installed in Ohrid and Skopje Bank's Headquarters.

The expected savings in motor fuel and savings in CO2 gas emission would amount to approximately 12.900,00 kg/per year. The purchase and usage of e-scooters by the employees is constant and contributed for fast and efficient performance of short-distance tasks, while saving on fuel consumption and parking costs, i.e. on a monthly basis, the electric scooters average area coverage is 1200 km, which enables a fuel savings of 120 liters, or savings of CO2 gas emission of 3,600.00 kg/year.



# 10 HUMAN RESOURCES

The year 2022 was filled with challenges for the Human Resources Directorate. The main goal was to hold the strategic partner course for the top management and employees of the Bank.

During the year, the focus of the Directorate for Human Resources was mainly the activities of stabilizing the work processes through workforce planning, providing support to the management staff for the appropriate distribution of employees, taking into account the continuity of operations, as well as employee training.

During the year in the Bank, and as a result of the fluctuation process, within the Human Resources Directorate, the trend of increased volume of recruitment and provision of personnel for the vacant positions continued. Given the increased fluctuation, at the request of the top management, the Human Resources Directorate conducted a survey on employee satisfaction and engagement, with the aim of obtaining a clear picture of the current situation and challenges faced by employees. The results of the research were shared with all employees, and served as a basis for creating further steps in coordination with the management, with the aim of increasing employee satisfaction and engagement and reducing fluctuation.

Following the current economic situation, as well as the labor market, a correction (increase) in the salaries of the employees was carried out in September, which represents a significant factor for the motivation and recognition of the employees' work.

One of the main priorities of the Human Resources Directorate this year continues to be support and active participation in building a corporate culture in which every employee will feel motivated and satisfied. In that direction, in coordination with the Marketing and Communication Department, interviews with the Ambassadors of corporate values (employees who were selected by a vote of all employees) were carried out and promoted.

Sparkasse Bank, understanding training as an investment in knowledge as a key resource and driver of the bank's development, regularly organizes and implements the process of orientation of new employees in the Bank, supports the process of professional development of employees as well as fulfilling legal requirements in relation to employee training. In that direction, a special multifunctional space was created and equipped exclusively for training - Sparkasse Training Center. The purpose of the training center is to provide continuous training and development for employees, as well as job induction for new employees. Part of the Training Center has been adapted into a simulated branch office, which will serve to train new employees without banking experience in order to effectively equip them for independent work. Other parts of the space are intended for holding all kinds of trainings, coaching sessions, meeting simulations to improve negotiation and sales skills, even a wellness corner, where employees can take a break and relax.

In 2022, a total of 7,503 training hours were checked. In view of staff turnover, which was especially pronounced in the Sales Network Department, it's significant to note that in order to strengthen sales skills, a cycle of trainings for advanced sales skills was held in which employees from the Sales Network Department participated.

This year, the implementation of the "Employee of the Month" project continued, through which employees who have achieved significant results are selected every month and are rewarded and promoted as a positive example. Through this, the employees' achievements are recognized (employee recognition) on the one hand, and the Bank is promoted as a desired employer (employer branding) on the other hand.

Also, the practice of organizing HR Caffee events with guest lecturers continued, where employees get the opportunity to hear useful information on current topics, but also to socialize in an informal atmosphere.

In order to recognize the work and motivate the employees, the practice of “lunch with the members of the Board of Directors” continued, where every month the employees who particularly stood out were invited to a joint lunch with the members of the Board of Directors, where they had the opportunity to discuss and exchange ideas and hear about the future plans and strategies of the Bank directly from the top management.

In the direction of building a base of potential candidates for employment, the Human Resources

Directorate continued cooperation with educational institutions by awarding scholarships to the best students, participating in employment fairs, visiting lectures as lecturers, engaging students in paid internships in the Bank etc.

All the activities of the Directorate of Human Resources were followed by announcements on social media, with the aim of promoting the benefits that the Bank offers to its employees and thereby positioning it on the labor market and building the image of a desirable employer.



# 11 INTERNAL AUDIT

Internal audit has an independent, objective and advisory role, designed to increase the value and improve the Bank's operations. As a "third line of defense", it helps the Bank to achieve its goals by applying a systematic approach to evaluate and improve the effectiveness of risk management, control and the management process.

Internal audit has an independent, objective and advisory role, designed to increase the value and improve the Bank's operations. As a "third line of defense", it helps the Bank to achieve its goals by applying a systematic approach to evaluate and improve the effectiveness of risk management, control and the management process.

The plan of regular audits for the year 2022, which was prepared on the basis of the Methodology for determining and assessing risks, has been fully fulfilled. In addition, three Group audits were carried out under the leadership of the Group Department for Internal Audit, as well as two extraordinary audits.

Regarding the areas that were the object of the audit, they were determined and implemented in accordance with the Group Methodology for

determining and assessing risks, which determines the level of risk / priority and accordingly the frequency of audits in certain areas within a three-year cycle.

A significant activity of the Internal Audit was the monitoring of the status of determined findings and the measures taken for their implementation based on the findings of the Internal Audit, with the results showing a trend of improvement, i.e. an increase in successfully implemented recommendations, as well as a reduction in the number of prolonged recommendations.

The internal audit implements and monitors the established findings from the Group audits, the External Auditors, as well as the Regulatory Institutions (NBRM, MAPAS, KHV, ASO, etc.).

Monitoring and follow-up of the implementation of the audit findings is performed through the audit tool FU, which enables documentation of the implementation and comments of the audited units, with the aim of interactive monitoring of the status of the recommendations by risk level.





