



JAVNO / PUBLIC

**CRNOGORSKA KOMERCIJALNA BANKA AD  
PODGORICA**

**ARTICLES OF ASSOCIATION  
OF CRNOGORSKA KOMERCIJALNA BANKA AD PODGORICA**

*Podgorica, 26/01/2023*

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Pursuant to Article 41, paragraph 1, item 1 of the Law on Credit Institutions, Article 114 of the Law on Business Organizations and Articles 16 and 18 of the Articles of Association of Crnogorska Komercijalna Banka AD Podgorica, the Extraordinary General Shareholders Meeting of the Bank held on 26/01/2023 adopts:

## **ARTICLES OF ASSOCIATION OF CRNOGORSKA KOMERCIJALNA BANKA AD PODGORICA**

### **I - BASIC PROVISIONS**

#### **Article 1**

The provisions of these Articles of Association regulate the status and other matters relevant for the operations and activity of the Crnogorska komercijalna banka AD Podgorica (hereinafter: the Bank), particularly: corporate governance, the Bank's internal organization, areas of risk in the Bank's operations, reporting within the Bank, authorizations of the General Shareholders Meeting, Supervisory Board and its standing working bodies, Management Board, Audit Committee, representation and acting on behalf of the Bank, and persons with special authorizations and responsibilities in the Bank.

#### **Article 2**

The Bank is a shareholding company with one shareholder.

The shareholder has authorizations of the General Shareholders Meeting and brings all decisions in writing. The shareholder is liable for the Bank's obligations up to the amount of funds invested into the share capital of the Bank.

### **II - SEAT AND STATUS SYMBOLS OF THE BANK**

#### **Article 3**

The Bank operates under the name:

Crnogorska Komercijalna Banka AD Podgorica.

In its correspondence with foreign partners, the Bank may also use the English equivalent of its name: Montenegrin Commercial Bank Share Company, Podgorica, Montenegro.

The abbreviated name of the Bank is: CKB banka.

The seat of the Bank is in Podgorica, Bulevar revolucije 17.

The e-mail address of the Bank is [info@ckb.me](mailto:info@ckb.me).

#### **Article 4**

The Bank's name is displayed at the Bank's business premises.

Organizational parts of the Bank operate under the Bank's name to which they add the particular name of their organizational part.

#### **Article 5**

The Bank has its trademark, logo, which is consisted of a visual design and stylized typeface of the Bank's name. The text of the seal, stamp and mark is written in Latin script in the Montenegrin language. In certain cases, in addition to the text in the Montenegrin language, the Bank's name may be written in English.

The typefaces in the Bank's name and trademark of the Bank are protected.

In its operations, the Bank uses logo (graphic sign) of the following appearance:



#### **Article 6**

The Bank has seal, stamp and mark that contain the name, seat and the logo of the Bank.

Organizational parts of the Bank have their own seals, stamps and marks that, in addition to the name and seat of the Bank, also contain the name and seat of the respective organizational part of the Bank.

#### **Article 7**

In legal transactions and official relations with legal and natural persons in the country, the Bank uses a uniform letterhead. The Bank's letterhead has the logo in the upper left corner, while the Bank's name and other information related to the Bank's address are at the bottom left corner.

The Bank's letterhead may be adapted to technical and/or electronic means of communication within the country and abroad, but always with the use of the Bank's name as determined by these Articles of Association.

### **III - BANK'S ACTIVITIES**

#### **Article 8**

The Bank performs the banking activities pursuant to the Law on Credit Institutions.

In addition to the banking activities referred to in the previous paragraph, the Bank may also perform the following activities:

- 1) Issue guarantees and take on other off-balance sheet obligations,
- 2) Buy, sell and collect receivables (factoring, forfeiting, etc.),
- 3) Issue, process and record payment instruments,
- 4) National and international payment operations in line with regulations referring to them,
- 5) Financial leasing,
- 6) Operations with securities in line with the Law on Securities,
- 7) Trade, in its name and for its own account or for the account of its clients, with
  - currencies, including exchange operations,
  - financial derivatives,
- 8) Depository operations,
- 9) Preparation of analyses and provision of information and advice on creditworthiness of business organizations and entrepreneurs and other business-related matters,
- 10) Safekeeping in safe-deposit boxes,
- 11) Activities representing part of the banking operations, ancillary operations and operations directly linked with the Bank's operations, in line with the Law and these Articles of Association.

