

Stopanska Banka AD - Skopje

Rules of Procedure of the Supervisory Board

December, 2018

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1 General provisions

- (1) The Rules of Procedure of the Supervisory Board of Stopanska Banka AD – Skopje (hereinafter: Sup Board; Stopanska Banka, SB and/or the Bank; and The Rules) shall regulate the manner of operations of the Sup Board of Stopanska Banka AD – Skopje.
- (2) The Sup Board has the ultimate responsibility for creating the conditions for good governance of the Bank and its stability. Therefore, the Sup Board is the responsible body for setting the strategy, overseeing the management and adequately controlling the Bank in order to protect and promote the Bank's long-term interests.
- (3) When carrying out its responsibilities, the Sup Board takes into consideration the interests of the concerned parties and maintains good cooperation with the National Bank and other regulatory bodies.
- (4) The Sup Board submits annual report on its operations to the Annual Shareholders Assembly.
- (5) The Rules are prepared in accordance with the local legislation, the "Decision on good corporate governance rules for banks" and the Statute of SB, while also properly incorporating the NBG corporate governance standards.
- (6) If there are any matters, which are not dealt with in these Rules, or there are any matters in these Rules that are inconsistent with any law, bylaws or the Statute of the Bank, the superior act shall prevail.
- (7) All members of the Sup Board are obliged to maintain secrecy on all confidential information that were presented and/or discussed in the Sup Board meeting, or were acquired in any other way during the exercise of their capacities as members of the Sup Board of the Bank, especially on business secrets and audit findings. The confidentiality obligation shall also apply after the termination of their office as Sup Board members for as long as the Bank has an interest in maintaining the information a secret.
- (8) Each member of the Sup Board is obliged to protect the interests of Stopanska Banka. Each member shall immediately disclose to the Chair of the Sup Board (through the Cabinet) any conflicts of interest, in accordance with the Policy for conflict of interest of senior managers of SB and should, insofar as possible, avoid any activities that could lead to conflict of interest or other incompatibilities with their mandates as members of the Sup Board.
- (9) The Sup Board Secretary is the Bank's Secretary or other person appointed by the Sup Board. He/she is responsible for observing the legal and regulatory framework regarding the effective functioning and support of the Sup Board and its Committees, for proper communication and information flow between the Sup Board and other bodies of the Bank, for keeping the Minutes of the meeting as well for ensuring that the Bank's corporate governance rules are upheld.

2 Responsibilities & Duties

- (1) In accordance with the Laws and Statute of SB, the Sup Board performs the following activities:
1. Adopts the SB business policy and development plan and monitors their implementation;
 2. Appoints and dismisses members of the Board of Directors, Risk Management Committee, Audit Committee and Remuneration Committee;
 3. Adopts SB Financial Plan / Budget;
 4. Approves the annual financial statement and the financial statements of SB;
 5. Approves the proposal of the Audit Committee for appointment of the external audit company, or the proposal for termination of the agreement with the external audit company and is responsible for ensuring that an appropriate audit is conducted;
 6. Reviews the report of the external audit company and submits written opinion thereon to the Shareholders Assembly;
 7. Approves the annual report on the SB operations and submits written opinion thereon to the SB Shareholders Assembly
 8. Organizes the Internal Audit Division, appoints and dismisses Internal Audit Division Manager and approves the Annual Plan of the Internal Audit Division and its Charter;
 9. Adopts the policy-level documents of the Bank, including the Code of Ethics and the Code of Corporate Governance and reviews them on a regular basis;
 10. Reviews the reports on the activities of the Board of Directors, Risk Management Committee, Audit Committee, Internal Audit Division and the Compliance Division;
 11. Approves the exposure to a person exceeding 20% of SB own funds, with the exception of exposure based upon purchasing securities issued by the National Bank and the Government of RM;
 12. Approves the transactions with persons related to SB exceeding MKD 6,000,000;
 13. Approves the acquiring equity holdings and purchase of securities higher than 5% of SB own funds, other than purchase of securities issued by the National Bank and the Government of RM;
 14. Reviews the supervisory reports, other reports submitted by the National Bank, the Public Revenue Office and other competent bodies and proposes, i.e. undertakes measures and activities for addressing the identified cases of non-compliance, shortcomings and weaknesses in SB operations;
- (2) In addition, and in accordance with the National Bank' Decision on good corporate governance in banks, the Sup Board:
1. Makes self-assessment and an assessment of the members of the Risk Management Committee, the Audit Committee, Remuneration Committee and Board of Directors;
 2. Supervises the work of the members of the Board of Directors and monitors the work of the persons in charge of the control functions. In cases when these persons fail to adhere to the corporate culture and values, the acceptable level of risk and the risk culture, the Supervisory Board shall be obliged to undertake appropriate measures, including their dismissal, or request for their dismissal, if the Board of Directors is competent to appoint/dismiss them.
 3. Defines the rights and responsibilities of its Committees and the Board of Directors, including the cooperation and communication with the executive management and the Sup Board;