# 12 REGULATORY COMPLIANCE CONTROL AND ANTI-MONEY LAUNDERING AND COMBATING THE FINANCE OF TERRORISM

The banking sector is considered one of the most regulated sectors in the country. Banking operations are under continuous control by several regulators from different segments. Proportionately with the regulation, the obligations of constant monitoring and analysis, timely information and reasoned views on which the collective in a Bank can rely are also increasing. The challenge of managing the risk of compliance with regulations is a dynamic obligation, with numerous factual situations, where the goal is always to make the right choice and satisfy the client, while at the same time not crossing the border of compliant operation with regulations.

Also on a global level, the world is daily faced with new threats to peace and security, which result in the introduction of certain prohibitions and sanctions against certain natural and legal persons, as well as states. Prohibitions and sanctions are prescribed and updated daily by the competent international institutions, and the Bank, as part of the Group, as well as in accordance with local regulations, has the obligation to harmonize its operations and introduce appropriate procedures and mechanisms that will enable the consistent and efficient execution of its operations in accordance with these prohibitions and sanctions.

In that direction, the range of controls that the bank should implement is increasing in terms of volume and complexity, sensitivity and possible negative material and reputational consequences that the bank and its customers may face.

During 2022, the Anti-Money Laundering and Counter-Terrorism Financing and Compliance Department worked on the following:

- Activities for the application of measures in accordance with the Law on Prevention of Money Laundering and Financing of Terrorism,

as well as for the improvement of processes within the Department;

- Improvement of existing solutions or introduction of new more advanced solutions in the SPPFT section that will enable consistent and timely compliance with local regulations and group policies and standards;
- Notification of all relevant legal and by-law amendments that have an impact on the Bank's operations (legal and by-laws, regulations and standards);
- Preparing an opinion on contracts with external parties;
- Control of the preparation of internal acts of the Bank, procedures and work rules;
- Active participation in the Bank's preparation for the implementation of the new Law on Payment Services and Payment Systems;
- Coordinating obligations during external controls, as well as control of actions according to action plans;
- Control of the conflict of interest management process;
- Regular submission of reports to management bodies

The department performed its duties in a timely, up-to-date and responsible manner in order for the Bank to adapt to the changes in both local and Group regulations.

As until now, and during the next period, the Department's priorities will be emphasizing the importance of coordinated work, through constant controls, consultations and trainings.

# 13 INFORMATION SECURITY

The established system of organizational and technical measures in the Bank to deal with the risks in the information system is in accordance with the domestic regulation, as well as the best practices and standards. It contributed to building trust with customers and ensuring a high degree of protection, confidentiality and availability of information in the performance of business operations and services.

The focus of operations in 2022, in addition to the regular maintenance of a stable and reliable information system, in accordance with the positive legal provisions (Decision on the security of the information system, National Bank) and the internal regulation were the activities related to the consolidation of the systems and security controls after the integration of both Banks.

Also, the operation in 2022 in the Bank, and in a broader sense the social and economic entities as a whole, passed in the sign of the pandemic caused by the Corona virus, although to a significantly lesser extent compared to 2021. In such conditions, the Bank has successfully adjusted its operations

according to the new reality, preserving its operability and functionality with a high degree of respect for all protection measures.

At the same time, special emphasis was placed on constant and regular informing of employees about all the risks associated with remote work and in general about the new digital “cyber” threats.

The bank maintains employees’ awareness of information security and threats in the digital space through regular annual trainings, as well as through periodic current notifications.

The bank remains on its strategic goal and determination to constantly improve the system of internal controls and their alignment with the Group’s standards and policies.

In 2022, the Bank successfully tested the Plan for Continuity and Renewal of IT systems, thus confirming that it has adequate mechanisms to ensure the continuity of work processes related to the main banking operations.



# 14 CORPORATE GOVERNANCE REPORT

Corporate governance in the Bank represents a set of mutual relations between the Supervisory Board, the Management Board, other persons with special rights and responsibilities and the Bank's shareholders, through which an appropriate organizational structure and appropriate mechanisms for defining the Bank's goals and their realization and monitoring have been established.

In 2022, the Cabinet of the Management Board carried out all activities within its competences in accordance with the applicable regulation, internal acts and best practices in the corporate governance segment.

## Shareholders Assembly

On May 25, 2022, the Annual Shareholders' Meeting was held, at which decisions of material importance for the Bank were made. The Assembly of Shareholders reviewed and adopted the Bank's Financial Statements for 2021, audited by auditing company PricewaterhouseCoopers Revizia DOO Skopje and Opinion of the Supervisory Board; The consolidated financial statements for 2021, audited by auditing firm PricewaterhouseCoopers Revizia DOO Skopje and Opinion of the Supervisory Board; Annual account and financial statements for the period 01.01.-31.12.2021; Consolidated annual account and financial statements for the period 01.01.-31.12.2021; Annual report on the Bank's operations in 2021 and Opinion of the Bank's Supervisory Board; Consolidated Annual Report on the Bank's operations in 2021 and Opinion of the Bank's Supervisory Board; Decision on distribution of profit from 2021; Decision to amend and supplement the Statute of Sparkasse Bank AD Skopje and adopt a refined text of the Statute; Decision on the selection of a company for the audit of Sparkasse Bank AD Skopje for the year 2022; Decision to sell (alienate) own shares through a public offer, as well as the Annual Report on the work of the Supervisory Board in 2021, collectively and from the perspective of individual members.

During the period covered by this Report, an extraordinary meeting of shareholders was held. On August 3, 2022, an extraordinary Shareholders'

Meeting was held at which a Decision was adopted to increase the share capital by issuing ordinary shares with voting rights from the 21st issue through a private offer to an institutional investor;

Decision on changes and additions to the Statute of Sparkasse Bank AD Skopje; Decision to appoint a member of the Supervisory Board of Sparkasse Bank AD Skopje; Decision to determine the amount of compensation for work in the bodies of Sparkasse Bank AD Skopje (Supervisory Board and Audit Committee) and Decision to adopt the Rules of Procedure of the Assembly of Shareholders of Sparkasse Bank AD Skopje.

