

**REPORT**  
**on the performance of the Supervisory Board**  
**of Komercijalna Banka AD Skopje in 2018,**  
**collectively and by individual members**

**1. INTERNAL ORGANIZATION AND STRUCTURE  
OF THE SUPERVISORY BOARD**

Pursuant to the provisions of the Banking Law and the Statute of the Bank, the Supervisory Board takes care of defining the Business Policy of the Bank, sets and passes the plans, programs and other general acts based on which the Bank performs its activities, monitors the operation of the Bank on permanent basis, follows and analyses the supervisory and other reports of NBRM and undertakes other measures for adjustment and operation of the Bank in accordance with law and other regulations.

Within its competences, and having into consideration the Program of the Business Policy Measures and Activities for 2018, adopted by the Shareholders' Assembly, in the period reported, the Board directed its activities to continuation of profitable operation of the Bank, qualitative and permanent market risk management, keeping the dominant position of the Bank in the banking system of the Republic of Macedonia, planning and development of new products and services on the market, compliance of the acts and policies with the amendments and supplements to the law regulations and by-laws, protection of the information system, adjustment of the interest rates with the general conditions on the market and activities related to collection of problem claims.

The Supervisory Board realized its operation and activities at its regular meetings, held at least once in three months.

In 2018, Pursuant to the Banking Law and the Statute of the Bank, the Supervisory Board was comprised of the following 7 members:

- Sava Dimitrova, Independent Member and President;
- Taki Fiti, Ph.D., Vice President;
- Goran Antevski, Member;
- Sasho Naumoski, Member;
- Aleksandra Maksimovska Stojkova, Independent Member;
- Vancho Chifliganec, Member of the SB as from 30.07.2018; and
- Fatmir Etemi, Member of the SB as from 17.09.2018

Margot Jacobs was member of the Boards up to 11.04.2018, and Zvone Taljat up to 07.05.2018.

The members of the Bank's Supervisory Board were appointed members at the General Meeting of the Bank's Assembly held on 23.03.2016 and on 14.06.2018 with a mandate up to 26.04.2020.

In the period January - December 2018, the Supervisory Board held 7 regular meetings.

In between two meetings, the Supervisory Board also made decisions upon written consent of its members.

## **2. EXECUTION OF THE SUPERVISORY FUNCTION**

The Supervisory Board carried out permanent monitoring of the operation of the Bank and consideration of the reports of the Board of Directors on the financial results realized by the Bank. The Supervisory Board carried out permanent monitoring on the movements of all financial indicators, balance sheet, income statement, profitability and liquidity of the Bank, the deposits of the legal entities and individuals, realized income and expenses and their structure, Bank's own funds, capital adequacy ratio, the reasons for improvement and worsening of the Bank's portfolio, foreclosed assets and all other issues significant for the operation of the Bank. The Supervisory Board, together with the Board of Directors, had regular discussions and considerations on the situation in the banking sector, general conditions in the economy of the Republic of Macedonia, as well as other issues that may have impact on the operation of the Bank.

The Supervisory Board had permanent supervision on the operation of the Bank, the Board of Directors and other Bank's bodies. It monitored and considered the Bank's liquidity and other parameters significant for the successful realization of the Bank's function, by making certain decisions and proposing measures for their maintenance and improvement.

The supervisory function of the Board was realized through:

- regular consideration of the reports on the operation of the Bank and other reports prepared by the Board of Directors,
- approval of the risk management policies, IT security policies and other policies related to the realization of the financial activities of the Bank,
- consideration of the reports of the Risk Management Committee, Audit Committee, Audit Company, Internal Audit Department, Department for Control of the Compliance of Bank's Operation and Money Laundering Prevention,
- determining limits of total exposure towards individuals of over 20% of the own Bank's funds,
- approving transactions with parties related to the Bank in the amount of over MKD 6.000.000,00,
- approving the plans and programs for operation, financial plan of the Bank, the annual plan of the Internal Audit,
- approving of the annual financial statements, financial reports and the annual report on the operation of the Bank,
- consideration of the supervision report and other reports submitted by the NBRM and other competent institutions, undertaking measures and regular monitoring of the activities undertaken for overcoming of the incompliance and weaknesses found in the operation of the Bank,
- other activities in accordance with the law regulations, by-laws and other internal acts of the Bank.

Within its competence defined by the Banking Law, NBRM's by-laws and the Statute, the Supervisory Board undertook large number of activities and passed several acts which laid down the business policies and strategies in the banking activities, as well as other acts related to the operation of the Bank.