4. Together with the Board of Directors, determines the acceptable level of risk, taking into consideration the market competition, the regulatory requirements, the Bank's long-term goals, the risk exposure and the risk-taking capacities, which means compliance of the acceptable level of risk with the Business Policy, the Financial Plan, the internal capital and the remuneration system;
 5. Monitors the Bank's financial operations and the manner of the financial reporting;
 6. Monitors the remuneration system in the Bank and makes an assessment if it is in compliance with the remuneration policy, the risk culture and the Bank's risk-taking capacity;
 7. Monitors the implementation of the Bank's internal regulations for protected whistleblowing;
 8. Reviews a report on transactions with the entities connected to the Bank, at least once quarterly, as well as on the amount of approved loans and other forms of exposure to the persons with special rights and responsibilities.
- (3) The Sup Board may authorize one of its members, or one member of the Board of Directors, to represent the Sup Board and/or to sign any document based on prior unanimous decision by the Sup Board.

3 Supervisory Board membership

- (1) The Sup Board consist of 7 members appointed by the Shareholders Assembly with a mandate determined in accordance with the Statute of the Bank. At least $\frac{1}{4}$ of the members are independent members. The members-representatives of the shareholders can be re-appointed indefinitely, while the independent members cannot be re-appointed for more than three consecutive terms.
- (2) Albeit the regulatory obligations about the structure of the Sup Board, it shall be comprised in a way so that its members as a group possess the knowledge, ability and expertise required to properly fulfil their duties and can devote the amount of time and attention required.
- (3) The Banking Law, the Central Bank' decision on issuing consents and the Decision on good corporate governance rules for banks must be observed for the composition of the Sup Board and the selection and assessment of its members. In particular, the members of the Sup Board must be reliable and possess the necessary expertise to properly perform their control function and to monitor the business conducted by Stopanska Banka and they must commit sufficient time to the performance of their tasks as members of the Sup Board.
- (4) The Sup Board shall make an assessment of the adequacy of the candidate for a member, i.e. the member of the Sup Board (individual assessment), and assessment of the adequacy of the member of the Sup Board together with the other members (collective assessment). During the assessment, the Sup Board shall follow the prescribed framework in the National Bank's Decision on good corporate governance in a bank (items 18-22).

The assessments shall be made before each appointment of new member or re-appointment of existing member of the Sup Board, and also on annual basis. The collective assessment shall also be made if there are significant changes in the Bank's business model.

- (5) The Sup Board shall make an annual self-assessment of its operations, including an assessment of its size and structure and its efficiency (including of its committees and their mutual cooperation). It notifies the Shareholders Assembly of the results of the assessment, together with the activities it proposes or has undertaken for addressing the identified weaknesses.
- (6) Each member of the Sup Board can resign any time during his/her mandate by giving signed and notarized notice in writing to the Chairman's Office and the Chairman of the Shareholders Assembly. The day of submission of the notice/resignation is considered the day when the mandate is ended, except if other date is specified in the resignation or the Sup Board requests the member to continue perform his/her function until the appointment of his/her replacement but no later than 60 days.
- (7) Independent member of the Sup Board shall be a natural person and natural persons related thereto, who:
 - is not employed or a person without special rights and responsibilities in the Bank;
 - is not a shareholder with qualified holding in the Bank or does not represent a shareholder with qualified holding in the Bank;
 - does not work, or has not been working in an audit company over the last three years, which at that time audited the operations of the Bank; and
 - Has not any financial interest or business relation with the Bank in an amount exceeding an average of 3,000,000 MKD annually over the last three years.