Based on the Decision of the Governor of NBRSM dated 24.08.2022, the Bank received consent to change the seat of the Bank, with which the new seat of the Bank is at St. Vasil Iljoski 14 Skopje.

## Supervisory Board

The Supervisory Board supervises the operations of the Management Board, approves the policies for performing financial activities and supervises their implementation. This body of the Bank is responsible for ensuring good operation, management and stability, as well as timely and accurate financial reporting to the National Bank.

For the successful performance of its function, the Supervisory Board works in the direction of building a balanced composition ensures that its members have the necessary knowledge, ability and expertise. The Supervisory Board has an adequate number of members with long-term and international experience in their areas of operation. At least a quarter of the members of the Supervisory Board should be independent members. In that direction, two members out of a total of seven are independent members. Their independence is established according to the criteria for independence prescribed by the Law on Banks.

During 2022, in accordance with the local regulation, the Bank's Supervisory Board decided at a total of six sessions that were held at the Bank's business premises or were held via video conference. In addition, nine meetings were held through written

correspondence, as a result of the need to support the operational functions of the Bank.

The Supervisory Board worked in accordance with the Rules of Organization and Work of the Bank's Supervisory Board and decisions were made in accordance with the applicable regulation. All members of the Supervisory Board actively participated in its work, whose individual contribution is of great importance for the efficient implementation of the activities and duties of this

body of the Bank.

During the reporting period, through an amendment to the Bank's Statute, the number of members of the Supervisory Board was increased from six to seven, and at the Assembly of Shareholders, Gligor Bishev was appointed as a new member of the Supervisory Board, with a mandate from 01.01.2023.

The Table below presents the active memberships of the Supervisory Board members.

**Table No 6. Members of the Supervisory Board of the Bank**

<b>Member:</b>	<b>Georg Bucher</b>
<b>Position:</b>	Member of Management Board
<b>Company:</b>	Steiermärkische Bank und Sparkassen AG
<b>Date of birth:</b>	1962
<b>First appointment:</b>	08.2019
<b>Term of office:</b>	11.2024
<b>Member of the Supervisory Board and other memberships</b>	<ul style="list-style-type: none"> <li>• President of the SVB of Sparkasse Bank AD Skopje (representative of the majority shareholder)</li> <li>• President of the Audit Committee of Sparkasse Bank AD Skopje</li> <li>• Member of the Nomination and Remuneration Committee of Sparkasse Bank AD Skopje</li> <li>• Member of the Supervisory Board of Kärntner Sparkasse AG</li> <li>• Deputy President of the Supervisory Board of Erste Digital GmbH.</li> <li>• President of the Supervisory Board of Sparkasse IT Holding AG</li> <li>• Deputy President of the Supervisory Board of Banka Sparkasse d.d. Ljubljana</li> <li>• Deputy President of the Supervisory Board of Erste Banka a.d. Novi Sad</li> <li>• Deputy President of the Supervisory Board of Erste &amp; Steiermärkische Bank d.d.</li> <li>• Deputy President of the Supervisory Board of SKB Industrieholding GmbH Austria</li> <li>• Manager of Christine Kunz Gesellschaft mbH Austria</li> <li>• Manager of SKW Privatstiftung</li> </ul>
<b>Remuneration for membership in the boards of the Bank</b>	The members of the Supervisory Board who are nominated by the Shareholder and are employed by Erste Group entities are not eligible for receiving remuneration for the work in bodies of Sparkasse Bank AD Skopje
<b>Meeting attendance in 2022</b>	The SVB President attended to 6 meetings in 2022

<b>Member:</b>	<b>Walburga Seidl</b>
<b>Position:</b>	Management Board Member
<b>Company:</b>	Steiermärkische Bank und Sparkassen AG
<b>Date of birth:</b>	1973
<b>First appointment:</b>	11.2008
<b>Term of office:</b>	11.2024

<b>Member of the Supervisory Board and other memberships</b>	<ul style="list-style-type: none"> <li>• Deputy-President of the SVB of Sparkasse Bank AD Skopje (representative of the majority shareholder)</li> <li>• Deputy-President of the Audit Committee of Sparkasse Bank AD Skopje</li> <li>• Deputy-President of the SVB of Sparkasse Bank DD Sarajevo</li> <li>• Member of the Supervisory Board of Erste &amp; Steiermärkische Bank d.d.</li> <li>• Member of the Advisory Committee of S-Leasing Süd GMBH</li> </ul>
<b>Remuneration for membership in the boards of the Bank</b>	The members of the Supervisory Board who are nominated by the Shareholder and are employed by Erste Group entities are not eligible for receiving remuneration for the work in bodies of Sparkasse Bank AD Skopje
<b>Meeting attendance in 2022</b>	The SVB Deputy President attended to 5 meetings in 2022

<b>Member:</b>	<b>Hans Ludwig Diexer</b>
<b>Position:</b>	Head of Finance
<b>Company:</b>	Steiermärkische Bank und Sparkassen AG
<b>Date of birth:</b>	1967
<b>First appointment:</b>	05.2012
<b>Term of office:</b>	11.2024
<b>Член на Надзорен одбор и други членства</b>	<ul style="list-style-type: none"> <li>• Member of Supervisory Board of Sparkasse Bank AD Skopje (representative of the majority shareholder)</li> <li>• Member of Audit Committee of Sparkasse Bank AD Skopje</li> </ul>
<b>Remuneration for membership in the boards of the Bank</b>	The members of the Supervisory Board who are nominated by the Shareholder and are employed by Erste Group entities are not eligible for receiving remuneration for the work in bodies of Sparkasse Bank AD Skopje
<b>Meeting attendance in 2022</b>	The SVB Member attended to 6 meetings in 2022