### **3. MORE SIGNIFICANT ACTS MADE BY THE SUPERVISORY BOARD**

The policies, acts and decisions in the competence of the Supervisory Board are prepared and proposed by the Board of Directors, Credit Committee or the Risk Management Committee. More important documents made by the Supervisory Board in the course of the reported period are as follows:

- **Program of Measures and Activities of the Business Policy and Financial Plan of Komercijalna Banka AD Skopje for 2018**

The Supervisory Board adopted the Program of Measures and Activities of the Business Policy and Financial Plan of Komercijalna Banka AD Skopje for 2018 that contains not only the strategic aims and activities of the Bank, but also the priority objectives and activities that the Bank should realize in 2018.

- **Code of Corporate Governance of the Bank**

The Bank's Code of Corporate Governance regulates the basic principles of corporate management in the Bank, as a sum of mutual relations between the Supervisory Board, Board of Directors, other interested entities through which an appropriate organizational structure and mechanisms are established for defining the objectives of the Bank and their realization and monitoring.

- **Plan for continuity in operation**

According to the law regulations and the legal requirements for at least annual revision of the Plan for continuity in operation, the Supervisory Board of the Bank made revision thereof and laid down the foundation for establishing the business activities of the Bank in case of unexpected breakdown. The Plan for continuity in operation of the Bank is a strategy within the IT System Security Policy and lays down the foundation for establishing the business operations of the Bank in case of their unexpected breakdown.

- **Strategy for Bank's appearance at the social networks**

The increasing popularity of social networks and their daily use by a large number of citizens imposed the need for the Supervisory Board to adopt the Strategy for the appearance at social networks of Komercijalna Banka AD Skopje for the period from 2018 - 2022 which regulates all aspects related to the presence the Bank at social networks. The advantages of using social networks within the framework of communication activities arise from their nature, offering excellent opportunities for targeted, two-way communication with existing and potential clients in order to build loyalty, all with relatively lower investments compared to traditional channels.

- **Credit Policy and Procedures of Komercijalna Banka AD Skopje**

Considering that in the period from the adoption of the Credit Policy and Procedures of Komercijalna Banka AD Skopje on 26.04.2012, a number of amendments and supplements were made to the same, the Supervisory Board adopted a new Credit Policy and Procedures of the Bank. It incorporates the amendments and supplements thereto and the new Credit Policy is systematized and regulated for the purpose of day-to-day uninterrupted execution of the activities in the Corporate Lending Division.

- **Policy of Exposure of Komercijalna Banka AD Skopje towards banks and savings houses in the Republic of Macedonia and towards foreign banks**

The Policy of Exposure of Komercijalna Banka AD Skopje towards banks and savings houses in the Republic of Macedonia and towards foreign banks contains all adjustments of the levels of authorizations for establishing exposures towards banks in the country and towards foreign banks and the maximum limits of exposure, expressed in % of the Bank's own assets, with the credit authorizations and limits of aggregate credit exposure contained in the Credit Policy of the Bank. The adjustment was made in order to unify the level of the credit authorization when approving credit exposure to a client of the Bank with the level of credit authorization when approving exposure to a bank in the country and abroad in case the two exposures are connected either on the basis of direct or indirect bank exposure, established at the request of other organizational units in the Bank in which the credit exposure to the client is approved

- **Policy for exercising the function of controlling the compliance of the Bank's operations**

Compliance of the Bank's operations with the regulations is a moral obligation of the employees of the Bank and extends to all levels in the hierarchical organization. The purpose of the control of compliance with the regulations is to harmonize the Bank's operations with the regulations (honest and legal operation) to be accepted by all employees as part of the daily operations in the Bank. The subject of this policy is to regulate the objectives of the function of compliance control with the regulations, the basic principles on which the fulfillment of the function of control of compliance with the regulations, the place, the role and tasks of the Department, as well as a regular audit of the operations of the Department are set out.

- **Policy of Komercijalna Banka AD Skopje on avoiding conflict of interests**

The Policy sets out the basic principles for avoiding cases of conflict of interest by identifying conflicts of interest that may arise in the Bank's relations with certain persons, as well as the activities and measures to be taken in cases of existence of conflict of interests, or management of conflict of interest.

- **Policy of Komercijalna Banka AD Skopje on the method of appointing, monitoring their operation and dismissing the members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and IT Supervision Committee**

The Policy regulates the method of appointing, monitoring their operation and dismissing the members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and IT Supervision Committee of Komercijalna Banka AD Skopje. It contains criteria, procedure and dynamics for individual and collective assessment of the appropriateness of the members of the Supervisory Board and the Board of Directors, manner and dynamics of replacement of a member of the Supervisory Board and the Board of Directors, manner and dynamics of training of the members of the bodies of the Bank, as well as a way of documenting the assessment and selection procedure.