The Bank performs insurance agency activities in accordance with the approval of the Central Bank of Montenegro and consent of the Insurance Supervision Agency.

With the prior approval of the Central Bank of Montenegro, the Bank may also perform other activities in line with the Law.

### **3.1. Share Capital of the Bank**

#### **Article 9**

For the purpose of capital management, the Bank adopts the Plan on capital requirements which can be revised on an as-needed basis.

#### **Article 10**

The share capital of the Bank amounts to EUR 181,875,220.7923 and comprises 355,717 pieces of regular shares.

Nominal value of one share amounts to EUR 511.2919.

#### **Article 11**

The total capital of the Bank represents the Bank's own funds and it is divided into core and supplementary capital in line with the positive regulations.

The share capital is part of the Bank's total core capital, that is, own funds and its nominal value and number of shares are determined according to data entered into the Central Securities Depository and Clearing Company.

The Bank may increase the share capital out of retained earnings, the Bank's reserves and through a new issue of shares, in accordance with the Law on Credit Institutions, the Law on Business Organizations, the Law on Capital Market and the rules of Capital Market Authority.

The decision on share capital increase through the new issue of shares is made by the General Shareholders Meeting based on decision on the new issue of shares and decision on changes and amendments to the Articles of Association in which the share capital amount is changed.

The share capital may be decreased based on decision of the General Shareholders Meeting and in a procedure prescribed by the Law. The share capital of the Bank may not be decreased below the amount of the minimum capital prescribed by the Law.

#### **Article 12**

The Bank shall maintain the solvency ratio in line with the regulations at all times.

### **3.2. Dividend Policy**

#### **Article 13**

At the end of the business year, the Bank shall calculate dividend for the shareholder out of the generated profit in line with decision of the General Shareholders Meeting.

#### **Article 14**

The Bank shall not calculate dividend in the following cases:

- if the solvency ratio is equal or lower than the prescribed,
- if the level of supplementary capital is equal to the core capital,
- if the price of the capital is significantly increasing on the market,
- if the payment of dividend may cause significant problems in liquidity management, and
- in other cases, prescribed by the Law.

## **IV - CORPORATE GOVERNANCE**

#### **Article 15**

The Bank's bodies are:

1. General Shareholders Meeting,
2. Supervisory Board, and
3. Management Board.

### **4.1. General Shareholders Meeting**

#### **Article 16**

The General Shareholders Meeting of the Bank shall:

- 1) bring and make changes and amendments to the Bank's Articles of Association;
- 2) adopt the annual financial statements, the Bank's performance report and the report of independent external auditor;
- 3) elect and dismiss members of the Supervisory Board of the Bank;
- 4) adopt and implement an adequate policy for the election and assessment of the fulfillment of the conditions that the Supervisory Board members must fulfill individually and collectively;
- 5) decide on the remuneration of the Supervisory Board members;
- 6) bring decision on the disposal of the company's property;

- 7) decide on the distribution of profit;
- 8) decide on the increase and decrease of the Bank's capital, including deciding on the issuance of convertible bonds;
- 9) decide on the restructuring and cessation of the Bank's operations;
- 10) decide on other matters as specified in the Bank's Articles of Association, in accordance with the Law.

#### **Article 17**

The Ordinary General Shareholders Meeting is convened once a year.

The Supervisory Board convenes the Ordinary Annual General Shareholders Meeting.

The Supervisory Board convenes a regular session by its decision specifying the proposed agenda, date, time and place of the regular session in accordance with the Law, these Articles of Association and the Rules of Procedure of the General Shareholders Meeting.

#### **Article 18**

The Extraordinary General Shareholders Meeting is every General Shareholders Meeting, except for the Ordinary Annual General Shareholders Meeting.

The Extraordinary General Shareholders Meeting is convened when:

1. the Supervisory Board or the shareholder gives proposal for:
  - a. change of the Bank's activity,
  - b. change in share capital,
  - c. change of the Supervisory Board member prior to the expiry of his or her term of office,
2. it is necessary to consider the serious losses in operations,
3. the Supervisory Board believes that a certain issue should be discussed at the Extraordinary General Shareholders Meeting,
4. in other cases prescribed by the Law.