<b>Member:</b>	<b>Slavisa Kojic</b>
<b>Position:</b>	Deputy Head of SEE Strategy and Business Development
<b>Company:</b>	Steiermärkische Bank und Sparkassen AG
<b>Date of birth:</b>	1978
<b>First appointment:</b>	05.2015
<b>Term of office:</b>	11.2024
<b>Член на Надзорен одбор и други членства</b>	<ul style="list-style-type: none"> <li>• Member of the Supervisory Board of Sparkasse Bank AD Skopje (representative of the majority shareholder)</li> <li>• Member of the Audit Committee of Sparkasse Bank AD Skopje</li> <li>• President of the Remuneration and Nomination Committee of Sparkasse Bank AD Skopje</li> <li>• Managing director of KoKoMa OG Graz</li> <li>• President of the Supervisory Board of Sparkasse Leasing DOO Skopje</li> </ul>
<b>Remuneration for membership in the boards of the Bank</b>	The members of the Supervisory Board who are nominated by the Shareholder and are employed by Erste Group entities are not eligible for receiving remuneration for the work in bodies of Sparkasse Bank AD Skopje
<b>Meeting attendance in 2022</b>	The SVB Member attended to 6 meetings in 2022

<b>Member:</b>	<b>Kristijan Polenak</b>
<b>Position:</b>	Managing Partner
<b>Company:</b>	Law firm "Polenak"
<b>Date of birth:</b>	1970
<b>First appointment:</b>	05.2011
<b>Term of office:</b>	09.2023
<b>Член на Надзорен одбор и други членства</b>	<ul style="list-style-type: none"> <li>• Independent member of the Supervisory Board of Sparkasse Bank AD Skopje</li> <li>• Member of Remuneration and Nomination Committee of Sparkasse Bank AD Skopje</li> </ul>
<b>Remuneration for membership in the boards of the Bank</b>	Fixed annual net remuneration in amount of EUR 6.000, which is paid proportionally for the time period the respective Supervisory Board member actually exercised his/her mandate plus EUR 300 in net amount attendance fee per meeting (in MKD counter value according to middle exchange rate of NBRNM on the day of payment).
<b>Meeting attendance in 2022</b>	The independent SVB member attended to 5 meetings in 2022

<b>Member:</b>	<b>Goran Petrevski</b>
<b>Position:</b>	Professor
<b>Company:</b>	Faculty of Economics, University St. Kiril and Methodius Skopje
<b>Date of birth:</b>	1970
<b>First appointment:</b>	12.2021
<b>Term of office:</b>	11.2024
<b>Член на Надзорен одбор и други членства</b>	<ul style="list-style-type: none"> <li>• Independent member of the Supervisory Board of Sparkasse Bank AD Skopje</li> </ul>
<b>Remuneration for membership in the boards of the Bank</b>	Fixed annual net remuneration in amount of EUR 6.000, which is paid proportionally for the time period the respective Supervisory Board member actually exercised his/her mandate plus EUR 300 in net amount attendance fee per meeting (in MKD counter value according to middle exchange rate of NBRNM on the day of payment).
<b>Meeting attendance in 2022</b>	The independent SVB member attended to 6 meetings in 2022

## Audit Committee

The Audit Committee of the Bank consists of six members, of which four members come from among the members of the Supervisory Board, and two members are independent. Their independence is determined according to the criteria for independence prescribed by the Law on Banks and the Bank's Statute. According to the legal regulation, at least one member of the Audit Committee should be an authorized auditor.

The Audit Committee of the Bank comprises of six members, four of which come from among the members of the Supervisory Board, and two independent members. Their independence is defined in accordance with the independence

criteria prescribed by the Banking Law and the Statute of the Bank. Pursuant to the legislation, at least one member of the Audit Committee has to be a certified auditor.

The Audit Committee held a total of seven sessions during 2021. They were held in the Bank premises or through videoconference. The Audit Committee monitors financial accounting, including accounting process and internal control system efficiency, risk management as well as internal audit system efficiency, regulatory compliance and audit of annual financial statements.

During the reporting period, there were no changes in the membership of the Audit Committee of the Bank.

**Table No 7** Members of the Audit Committee of the Bank

Member	Main activity	Function in the Audit Committee of the Bank and other supervision and/or management bodies*
<p><b>Georg Bucher</b></p> <p>First appointment: 08.2019</p> <p>Term of office: 11.2024</p>	<p>Member of the Management Board of Steiermärkische Sparkasse, Graz</p>	<ul style="list-style-type: none"> <li>• President of the Audit Committee of Sparkasse Bank AD Skopje</li> </ul>
<p><b>Walburga Seidl</b></p> <p>First appointment: 11.2008</p> <p>Term of office: 11.2024</p>	<p>Member of the Management Board of Steiermärkische Sparkasse, Graz</p>	<ul style="list-style-type: none"> <li>• Deputy-President of the Audit Committee of Sparkasse Bank AD Skopje</li> </ul>
<p><b>Hans Ludwig Diexer</b></p> <p>First appointment: 05.2012</p> <p>Term of office: 11.2024</p>	<p>Head of Finance Division at Steiermärkische Sparkasse, Graz</p>	<ul style="list-style-type: none"> <li>• Member of the Audit Committee of Sparkasse Bank AD Skopje</li> </ul>
<p><b>Slavisa Kojic</b></p> <p>First appointment: 05.2015</p> <p>Term of office: 11.2024</p>	<p>Head of Strategy Division for SEE and Business development at Steiermärkische Sparkasse, Graz</p>	<ul style="list-style-type: none"> <li>• Member of the Audit Committee of Sparkasse Bank AD Skopje</li> </ul>
<p><b>Nikica Mojsoska Blazhevski</b></p> <p>First appointment: 05.2015</p> <p>Term of office: 11.2024</p>	<p>CEO, Macedonia2025</p>	<ul style="list-style-type: none"> <li>• Independent member of the Audit Committee of Sparkasse Bank AD Skopje</li> <li>• Member of the Management Board in the Chamber of Commerce of North Macedonia</li> <li>• Member of the of Board of Trustees of Macedonian Enterprise Development Foundation (MEDF)</li> </ul>
<p><b>Dragan Dimitrov</b></p> <p>First appointment: 09.2021</p> <p>Term of office: 11.2024</p>	<p>Managing partner and certified auditor, BDO DOO Skopje</p>	<ul style="list-style-type: none"> <li>• Independent member of the Audit Committee of Sparkasse Bank AD Skopje from 01.09.2021</li> <li>• President of the Institute of Certified Auditors of RNM</li> <li>• Member of the Management Board of the Ping-Pong Federation of North Macedonia</li> </ul>