- **Policy of business model, classification and measuring the financial instruments of Komercijalna Banka AD Skopje**

The basis for setting out the Policy of business model, classification and measuring the financial instruments of Komercijalna Banka AD Skopje is the Methodology of recording and evaluation of the accounting items and preparation of the financial reports, made by NBRM and applied as of 1 January 2018, which prescribes the conditions and criteria for classification and measuring the portfolio of financial instruments for the purpose of implementation of MSFR 9. The Bank's Supervisory Board adopted this Policy in order to have successful and efficient implementation of the changes in the regulations in the performance of everyday activities related to accounting records, i.e. initial recognition, classification and measurement, as well as for the purpose of accurate financial reporting.

- **Amendments and supplements to the Policy on Rewarding**

The amendments and supplements made to the Policy on Rewarding are compliance with the Decision on the rules for good corporate management in the Bank (Official Gazette of the Republic of Macedonia No. 24/18). At the same time, the amendments are made for the purpose of harmonization of the Policy with the amendments and supplements to the Bank's Statute adopted by the Bank's Assembly on 04.04.2018.

- **Decisions on determining limits of total exposure of Komercijalna Banka AD Skopje towards certain clients and their related parties**

The decisions are made in accordance with the competences of the Supervisory Board, as defined by the Statute of the Bank and the Credit Policy, for approval of the exposures towards single entity of over 20%, i.e. for giving consent for approving exposure towards single entity of over 13% of the own assets of the Bank. In order to provide faster, more qualitative and efficient service to the clients, the Supervisory Board, by separate decisions, defines total limits of credit exposure towards certain clients and their related parties, while the individual decisions on approving the credit exposure within the limits are made by the Risk Management Committee. The limits are defined on the basis of prior analysis made and are revised on quarterly basis.

- **Decision on determining limits of total exposure of Komercijalna Banka AD Skopje towards banks and savings houses in RM and towards foreign banks**

Pursuant to the Policy of exposure of Komercijalna Banka towards banks and savings houses in RM and towards foreign banks, the Supervisory Board defined limits of exposure of the Bank towards certain banks.

- **Decision on the interest rates of the Bank**

The Decision on the interest rates of the Bank was made on the basis of the Bank's profitability and its competitive position on the banking market in the Republic of Macedonia, the considerations of the conditions at the market, as well as the capabilities and needs of the Bank.

- **Decision on the tariff of fees for the Bank's services**

The Decision was made based on the profitability of the Bank, the maintenance of its competitive position in the banking system and the intentions of the Bank to keep the primacy at the banking market in the Republic of Macedonia.

#### **4. OTHER ACTIVITIES OF THE SUPERVISORY BOARD**

Starting from the competences of the Supervisory Board assigned in accordance with the Banking Law and Bank's Statute, in the course of the reported period the Supervisory Board had the following activities:

- **Collection of claims from legal entities and individuals**

In the period reported, the Supervisory Board had carefully monitored and discussed the collection of the claims and made respective conclusions and recommendations for further collection. As a result of the measures undertaken and intensive activities for collection of problem placements in the period January-December 2018, the collected problem claims from legal entities amount in MKD 1.063.545.200,00 under cash payment by debtors and pledge debtors (MKD 160.177.210,00), by foreclosure (MKD 705.584.459,00), by sale of pledged property at auction (MKD 54.652.776,00), by assignment – sale of claims to other entities (MKD 110.885.617,00) and in bankruptcy procedures (MKD 32.245.138,00).

In the course of 2018, the Bank collected claims from individuals for which court procedures for forced collection have been initiated in the total amount of MKD 113.480.289,00 under cash payments.

- **Monitoring of the status of IT security with the Bank**

The Supervisory Board made regular monitoring of the status of IT security through the information and reports of IT security responsible officers on the implemented and planned activities. In order to provide compliance the Bank's IT system with the new regulations and internal acts, the Bank implemented and applied appropriate measures for their implementation.

- **Sale of foreclosed property**

Within its competence set by the law regulations and the Policy for management of the Bank's property, in 2018, the Supervisory Board passed several decisions and plans on sale of immovable property that is not used for execution of its function and acquired on the basis of uncollected claims. The Supervisory Board had considered the reports of the Risk Management Committee on the assets taken over, the activities for their sale, the realization status regarding the plans for sale and the sold foreclosed assets. The property sold in 2018 under foreclosed assets was in the amount of MKD 1.236.651.309,00.