The extraordinary session of the General Shareholders Meeting may be convened under the conditions and in the manner stipulated by the Law and these Articles of Association. The provisions of these Articles of Associations relating to convening of regular session of the General Shareholders Meeting shall apply accordingly to convening of extraordinary session.



## **4.2. The Supervisory Board**

### **Article 19**

The Supervisory Board, which performs the supervisory function of the Bank's operations, shall manage the Bank.

Foreign citizens may be appointed to the Supervisory Board.

### **Article 20**

The Supervisory Board shall consist of at least 5 (in words: five) members, whereas at least two members of the Supervisory Board must be persons independent from the Bank.

Member of the Supervisory Board of the Bank may only be a person who meets the requirements prescribed by the Law on Credit Institutions and bylaws adopted for the purpose of the implementation of the Law.

Only the person that obtained prior approval of the Central Bank of Montenegro may be elected as a member of the Supervisory Board.

### **Article 21**

The Supervisory Board members shall receive remuneration for their work in line with the decision of the General Shareholders Meeting.

Term of office of the Supervisory Board members shall last four (4) years.

Term of office of the Supervisory Board member ends:

- 1) upon the expiration of the term on which he or she was appointed;
- 2) when he or she ceases to meet the conditions for membership in the Supervisory Board which are prescribed by the Law;
- 3) by resignation;
- 4) by dismissal by the General Shareholders Meeting.

### **4.2.1. Competences and Responsibilities of the Supervisory Board**

#### **Article 22**

The Supervisory Board shall:

1) give consent to the Management Board on:

- objectives and general strategy of the Bank,
- business policy of the Bank,
- financial plan of the Bank,
- strategies and procedures for assessing the Bank's internal capital adequacy,
- policies and procedures for election and assessment of eligibility for the Management Board members and other persons responsible for conducting/managing business within certain areas of the Bank's operation,
- remuneration policy in the Bank,
- document on internal audit and annual work plan of internal audit;

2) supervise:

- implementation procedure and efficiency and effectiveness of the Bank's management system,
- implementation of the Bank's business policy, strategic objectives, and strategy and policy of risk assumption,
- implementation of the Bank's remuneration policy,
- disclosure and communication process/procedure,
- adequacy of procedures and efficiency of internal audit;

3) propose an external auditor;

4) adopt the annual internal audit plan and internal audit reports;

5) adopt and periodically review the general principles of the Bank's remuneration policy;

6) convene sessions of the General Shareholders Meeting, determine the proposal for agenda and decisions for the General Shareholders Meeting and control their implementation;

7) appoint and dismiss the chairperson of the Supervisory Board;

8) appoint and dismiss members of the Management Board, including the chairperson;

- 9) appoint and dismiss members of the Audit Committee;
- 10) consider annual report on the work of the Audit Committee;
- 11) appoint and dismiss members of the Remuneration Committee, Risk Committee, Nomination Committee and other committees established for the purpose of providing professional assistance in supervising the Bank's operation;
- 12) consider and take positions on the findings in the reports of the Central Bank and the reports of other supervisory bodies on the performed examination, within 30 days as of the day of examination report being submitted;
- 13) perform other activities stipulated by the Law, regulations adopted on the basis of the Law and Articles of Association of the Bank.

#### **Article 23**

Sessions of the Supervisory Board shall be convened on an as-needed basis, but at least once in three months.

#### **Article 24**

The Supervisory Board shall decide by the majority of votes of its present members.

In case of equal number of votes, the vote of the chairperson of the Supervisory Board shall be a decisive one.

The work method and other matters related to the work of the Supervisory Board shall be closely regulated by the Rules of Procedure of the Supervisory Board.

#### **Article 25**

In case of a conflict of interest, the Supervisory Board member shall inform the Supervisory Board thereof and that member shall have no voting right in deciding on the matters in relation to which there is such conflict of interest.

#### ***4.2.2. Working Bodies of the Supervisory Board***

#### **Article 26**

The Bank's Supervisory Board shall set up the following permanent working bodies by its decision:

- 1) Nomination Committee;
- 2) Risk Committee; and
- 3) Remuneration Committee.