\*Memberships in other supervision and/or management bodies of the Audit Committee members, who are interim members of the Supervisory Board of the Bank, are indicated in the previous overview (Table No 6).

## Management Board

The Management Board is a body that represents the Bank and manages its operations in accordance with the Banking Laws, Statute and Code of Corporate Governance of the Bank. This Board is included in implementation of the Business Policy and Development Plan of the Bank, establishing and promoting corporate culture and values, determining acceptable risk level, establishing and implementing internal control system as well as ensuring conditions for the Bank operations in accordance with the applicable legislation and Group standards. The Management Board is responsible for implementation of the decisions of the Shareholders Assembly and Supervisory Board of the Bank, i.e. ensures their implementation. In addition, the Management Board actuates initiatives and provides recommendations for improving the Bank's operations; appoints and dismisses persons with special rights and responsibilities, defines proposal decisions and other acts to the Supervisory Board of the Bank for decision, in particular with view to the risk management policies, strategies and

systems in cooperation with the Risk Management Committee, and performs other activities defined under the legislation, Statute and other acts of the Bank. The Management Board held 41 sessions in 2022.

As of April 30, 2022, the Bank's Board of Directors consisted of four members, with clearly defined and delimited competencies and responsibilities. With the resignation of Gligor Bishev and with the adoption of a Decision by the Supervisory Board of the Bank which came into force on 01.05.2022, the Management Board of the Bank has three members, with Sanel Kusturica being appointed as the President of the Management Board of the Bank, and Nina Nedanoska for Deputy President of the Management Board.

Due to the expiration of the validity of the consent for Alvin Aličević as a member of the Board of Directors, the procedure for his re-licensing was initiated and with the Decision of the Governor of the National Bank of RSM received on 24.11.2022, the mandate of Aličević was extended for five years.

**Table No 8** Members of the Management Board of the Bank

Member	Main activity	Competencies	Membership in other supervision and/or management bodies
<b>Sanel Kusturica</b> First appointment: 03.2021 Term of office: 03.2023	Deputy President of MB	<ul style="list-style-type: none"> <li>• retail activities and</li> <li>• marketing and product development activities.</li> </ul>	<ul style="list-style-type: none"> <li>• no other memberships</li> </ul>
<b>Nina Nedanoska</b> First appointment: 07.2021 Term of office: 07.2023	Member of MB	<ul style="list-style-type: none"> <li>• corporate activities;</li> <li>• finance activities and</li> <li>• property, logistics and safety activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Member of Supervisory Board of Sparkasse Leasing DOO Skopje</li> </ul>
<b>Alvin Aličević</b> First appointment: 11.2017 Term of office: 11.2027	Member of MB	<ul style="list-style-type: none"> <li>• strategic risk management activities;</li> <li>• credit risk management;</li> <li>• workout and collateral management;</li> <li>• IT and organization and</li> <li>• banking operations activities</li> </ul>	<ul style="list-style-type: none"> <li>• Member of SVB of Sparkasse Leasing DOO Skopje</li> </ul>

The Management Board submits reports to the Supervisory Board of its operations at least on quarterly level. In addition to regular reporting,

the Management Board maintains a high level of immediate communication with the Supervisory Board and with each of its members.



## Risk Management Committee

The Risk Management Committee comprises of six members, from among the persons with special rights and responsibilities employed in the Bank and appointed by the Supervisory Board.

**Table No 9** Members of the Risk Management Committee of Sparkasse Bank AD Skopje

Член	Професионален ангажман	Членства во други органи на надзор и/или управување
<b>Alvin Alichevikj</b> Term of office: 07.2025	Member of MB responsible for Risk Management	<ul style="list-style-type: none"> <li>• President of the Risk Management Committee of the Bank</li> <li>• President of the IT Steering Committee of the Bank</li> <li>• Member of SVB of Sparkasse Leasing DOO Skopje</li> </ul>
<b>Biljana Momirovska</b> Term of office: 07.2025	Head of Strategic Risk Management Directorate	<ul style="list-style-type: none"> <li>• Deputy-President of the Risk Management Committee of the Bank</li> </ul>
<b>Dimitar Georgievski</b> Term of office: 07.2025	Head of Legal Department	<ul style="list-style-type: none"> <li>• Member of the Risk Management Committee of the Bank</li> <li>• President of SVB of S-AMC 1 DOOEL Skopje</li> </ul>
<b>Ivan Stojanovikj</b> Term of office: 07.2025	Head of Credit Risk Directorate	<ul style="list-style-type: none"> <li>• Member of the Risk Management Committee of the Bank</li> </ul>
<b>Zlatica Civkaroski</b> Term of office: 07.2025	Head of Collection and Collateral Management Directorate	<ul style="list-style-type: none"> <li>• Member of the Risk Management Committee of the Bank</li> <li>• Member of SVB of S-AMC 1 DOOEL Skopje</li> </ul>
<b>Ana Dimoska Jankulovska</b> Term of office: 07.2025	Head of AML and Compliance Department	<ul style="list-style-type: none"> <li>• Member of the Risk Management Committee of the Bank from 17.07.2021</li> </ul>

During the reporting period, there were no changes in the membership of the Bank's Risk Management Board.