- **Consideration of the risk profile reports, reports on risk profile – strategic risk and reports on risk profile form the aspect of credit risk**

The Supervisory Board had permanently considered the risk profile reports, reports on risk profile – strategic risk and reports on risk profile form the aspect of credit risk and through their analyses concluded that in the course of 2018 the Bank did not

have significant exposure to liquidity, currency, interest rate, market, operative and reputation risk. It permanently harmonizes its operation with the supervisory standards of the Banking Law and the Companies Act. The Bank is permanently analyzing and following the economic factors and technologic changes, trends in the economy on national, regional and global level, thus acquiring information necessary for the process of decision-making. The strategic and business plan are made on the basis of adequate preparations, appropriate defining of the strategic aims and initiatives, taking into account the macroeconomic surrounding, competition in all key activities performed by the Bank, internal capabilities and other relevant factors and circumstances.

- **Analyses of the results from the performed stress-testing**

The Supervisory Board has considered the results of the stress-testing in order to estimate the potential impact of one or more internal or external risk factors on the value of the assets and liabilities, or on the level of own assets and capital adequacy. The stress-testing was made on the credit risk, liquidity risk, currency risk and the risk from changes of the interest rates in the portfolio of banking activities, by using the model suggested by NBRM.

- **Report on the structure of total credit exposure, according to risk category and by activities/spheres significant for the exposure of the Bank to credit risk and Report on the level and movement of the provisioning and special reserve at the level of total exposure**

According to the requirements of NBRM, the Supervisory Board had considered the reports from the Risk Management and Planning Division on quarterly basis.

- **Reports of the Risk Management Committee, Internal Audit and Department for Control of the Compliance of Bank's Operation and Money Laundering Prevention**

The Supervisory Board reviewed the reports of the Risk Management Committee, on monthly basis, and monitored its activities and respective conclusions. It was concluded that RMC performs permanent monitoring and assessment of the risk level, analysis of the reports relevant for management of the risks, as well as the effects from the management of the risks. These effects are presented the reports of the Risk Management Committee and the information on the exposure to credit, liquidity, market, interest rates, currency, operative and other types of risks.

The Supervisory Board reviewed the reports of the Internal Audit, on regular basis, and depending on the concluded statements in the performance of the Bank, made conclusions and undertook measures to solve them.

The Supervisory Board regularly reviewed the reports of the Department for Control of the Compliance of Bank's Operation and Money Laundering Prevention.

- **Report on prolonged and rescheduled claims of the Bank, Report on refinanced claims – corporate clients, Report on exceptions at the level of the Bank, Report on approved loans for refinancing – retail clients, Report on loans approved with variations-retail clients and Report on collected non-performing credit exposures**

The Supervisory Board was, on quarterly basis, considering the reports on prolonged and rescheduled claims of the Bank and the reports on written-off claims and collected non-performing and written-off credit exposures from the Risk Management and Planning Division.

The Supervisory Board was, on quarterly basis, considering the reports on refinanced claims and the reports on exceptions at the level of the Bank from the Corporate Lending Division. The Supervisory Board was, on quarterly basis, considering the reports on approved loans for refinancing and reports on loans approved with variations from the Retail Banking Division.

- **Decision on performing activities of representation in insurance of Komercijalna Banka AD Skopje**

In order to enrich the product portfolio that the Bank offers to its clients, the Supervisory Board of the Bank adopted a Decision on performing activities of representation in insurance introducing the sale of products from insurance companies and examining the possibility of creating a joint / combined product for the physical and legal entities between the Bank and the insurance company, in which all aspects, possibilities, legal regulations, placement on the insurance market in the Republic of Macedonia from a competitive and income point of view have been considered in details. Combining banking and insurance services has numerous advantages for both involved parties. The Bank finds its benefits in the additional and stable source of income, while reducing its dependence on the interest margin, offering integrated financial services to an extended customer base, reducing the required capital at risk for the same level of income, an increased source of funds investable and various tax benefits.

- **Decision on approving the Decision on closure of the Bank's city-branch "Nova Makedonija"**

The Supervisory Board made the Decision on approving the Decision on closure of the city-branch "Nova Makedonija", taking into account that in the past period the branch faced the realization of insufficient revenues to cover the costs of its operations. With its closure and transfer of operations to the nearest city-branches of the Bank, the costs were reduced and the resources saved.