Members of the Committees referred to in paragraph 1 of this Article shall be appointed from within the ranks of members of the Supervisory Board of the Bank.

The Committees referred to in paragraph 1 of this Article shall have each three members, one of whom shall be appointed the chairperson of the Committee.

As a rule, all members of one permanent working body of the Supervisory Board cannot at the same time be members of another permanent working body.

Minutes shall be kept on the work of the permanent working bodies of the Supervisory Board, which shall in particular contain the agenda and conclusions, whereof the permanent working bodies shall regularly inform the Supervisory Board.

The composition and scope of work of the bodies referred to in paragraph 1 of this Article shall be closely regulated by the Bank's documents in accordance with the Law and regulations on the Bank's operation.

#### **4.2.2.1 Nomination Committee**

##### **Article 27**

Nomination Committee shall:

- 1) identify and propose candidates for election of members of the Supervisory and Management Boards of the Bank, assess the balance of knowledge, skills, diversity in composition and experience of the management body, prepare a description of authorisations and qualifications required for a particular function and assess the time commitment expected to discharge such function;
- 2) decide on a target for the representation of the underrepresented gender in the Supervisory Board or Management Board and prepare a policy on how to increase the number of the underrepresented gender in such bodies in order to meet that target representation;
- 3) regularly, but at least annually, assess and as needed propose to the Supervisory and Management Boards of the Bank change of the structure, size, composition and performance of those bodies;

- 4) regularly, but at least annually, assess the knowledge, skills and experience of individual members of the Supervisory and Management Boards, as well as of those bodies collectively, and report on such assessment to the bodies and persons to which such assessment refers;
- 5) regularly review the policies for election and appointment of senior management and make recommendations and proposal to the Management Board for improvement of such policies, if needed;
- 6) on an ongoing basis, to the extent possible, take account of the need to ensure that the Management and Supervisory Boards' decision making is not dominated by individuals or small group of individuals, in order to protect the interests of the Bank as a whole; and
- 7) perform other activities prescribed by regulations which are adopted pursuant to the Law on Credit Institutions.

#### **4.2.2.2. Risk Committee**

##### **Article 28**

The Risk Committee shall:

- 1) advise the Supervisory Board on the Bank's overall current and future risk appetite and strategy and assist in supervising the implementation of that strategy by the senior management, without prejudice to the responsibility of the Management and Supervisory Boards for overall risk management and supervision of the Bank;
- 2) review whether prices of receivables and liabilities offered to clients take fully into account the Bank's business model and risk strategy, and where such price does not reflect risks taken in accordance with the business model and risk strategy, present a remedy plan to the Management Board;
- 3) irrespective of the activities of the Remuneration Committee, in order to establish and implement appropriate remuneration policy, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings; and
- 4) perform other tasks in accordance with regulations adopted pursuant to the Law on Credit Institutions.

### **4.2.2.3. Remuneration Committee**

#### **Article 29**

The Remuneration Committee shall:

- 1) prepare decisions of the Supervisory Board connected with the remuneration of employees, including decisions that have impact on the Bank's risk exposure and to the risk management; and
- 2) perform other tasks stipulated by the regulations which are adopted in line with the Law on Credit Institutions.

In performing tasks under its competence, the Remuneration Committee shall consider long-term interests of the shareholders, investors and other stakeholders in the Bank, as well as the public interest.

### **4.3. Management Board**

#### **Article 30**

The Management Board shall perform an executive function and is accountable for managing the Bank on day-to-day basis and for its representation.

One member of the Management Board must be appointed as the chairperson of the Management Board.

Management Board members, including the chairperson, shall be appointed and dismissed by the Supervisory Board.

Only a person who has received the approval of the Central Bank of Montenegro to perform the function of the chairperson and/or member of the Management Board of the Bank may be appointed to that function.

#### **Article 31**

Members of the Management Board are employed in the Bank on a full-time basis.

Members of the Management Board shall be responsible for the implementation of the Supervisory Board's documents, for organization and management of activities, as well as for

the risk management in areas of the Bank's operation they manage, in line with the rules of their profession.

Members of the Management Board shall be appointed on a period of four years, whereas the members whose terms of office has lapsed may be reappointed.

#### ***4.3.1. Duties and Responsibilities of the Management Board***

##### **Article 32**

The Management Board has seven members and manages the Bank's operations.