In the reporting period, the Risk Management Committee held 56 sessions implementing its activities in accordance with Article 90 of the Banking Law.

The Risk Management Committee submitted quarterly reports to the Supervisory Board of the Bank on the changes in the risk positions, changes in the risk management strategy, effects of the risk management on the Bank performances as well as on the measures and instruments taken for protection against the risks and the effects thereof.

## IT Steering Committee (ITSC)

The IT Steering Committee comprises of eight members appointed by the Supervisory Board of the Bank. The following are members of ITSC: a member of the Management Board responsible for Organization and IT as President of the Committee; a person responsible for finance; a person responsible for back-office activities; a person responsible for the organization and IT; CISO; two representatives of the Group and a representative of the internal audit without voting right.

During the reporting period, there were no changes in the membership of the Bank's ONIT. The mandate of the members of the Information Technology Oversight Board lasts as long as they perform the specified work positions.

The activities carried out by this Board include submitting reports on the status of the Bank's information technology to the Supervisory and Management Boards, making recommendations on strategies, policies and major expenditures in the field of information technology, ensuring effective information technology planning and monitoring the capacity of the information technology system and its performance. ONIT also performs other activities prescribed by the Bank's Statute. In 2022, the Information Technology Oversight Board held a total of five sessions.

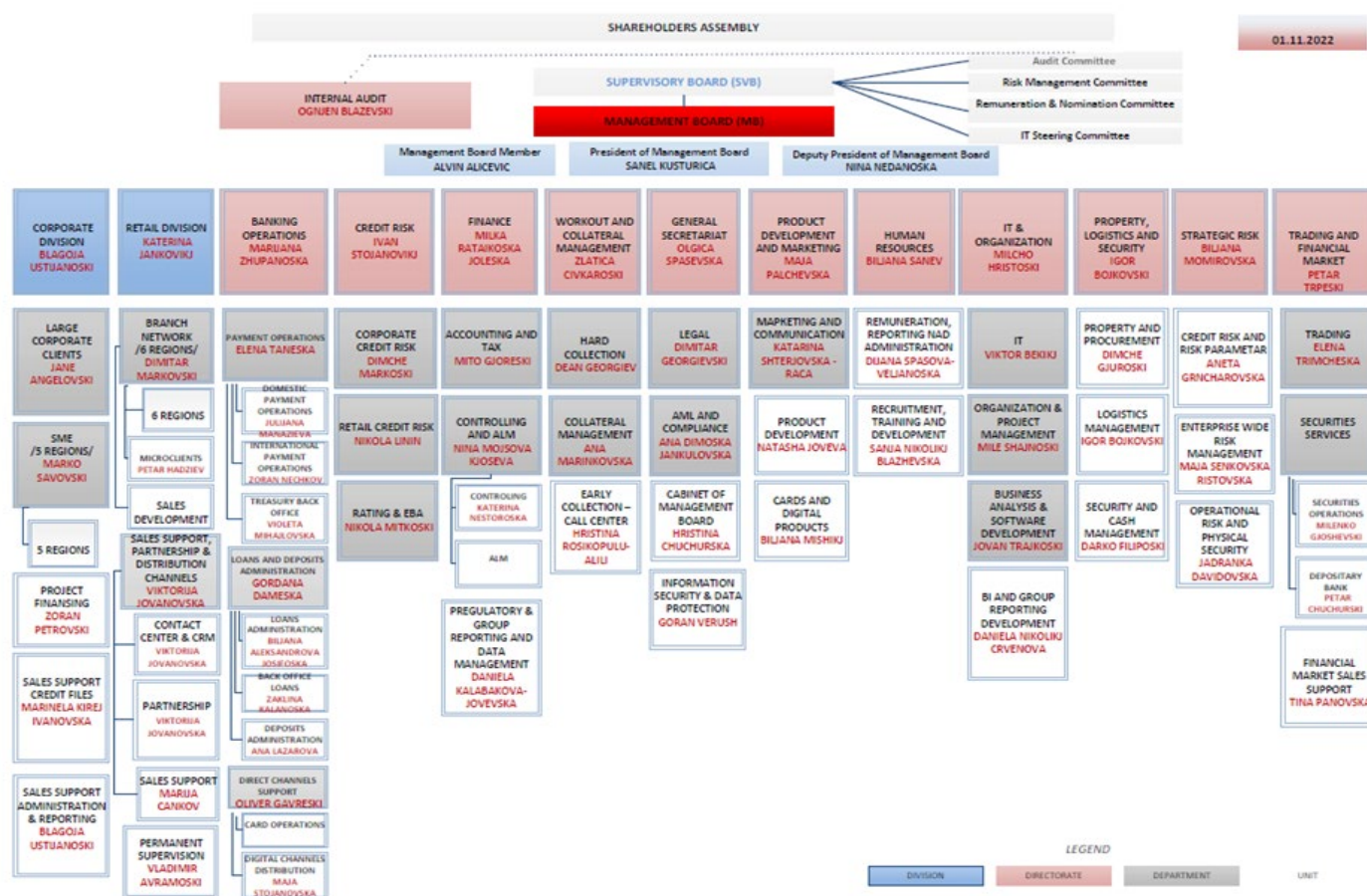
## Remuneration and Nomination Committee

The Remuneration and Nomination Committee is established by the Supervisory Board and consists of three members from among the Supervisory Board. The President of the Supervisory Board of the Bank and at least one independent member of the Supervisory Board are mandatory members of the Remuneration and Nomination Committee. The term of office of the members of the Remuneration and Nomination Committee is in accordance with the term of office of the respective members of the Supervisory Board of the Bank.