- **Decision on approving the Decision on closure of the Bank's city-branch "Ekonomski fakultet"**

In order to rationalize the Bank's existing network of city-branches in Skopje, as well as increase the overall efficiency of the Bank's operations, the Supervisory Board adopted a Decision approving the Decision on closure of Bank's city-branch "Ekonomski fakultet" - Skopje.

- **Decision on approving the Decision on closure of the Bank's city-branch "Chair"**

The Supervisory Board made a Decision on approving the Decision on closure of the Bank's city-branch "Chair" since the size of the city-branch by the number of engaged employees, its size, and the type of services offered, was ranked in the lowest profitable Bank's city-branches in Chair suburb region and in Skopje in general. The city-branch functioned as a satellite of the closer city-branches of the Bank - Cvetan Dimov, Butel and Topansko Pole.

- **Considering the reports from the controls carried out on the operation of the Bank**

The Supervisory Board of the Bank reviewed the Information on Minutes No. 17-40 / 1 of 14.02.2018 from direct on-site control in Komercijalna Banka AD Skopje. The subject of the control was credit risk management, operational risk, risk of money laundering prevention and financing of terrorism and IT risk, operation of the Internal Audit Department, reports on capital adequacy, transactions with related parties and responsiveness according to previously issued measures. The control covered the period from 31.12.2015. until 30.09.2017, with cutoff date 30.09.2017.

The Supervisory Board had also considered the Information on the Minutes from NBRM No. 17-68/1-1 of 05.03.2018 from the direct on-site control in Komercijalna Banka AD Skopje. The subject of NBRM's control was the compliance with the regulations in the operation of the Bank within the period from 15.12.2016 until 15.01.2018. The control covered the application of certain laws in the operation of the Bank, such as: the Law on FX Operations, Law on the National Bank of the Republic of Macedonia, Law on Consumers Protection within the consumption loan agreements, Law on Fast Money Transfer and the Law on Payment Operations. The conclusion of the National Bank of the Republic of Macedonia in its Minutes prepared thereof was that in the spheres defined in the respective Minutes the Bank acted in accordance with the respective regulations.

## **5. COOPERATION WITH THE BOARD OF DIRECTORS**

In the course of 2018, the Supervisory Board and Board of Directors had permanent cooperation, which provided the decisions of the Supervisory Board to be made in transparent and documentary procedure.

The policies, acts and decisions under the competence of the Supervisory Board were prepared and proposed by the Board of Directors and the Risk Management Committee. The Supervisory Board also considers and approves other acts and reports previously made or prepared by the Board of Directors.

The rulebooks, policies and other internal acts of the Bank define in details the rights and responsibilities of the Supervisory Board and of the Board of Directors, as well as the cooperation and the lines of reporting between the supervisory body and the managing body.

The Supervisory Board carried out considerations and analysis of the reports on the financial results and operation of the Bank prepared by the Board of Directors and concluded that these reports provide appropriate and complete picture of the financial results, more significant aspects from the operation of the Bank and of the Board of Directors for the respective period.

The members of the Board of Directors participated at the meetings of the Supervisory Board, and, in accordance with their defined competences, provided additional explanations on the material provided for consideration at the meetings. The meetings were carried out according to the principle of good corporate management, with open discussions regarding the documents provided and all other significant issues. The Supervisory Board was regularly informed by the Board of Directors and was provided its considerations and conclusions on all relevant issues

that may have impact on the operation of the Bank, as well as on the overall development in the banking and business domain.

The cooperation with the Board of Directors was realized on all issues important for the operation of the Bank, and especially when defining the business aims and objectives and the development plan of the Bank, the strategies for undertaking and managing the risks, risk profile, the policies for realization of the business objectives, as well as in regards to the risk profile of the Bank.

Apart from the members of the Board of Directors, having the role of internal legal advisor, the meetings of the Supervisory Board were also attended by the managers of the respective organizational units responsible for the support of the Bank's bodies and due implementation of the law regulations and internal acts and the Internal Audit Department Manager.

## **6. CONFLICT OF INTERESTS**

In the course of 2018, the Supervisory Board made several decisions where conflicts of interest with some of the members of the Supervisory Board were identified. The members of the Supervisory Board, whose objectivity was questioned due to the conflict of interest, had given statements for conflict of interest prior to the Board's meeting and did not participate in the adoption of the respective decisions.