4 Modus operandi

4.1 Election of the Chair and Deputy Chair

- (1) The Sup Board elects from among its members a Sup Board Chair and a Deputy Chair. The longest serving Sup Board member (or the previous Chair) shall chair the election session.
- (2) The Sup Board Chairman plays a crucial role in the proper functions of the Supervisory Board and has a leadership role. He/she shall ensure the Sup Board's effective overall functioning and a cooperative relationship of trust between the members of the Sup Board and the executive management. He/she especially develops a close relationship of confidence with the CEO so as to be available for frequent deliberation and consultation regarding the implementation of the Bank's strategy. He/she encourages the members to raise critical questions, promotes discussion

and ensures that dissenting views can be freely expressed and discussed before voting on a decision.

- (3) The Sup Board Chairman coordinates the operations of the Sup Board, chairs its meetings, coordinates the Agenda of the meetings, etc. in accordance with these Rules of Procedure. He/she acts on behalf of the Sup Board and signs the documents passed on its meetings.
- (4) Between meetings, the Chair maintains regular communication with the management and deliberates on issues of the Stopanska Banka's strategy, development of its business, risk management, corporate governance and similar high-level issues. He/she is informed without undue delay by the Chief Executive Officer about any important events.
- (5) The Chair, and the Deputy Chair, acts on behalf of the Sup Board, including when signing the managerial agreements with the Board of Directors members based on the decision by the Sup Board for (re)appointment of the member of the Board of Directors.

4.2 Sup Board meetings

- (1) The Sup Board meets when necessary. As a rule, at least one meeting shall be held on quarterly basis by teleconference, videoconference or by physical presence. Between meetings, the Sup Board can pass decisions with written statement via electronic media and by hardcopy circulation. The decision is considered passed when all members of the Sup Board have issued their consent via mail.
- (2) The Sup Board Chair shall convene the meeting in writing at 5days notice, submitting the proposed materials and the Agenda to all the members of the Sup Board. In urgent cases, the Chair may shorten the period of notice.
- (3) Matters or proposals which are not included on the Agenda may be discussed and passed on the Sup Board meeting, provided that no member of the Sup Board objects.
- (4) The member of the Board of Directors and other relevant employees of Stopanska Banka participate in the meeting, except if the Chair requests the meeting to be held only with presence of the members of the Sup Board and its secretary.

4.3 Quorum and passing decisions

- (1) Sup Board may hold a meeting and pass valid decisions if more than half of its total members are present on the meeting.

- (2) The Sup Board decides if majority of its total members are accepting the proposal. In case of proposal submitted by written statement, the decision is considered valid only if all members of the Sup Board unanimously pass the proposal.
- (3) If different opinions are expressed in the Sup Board on individual items on the Agenda, the Minutes shall reflect the dissent opinions.

4.4 Minutes

- (1) The Sup Board Secretary shall keep Minutes on the operation of the Sup Board meetings, in accordance with the laws.
- (2) As a rule, the Minutes shall be reviewed and approved in the next meeting of the Sup Board.
- (3) The Minutes shall be signed by the Chairman, or in his/hers absence, or the Deputy. All other members who were present on the meeting should sign the Minutes as well.
- (4) The Minutes shall contain information on the venue and date of the meeting, the participants, the items on the Agenda, the important discussions and the decisions adopted, including the note for the participants who voted against a proposal. Furthermore, any reported conflict of interest should be noted in the Minutes as well.

5 Final provisions

- (1) These Rules of Procedure enter into force on the day they are passed by the Supervisory Board of Stopanska Banka AD – Skopje.
- (2) The Sup Board Secretary shall review at least once in two years these Rules to ensure that they are operating with maximum effectiveness and in full compliance with the laws and regulations. The Secretary shall recommend for review and adoption to the Sup Board any changes he/she deems necessary.

S.B. No. 2849/1

13.12.2018

S k o p j e

SUPERVISORY BOARD

Deputy Chairman

Dimitrios Christopoulos

Document Change History

Version No.	Prepared by	Approved by	Date of Approval	Description of amendments
1				
2				