The Committee is competent for determining the general principles of the Remuneration Policy and their regular monitoring and implementation as well as for providing proposals for nomination of the boards' members and their remuneration, subject to approval by the relevant bodies of the Bank in accordance with the Statute. The Committee is also competent for reviewing the evaluation reports of the boards' members and dealing with conflicts of interest of the boards' members, in accordance with the Conflict of Interest Policy. In 2022, the Remuneration and Appointment Commission held a total of six sessions, of which four sessions were held through written decision-making.



## Organizational structure of Sparkasse Bank AD Skopje



## Shareholder structure of Sparkasse Bank AD Skopje

As on 31.12.2022 the equity of the Bank comprises a total of 2.095.415 ordinary shares with a nominal value of MKD 2,670 per share. The shares are registered and maintained in the Central Securities Depository of the Republic of North Macedonia. Majority shareholder of the Bank is Steiermärkische Sparkasse from Graz, Republic of Austria with 96.55% of the total number of shares. In the period ending 31.12.2022, the number of shareholders in the Bank is 461, of which 324 are individuals, 133 are legal entities, 4 are custodial accounts and unidentified.

## Remuneration Policy of Sparkasse Bank AD Skopje

Sparkasse Bank AD Skopje aligns the remuneration

policy with the business strategy, goals, values and long-term interests of the Bank, taking into account the application of domestic regulations as well as the requirements of the grouping standards of the Staermerkiše Šparkase Group.

Of essential importance in the Bank's strategy is the creation of motivated and competent employees, nurturing the corporate values, Excellence, Agility, Passion, Trust and Partnership, as well as nurturing and rewarding the individual responsibility and good performance of the Bank's employees, through a carefully built system for rewarding, while taking into account the risks. The Bank takes care to maintain an appropriate balance between fixed and variable remuneration, as the fixed part of the remuneration is set at an appropriate level and is high enough not to create an incentive to take excessive risks on an individual or collective level.

Through these principles, the Bank tends to maintain its long-term remuneration policy in accordance with the business strategy, long-term goals and interests, as well as solid and effective risk management, taking into account the application of statutory and supervisory legal provisions in accordance with a well-established system of self-assessment.

Through its network of branches, through the loyalty and dedication of its employees, it cultivates long-term banking relationships with its customers and is a recognized player in the market that successfully combines the expertise of the Sparkasse Group with the experience of its team in the country.

In its own interest and responsibility towards the clients and institutions belonging to the Group, the Bank attaches great importance to an appropriate structure of risks, their solid sustainability and appropriate structuring of risks and capital.

The remuneration system in the Bank is organized in accordance with the following key principles:

- Fixed remuneration in accordance with market competitive conditions, which will enable the Bank to retain competent employees and attract competent staff to work
- Variable – variable remuneration based on performance and work performance
- Requirements of the legal regulation
- Additional benefits for employees

Remuneration in the Bank is based on internal and labor market comparisons, business strategy and long-term interests of the Bank, and will ensure long-term employee retention.

The Bank follows the risk, conservative business and investment strategy. Apart from profit, the preservation of a high level of risk sustainability and sufficient basic capital, as well as adequate liquidity, represent a basic criterion for measuring the variable remuneration of the Bank’s employees.

According to the existing Remuneration Policy, compensation in the form of shares is not provided

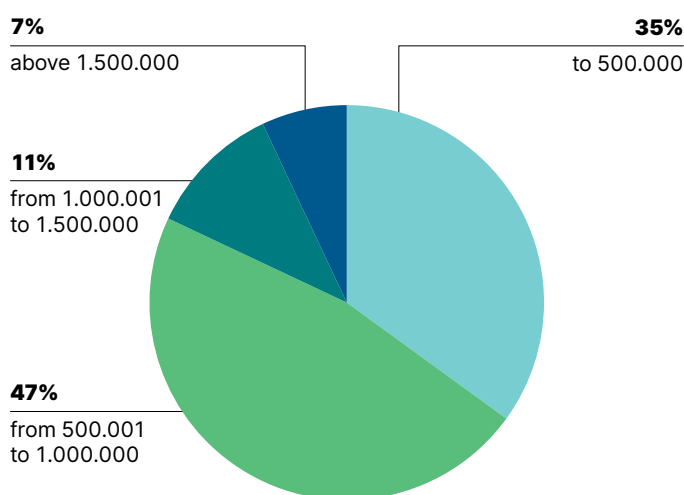
for, nor are other rights that provide the opportunity to acquire shares provided for.

In 2022, the following compensations were disbursed:

**Table No 10** Compensations disbursed

Membership	Fixed gross income	Variable gross income	Number of persons
SVB	1.026.975	0	2
AC	595.632	0	2
MB	44.258.393	6.570.783	4
Special rights and responsibilities persons	45.636.175	4.495.838	20
Other employees	535.646.174	17.658.034	751
<b>Total</b>	<b>627.163.349</b>	<b>28.724.655</b>	<b>779</b>

The structure of the total compensations (fixed and variable) by amount and number of persons to which relevant amount of the total compensation was paid during the year is shown in the charts below:



**Chart No 13** Structure of total compensations (fixed and variable) disbursed in 2022

## **Policy of identification, monitoring and dealing with conflict of interest**

The policy for identifying, monitoring and managing conflicts of interest was adopted by the Bank, as a result of the management's commitment to introducing the principles of modern banking operations and the application of Basel standards in the Bank's corporate governance system. The main purpose of adopting this policy is a description of situations where there could be a conflict of interests and appropriate handling of them by all employees and managers; establishment of a monetary limit on nominal gifts and acknowledgments and establishment of a notification system and obligation to notify of conflicts of interest to the authorities and written disclosures of business interests. Also, the Bank acts according to an internal act that includes the standards for the protection of the Bank's interests in case of identified conflicts of interest of members of the Bank's Management and Supervisory Boards. The act defines the Conflict of Interest Management Process between the members of the Management and Supervisory Board and the Bank.