## **7. REPORT ON THE PERFORMANCE OF THE SUPERVISORY BOARD BY INDIVIDUAL MEMBERS**

The members of the Supervisory Board of the Bank have education and experience in various fields so that they successfully followed and evaluated the work of the Board of Directors in 2018. They also have knowledge in the field of local and regional economy and finances in the Republic of Macedonia, while Taki Fiti and Aleksandra Maksimovska Stojkova, as experienced professors in economics at the University "Ss. Cyril and Methodius" - Skopje, have knowledge of the area the global economy and finance. In 2018, when performing the supervisory function of the Bank, the members of the Supervisory Board realized excellent mutual cooperation by exchanging their experiences and knowledge.

All members of the Supervisory Board gave an active and significant contribution to the functioning of the Board. Decisions of the Supervisory Board were adopted in a transparent and documented procedure, based on a competent and objective assessment. In accordance with the principles of good corporate governance, the Supervisory Board has good cooperation with the Board of Directors, the Risk Management Committee, the Audit Committee and the Internal Audit, without participating in the daily management of the Bank. This way of work of the Supervisory Board contributed to stable, safe and efficient management and proper supervision of the bodies and operations of the Bank.

### **1. Sava Dimitrova – Independent Member and President of the Supervisory Board**

Mrs. Sava Dimitrova, with her knowledge and long-term experience as manager of a successful company, has awareness and understanding of the established corporate management, as well as the role of the Supervisory Board in the corporate management within the Bank. Mrs. Sava Dimitrova has a reputation of a successful

manager and businesswoman, fully adheres to law regulations and any contractual provisions, has good cooperation with the auditing authorities and respects the corporate culture and values of the Bank.

As Independent Member of the Supervisory Board of the Bank, Mrs. Dimitrova is objective and independent in the performance of her competences and in the assessment of the solutions proposed by the other members of the Supervisory Board, providing independent analyses of the decisions and proposals of the Board of Directors and avoiding simple following of the collective attitudes.

Mrs. Sava Dimitrova is not a member of any supervisory and/or managing bodies of other companies, which makes her being fully dedicated to the performance of her competences as Independent Member and President of the Supervisory Board.

As President of the Supervisory Board, Mrs. Sava Dimitrova took care of proper performance of the Board in 2018. In the reporting period, the President convened meetings regularly and in time, in accordance with the Rules of Procedures for the Supervisory Board. The President set the proposed agenda for the meetings, chaired the meetings, took care for timely delivery of the respective material and provided complete and timely informing for the members of the Board, as well as sufficient time for their preparation. The President of the Supervisory Board was inciting active and open discussions at the meetings, leaving sufficient time for questions and explanations under the meeting materials. At the same time, as an Independent Member of the Supervisory Board, she objectively and independently was taking part in the operation and decision making of the Board by providing her comments, opinions, recommendations and proposals, for the purpose of further successful operation of the Bank. Mrs. Sava Dimitrova was signing the adopted decisions and other acts on behalf of the Board. As member of the Audit Committee, Mrs. Dimitrova contributed in the successful coordination of the activities of the Audit Committee and the Supervisory Board of the Bank. As President, Mrs. Sava Dimitrova gave significant contribution to the efficient and successful performance of the Supervisory Board and realization of good cooperation of the Supervisory Board with the Board of Directors, Audit Committee, Risk Management Committee and the Credit Committee of the Bank.

Presence at 7 Board's meetings in the course of 2018.

## 2. Taki Fiti – Member and Vice President of the Board of Directors

Mr. Taki Fiti, with his knowledge and long-term experience as Professor at the Faculty of Economics within "Ss. Cyril and Methodius" University – Skopje, has wide knowledge and understanding of the established corporate management and the role of the Supervisory Board in the corporate management within the Bank. Mr. Fiti has a reputation of a respected professor of economics and academician, and now as President of the Macedonian Academy of Sciences and Arts. Mr. Fiti fully adheres to law regulations and any contractual provisions, has good cooperation with the auditing authorities and respects the corporate culture and values of the Bank.

As Member of the Supervisory Board of the Bank, Mr. Fiti is objective and independent in the performance of his competences and in the assessment of the solutions proposed by the other members of the Supervisory Board, providing independent analyses of the decisions and proposals of the Board of Directors.

Taking into account that Mr. Taki Fiti is not a member of any supervisory and/or managing bodies of other companies, he is fully dedicated to the performance of his competences as Member and Vice President of the Supervisory Board.

