

Item on the agenda: **10**
Proposer: **Supervisory Board**

Material for the Annual Shareholders Assembly of NLB Banka AD Skopje

Decision on utilization and distribution of the realized profit from Annual account of NLB Banka AD Skopje for 2020

The Supervisory Board of NLB Banka proposes to the Shareholder Assembly of NLB Banka AD Skopje to adopt the following:

Decision on utilization and distribution of the realized profit from Annual account of NLB Banka AD Skopje for 2020

In addition:

- Proposal- Decision on utilization and distribution of the realized profit from Annual account of NLB Banka AD Skopje for 2020

Skopje, April 2021

Annual Shareholders Assembly of NLB Banka AD Skopje

Proposal- Decision on utilization and distribution of the realized profit from Annual account of NLB Banka AD Skopje for 2020

Pursuant to Article 39 paragraph 1 of the Statute of NLB Banka AD Skopje, The Assembly of NLB Banka AD Skopje, at its session held on 29.04.2021, adopted the following:

Decision on utilization and distribution of the realized profit from Annual account of NLB Banka AD Skopje for 2020

1. Net profit of NLB Banka AD Skopje for 2020 in an amount of 1,704,271,256.00 MKD is distributed as follows:

1. Accumulated profit	1,022,311,017.00 MKD
2. Retained earnings for investments	180,000,000.00 MKD
3. General reserve fund	501,960,239.00 MKD
2. Profit that is allocated to retained earnings for investments is used for development purposes and investments in tangible and intangible assets for expanding the primary business and it is not available for dividend payment to shareholders in the future (limited for distribution of shareholders).
3. The decision enters into force on the date of acceptance.

Skopje, 29.04.2021

The decision shall be submitted to:

- Secretariat
- Strategic Planning and Financial Control Department

Chairman
of the Annual Shareholders Assembly
NLB Banka AD Skopje

Explanation

In accordance with the Bank's Annual account and financial reports for 2020 according to NBRNM methodology, the Bank realised net profit of 1,704,271,256.00 MKD (27,711,727.74 EUR with the exchange rate 61.5 mkd/eur). In accordance with article 483 from the Companies Act, the Supervisory Board proposed to the Shareholders Assembly a Decision for distribution of the profit for 2020.

Taking into account the Decision adopted by the Council of National Bank on February 26, 2021, which envisages temporary limitation of the distribution and payment of dividends to the shareholders of the banks, Supervisory Board proposes the following distribution of the profit for 2020:

1. Part of the profit in the amount of 1,022,311,017.00 MKD (16,622,943.37 EUR with the exchange rate 61.5 mkd/eur) is to be distributed for accumulated profit.
2. Part of the profit in the amount of 180,000,000.00 MKD (2,926,829.27 EUR with the exchange rate 61.5 mkd/eur) is to be distributed for retained earnings for investments which will be used for developmental purposes, investments in tangible and non-tangible assets and for expansion of the Bank's business activity. By separating part of the profit in retained earnings, a tax deduction can be obtained in accordance with Article 28 from the Profit Tax Law published in the Public Enterprise Official Gazette no.112/2014,...290/2020. That means that with the preparing of the Tax statement of the Bank for 2021, the Bank will have the right for deduction of the tax basis in the used amount of the investment and thus determining lower tax on profit.
3. Part of the profit in the amount of 501,960,239.00 MKD (8,161,955.11 EUR with the exchange rate 61.5 mkd/eur) to be distributed in the general reserve fund. The distribution is made in order to strengthen the capital base of the Bank.

The requested capital level which the Bank is required to maintain is 15% according to the regulatory demands from the Central bank. The minimum level of capital which the bank retains, defined by minimum capital adequacy set by risk appetite statement of the Bank amounts 15.5% and includes internal management buffer of 50 b.p. In order to fulfill the minimum capital requirement after 1.1.2021, the Bank proposes to retain part of the realized profit in 2020 in the amount of 681,960,239.00 MKD (11,088,784.37 EUR with the exchange rate 61.5 mkd/eur). The Bank proposes other part of the profit in the amount of 1,022,311,017.00 (16,622,943.36 EUR with the exchange rate 61.5 mkd/eur) which is **60%** of the realized net profit as of 31.12.2020 to be distributed as accumulated profit. By including the aforementioned profit of the Bank in the calculation of the Common Equity Tier I capital, the projected capital adequacy ratio as of 31.12.2021 will be 15.6%, calculated on the basis of the planned RWA and planned movements in Bank's own funds in 2021.