## **Policy on the method of selection, monitoring of operations and dismissal of the members of the Supervisory Board, the Risk Management Board, the Audit Board and the Management Board of Sparkasse Bank AD Skopje**

The Bank, as part of the Staermerkische Sparkasse Group, complies with the group and local regulatory requirements in the process of selection, suitability evaluation and appointment of the Bank's board members.

The policy on the method of selection, monitoring of operations and dismissal of the members of the Supervisory Board, the Risk Management Board, the Audit Committee and the Management Board is a sublimation of the branched process of selection of the members of the Management Board, the Supervisory Board and the legally prescribed boards of the Bank and its main goal is to standardize and harmonize all processes in one clearly defined document that provides an answer

to all requirements related to the appointment of members.

## **Outsourcing services important for the entire operation of the Bank**

Outsourcing services for part of the Bank activities are compulsory performed in accordance with the Bank's business strategy and objectives, and they are approved by the competent body of the Bank. The procedure for selection and decision making for use of outsourcing services is implemented pursuant to the following applicable internal acts of the Bank: Procurement Policy and Procurement Procedure of goods and services. In the process of selection and decision making for use of a relevant service provided by third parties, all relevant regulatory and Group requirements for implementation thereof are compulsory determined and taken into consideration.

## **Statement on application of Code of Corporate Governance given by the Management Board of Sparkasse Bank AD Skopje**

- 1/ The valid version of the Code of corporate governance of Sparkasse Bank AD Skopje 7.0 which applies in the Bank is published on the Bank's website [www.sparkasse.mk](http://www.sparkasse.mk), in the section Data for the Bank;
- 2/ The corporate governance in Sparkasse Bank AD Skopje is based on implementation of top corporative and regulative standards, where appropriate organizational structure is established and appropriate mechanisms for defining Bank's goals are defined, applicable also for their achievement and measurement. Beside the legal regulation, the bylaws that regulate this area are applied, including the Decision on the rules for good corporate governance in Bank and
- 3/ Deviations from the rules of Code of corporate governance of Sparkasse Bank AD Skopje 7.0 are not identified in the reporting period.

Sparkasse Bank AD Skopje  
Management Board





# GENERAL INFORMATION

## Corresponding Banks

COUNTRY	BANKS	CURRENCY	ACC NR
AUSTRIA	* Steiermaerkische Bank und Sparkassen AG Graz (STSPAT2G)	EUR	00005-508130
	* Erste Group Bank AG (GIBAATWG)	EUR	404-332-667/00
	* Raiffeisen Zentralbank Osterreich AG Vienna (RZBAATWW)	EUR	000-55.032.684
	* Steiermaerkische Bank und Sparkassen AG Graz (STSPAT2G)	CAD	00005-500186
	* Erste Group Bank AG (GIBAATWG)	CAD	404-332-667/55
	* Steiermaerkische Bank und Sparkassen AG Graz (STSPAT2G)	CHF	00005-500178
	* Erste Group Bank AG (GIBAATWG)	CHF	404-332-667/53
	* Steiermaerkische Bank und Sparkassen AG Graz (STSPAT2G)	AUD	00005-500236
	* Erste Group Bank AG (GIBAATWG)	AUD	404-332-667/56
	* Erste Group Bank AG (GIBAATWG)	NOK	404-332-667/57
	* Erste Group Bank AG (GIBAATWG)	JPY	404-332-667/58
	* Steiermaerkische Bank und Sparkassen AG Graz (STSPAT2G)	JPY	00005-500202
	* Erste Group Bank AG (GIBAATWG)	DKK	404-332-667/50
	* Erste Group Bank AG (GIBAATWG)	SEK	404-332-667/51
	* Steiermaerkische Bank und Sparkassen AG Graz (STSPAT2G)	GBP	00005-509286
	* Erste Group Bank AG (GIBAATWG)	GBP	404-332-667/54
* Erste Group Bank AG (GIBAATWG)	USD	404-332-667/52	
ITALY	* UNICREDIT SPA MILANO (UNCRITMM)	EUR	0995 3986
CZECHIA	* Ceska a.s Sporitelna	Multi	
CROATIA	*Erste Hrvatska	Multi	



# BRANCH LOCATIONS

## 1. Head Office

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+389 (0)2 31 67 723, 31 67 727

## 2. Business Center

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+389 (0)2 31 67 619

## 3. Headquarters VIP

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## 4. Center

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## 5. Kapishtec

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## 6. Bunjakovec

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24 02 011, 24 00 127

## 13. Aerodrom 2

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## 14. Kisela Voda

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## 16. Chair

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## 17. Drachevo

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## 18. Bitola

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+389 (0)47 451 905

## 36. Vinica

Pionirska 2-1, Vinica  
+389 (0)33 444 497

## ATM's Location



### Sparky Viber Chatbot

Scan the **QR code to chat with Sparky**, who can give you more info about our products, schedule an online appointment or show you the nearest branches and ATMs.

For more information, contact the nearest branch office or call the Contact Center at 02 15 050.

# LOCATIONS IN SOUTH-EAST EUROPE

## SLOVENIA



### Ljubljana

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Fax: + 386 1 583 23 33  
www.sparkasse.si

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Fax: + 386 1 583 23 87  
www.s-leasing.si  
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## CROATIA



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## IMPRESSUM

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