Mr. Taki Fiti – Vice President of the Supervisory Board, was replacing the President and signed the documents in her absence. As member of the Supervisory Board and Audit Committee, Mr. Taki Fiti had contributed and played significant role in realization of successful and coordinated cooperation of these two boards. With his

significant knowledge and practical experience in the sphere of finance and banking, Mr. Fiti contributed considerably to the successful performance of the Supervisory Board in 2018, and especially from the aspect of analysis and assessment of the financial and business reports on operation of the Bank and the reports of the Audit Committee and Internal Audit. Mr. Taki Fiti, actively participated in the work of the Supervisory Board at meetings and in making decisions and other acts without holding meetings and upon written consent of the members of the Board.

Presence at 7 Board's meetings in the course of 2018.

### 3. Goran Antevski - Member

Mr. Goran Antevski, with his knowledge and experience as successful businessman has awareness and understanding of the established corporate management, as well as the role of the Supervisory Board in the corporate management within the Bank. Mr. Antevski has well knowledge of the financial standing and the risk profile of the Bank. Mr. Antevski has a reputation of successful businessman, fully adheres to law regulations and any contractual provisions and respects the corporate culture and values of the Bank.

As Member of the Supervisory Board of the Bank, Mr. Goran Antevski is objective and independent in the performance of his competences and in the assessment of the solutions proposed by the other members of the Supervisory Board, providing independent analyses of the decisions and proposals of the Board of Directors.

Apart from being Member of the Supervisory Board of the Bank, Mr. Goran Antevski performs another function – Manager of the Company for Production and Trade Rade Konchar – TEP DOOEL Skopje; however, he dedicates sufficient time for performing the obligations arising from his competences as Member of the Supervisory Board of the Bank.

Mr. Goran Antevski, applying his experience acquired as successful businessman and his knowledge of overall conditions in the economy in the Republic of Macedonia, gave significant contribution in the operation of the Board. Mr. Antevski took active participation in the discussions on the issues under the competence of the Supervisory Board, was giving comments and opinions, especially when considering the position of the Bank versus the competitive banks, improvement of the information system and contributed for successful performance of the activities of the Supervisory Board of the Bank in 2018.

Presence at 7 Board's meetings in the course of 2018.

### 4. Sasho Naumoski – Member

Mr. Sasho Naumoski, with his knowledge and experience as successful businessman has awareness and understanding of the established corporate management, as well as the role of the Supervisory Board in the corporate management within the Bank. Mr. Naumoski has well knowledge of the financial standing and the risk profile of the Bank. He fully adheres to law regulations and any contractual provisions and respects the corporate culture and values of the Bank.

As Member of the Supervisory Board of the Bank, Mr. Sasho Naumoski is objective and independent in the performance of his competences and in the assessment of the solutions proposed by the other members of the Supervisory Board, providing independent analyses of the decisions and proposals of the Board of Directors.

Apart from being Member of the Supervisory Board of the Bank, Mr. Sasho Naumoski performs another two functions in supervisory and managing bodies of other companies, such as: Executive Member of the Board of Directors of Vitaminka AD Prilep and Member of the Supervisory Board of the Company for Production,

Trade and Services Vedrina DOO Prilep; however, he dedicates sufficient time for performing the obligations arising from his competences as Member of the Supervisory Board of the Bank.

Mr. Sasho Naumoski contributed to efficient performance of the Board using his large experience in the corporate sector of the Republic of Macedonia. Mr. Naumoski actively and objectively presented his comments and opinion in the discussions on the issues under the competence of the Board, consideration of the standing of certain clients, maintenance of the competitive position of the Bank in the banking system, operation of the Bank's branches and in consideration and adoption of the acts of the Supervisory Board.

Presence at 5 Board's meetings in the course of 2018.

#### 5. Aleksandra Maksimovska Stojkova – Independent Member

Mrs. Aleksandra Maksimovska Stojkova, with her knowledge and long-term experience as Professor at the Faculty of Law – Justinijan I, within "Ss. Cyril and Methodius" University – Skopje, has wide knowledge and understanding of the established corporate management and the role of the Supervisory Board in the corporate management within the Bank. She knows the financial standing and the risk profile of the Bank well. Mrs. Maksimovska Stojkova has a reputation of a respected professor of legal science. She fully adheres to law regulations and any contractual provisions, has good cooperation with the auditing authorities and respects the corporate culture and values of the Bank.

As Independent Member of the Supervisory Board of the Bank, Mrs. Maksimovska Stojkova is objective and independent in the performance of her competences and in the assessment of the solutions proposed by the other members of the Supervisory Board, providing independent analyses of the decisions and proposals of the Board of Directors and avoiding simple following of the collective attitudes.

Having in mind that Mrs. Maksimovska Stojkova is not a member of any supervisory and/or managing bodies of other companies, which makes her being fully dedicated to the performance of her competences as Independent Member and President of the Supervisory Board.

Mrs. Aleksandra Maksimovska Stojkova gave significant contribution to the performance of the Board using his huge professional and academic experience in the sphere of finance. In the period reported, as a member of the Audit Committee and the Supervisory Board, Mrs. Maksimovska Stojkova significantly contributed in the cooperation between these two bodies. She took active participation in consideration of the issues related to the regulatory requirements for the operation of the Bank, in supervision of the management of market and reputation risks, reports on the operation of the Bank's bodies, as well as on other issues under the competence of the Supervisory Board.

Presence at 7 Board's meetings in the course of 2018.

#### 6. Vancho Chifliganec –Member

Mr. Vancho Chifliganec with his knowledge and experience as businessman, now also owner and manager of a successful company, has knowledge and understanding of the established corporate governance and the role of the Supervisory Board in corporate governance in the Bank. He knows the financial position and the risk profile of the Bank. He owns a reputation as a successful businessman. It respects the legal provisions and contractual obligations, cooperates with the supervisory authorities and respects the corporate culture and the value of the Bank.

As a member of the Supervisory Board of the Bank, Mr. Vancho Cifliganec objectively and independently performs his competencies and performs an independent and objective assessment of the decisions proposed by the other members of the Supervisory Board and independently analyzes the decisions and proposals of the Board of Directors.

Apart from his membership in the Supervisory Board of the Bank, Mr. Vancho Chifliganec also performs another function of the Manager in the Construction Company ADORA Engineering DOOEL Skopje, and he devotes sufficient time to fulfill the obligations arising from his competencies as a member of the Supervisory Board of the Bank.

Mr. Vancho Chifliganec, with his working experience in the economy in the Republic of Macedonia, contributed to the successful performance of the activities of the Supervisory Board. He provided recommendations and initiatives related to the materials for the meetings of the Supervisory Board, the operations of the Bank's branches and participated in the discussions on all other issues within the competence of the Supervisory Board.

Presence at 3 Board's meetings in the course of 2018.  
(Member of the Bank's Supervisory Board as of 30.07.2018)

#### 7. Fatmir Etemi – Member

Mr. Fatmir Etemi, with his knowledge and experience as manager of a successful company, has knowledge and understanding of the established corporate governance and the role of the Supervisory Board in corporate governance in the Bank. He knows the financial position and the risk profile of the Bank. Has the reputation of a successful manager. It respects the legal provisions and contractual obligations, cooperates with the supervisory authorities and respects the corporate culture and the value of the Bank.

As a member of the Supervisory Board of the Bank, Mr. Fatmir Etemi objectively and independently performs his competencies and performs an independent and objective assessment of the decisions proposed by the other members of the Supervisory Board and independently analyzes the decisions and proposals of the Board of Directors.

In addition to the membership in the Supervisory Board of the Bank, Mr. Fatmir Etemi performs two other functions in the supervisory bodies of other companies, such as: a member of the Board of Directors of the Economic Chamber of North-West Macedonia and a member of the Council of the Macedonian Enterprise Development Foundation, but he devotes sufficient time for performance of the obligations arising from its competencies as a member of the Supervisory Board of Komercijalna Banka AD Skopje. With his remarks and opinions, Mr. Fatmir Etemi actively and objectively participated in the discussions on the issues under the competence of the Supervisory Board, as well as in the review and adoption of the acts of the Supervisory Board, thus contributing to the exercising of the supervisory function of the Board.

Presence at 2 Board's meetings in the course of 2018.  
(Member of the Bank's Supervisory Board as of 17.09.2018)

### **8. CLOSING CONSIDERATIONS**

The performance of the Supervisory Board in 2018 was within the frames of the legally defined competences and main acts which regulate the Business Policy of the Bank and its main objectives, such as giving suggestions and directions for

undertaking measures and activities for successful maintenance of its position in the banking system, following of the trends and news, improvement of the collection of the claims, harmonization of its performance with the market needs, etc.

All members of the Supervisory Board gave active and significant contribution in the functioning of the Board. The decisions of the Supervisory Board were made in a transparent and documentary procedure, based on a complete and objective assessment. According to the principles of good corporate management, the Supervisory Board realized good cooperation with the Board of Directors, Risk Management Committee, Audit Committee and the Internal Audit, without its participation in the daily management of the Bank. This manner of operation of the Supervisory Board contributed to stable, safe and efficient management and appropriate supervision over the Bank's bodies and the operation of the Bank.

**PRESIDENT OF THE BANK'S  
BOARD OF DIRECTORS  
Sava Dimitrova**