The Management Board of the Bank shall ensure that the Bank operates in accordance with the regulations governing operations of the credit institutions.

The Management Board of the Bank shall establish and implement a reliable system for the Bank management in accordance with the Law.

In order to establish and implement an efficient and reliable management system, the Bank's Management Board shall:

- 1) set objective and general strategy of the Bank;
- 2) adopt business policy of the Bank;
- 3) regularly review strategic objectives, risk management strategies and policies, including the management of risks arising from the macroeconomic environment in which the Bank operates, as well as the condition of the Bank's business cycle;
- 4) establish foundations for functioning of the internal control system;
- 5) adopt the Bank's remuneration policy;
- 6) ensure the integrity of the accounting system and financial reporting system and of the financial and operating control;
- 7) ensure supervision of senior management and establish well-defined, clear and consistent internal relations in respect of accountability, which enable clear separation of authorizations and responsibilities and prevent conflicts of interest;
- 8) set out internal organization of the undertaking, subject to consent of the Supervisory Board;
- 9) adopt general documents of the Bank, except for documents adopted by other bodies of the Bank;
- 10) appoint and dismiss senior management of the Bank and other persons in accordance with the Law and Articles of Association of the Bank, and determine their salary;
- 11) adopt ethical standards of the conduct for employees in the Bank;
- 12) approve the introduction of new products and services in the Bank's operations;

13) perform other activities stipulated by the Law on Credit Institutions and regulations adopted on the basis of the Law.

#### **4.3.2. Powers and Responsibilities of the Management Board Members**

##### **Article 33**

The Chairperson of the Management Board shall have powers and responsibilities prescribed by the Law and Article 69 of the Articles of Association.

##### **Article 34**

The member of the Management Board responsible for Retail Business Division shall have the following powers and responsibilities:

- a) to organize the work and manage the Bank's area of operations dealing with the branch/business units network management, sales and sales channels, provision of services to natural persons, development of products, digital sales channels, projects, and marketing,
- b) to organize and supervise the work of directors of directorates, directors and heads of departments and units, and employees in the Division under his or her competence,
- c) to make recommendations and take measures for improving the work in all organizational parts within the Division, as well as the sales of the Bank's products and the level of services provided to the clients,
- d) to manage the risks the Bank is exposed to in the area of operations under his or her competences,
- e) to coordinate the work of other organizational parts in the Bank with regard to the provision of services to the clients, and supervise the work of employees,
- f) to prepare and submit proposals for decisions to the Management Board/Supervisory Board in accordance with work procedures,
- g) to coordinate the cooperation and communication with OTP Group Headquarters,
- h) to perform other activities entrusted to him or her by the Chairperson of the Management Board within his or her competence.

##### **Article 35**

The member of the Management Board responsible for Risk Management Division shall have the following powers and responsibilities:



- a) to organize the work and manage the Bank's area of operations dealing with the approval of loans to legal and natural persons, collateral portfolio management, monitoring and credit control, risk management, analysis and regulation,
- b) to organize and supervise the work of directors of directorates, directors and heads of departments and units, and employees in the Division under his or her competence,
- c) to provide recommendations and take measures for improving the work of all organizational units within the Division,
- d) to coordinate the cooperation and communication with OTP Group headquarters in the area of operations under his or her competence,
- e) to manage the risks the Bank is exposed to in the area of operations under his or her competence,
- f) to perform other activities entrusted to him or her by the Chairperson of the Management Board within his or her competence.

### **Article 36**

The member of the Management Board responsible for Strategy, Finance and Bank Operation Division shall have the following powers and responsibilities:

- a) to organize work and manage the Bank's area of operations dealing with the strategic planning, controlling, accounting, and ALM activities (bank asset and liability management operation) and Bank operations,
- b) to organize and supervise the work of directors of directorates, directors and heads of departments and units, and employees in the Division under his or her competence,
- c) to provide recommendations and take measures for improving the work of all organizational units within the Division,
- d) to coordinate the cooperation and communication with the Central Bank of Montenegro regarding the matters within the competence of the Division under his or her competence,
- e) to coordinate the cooperation and communication with OTP Group headquarters in the area of operations under his or her competence,
- f) to manage the risks the Bank is exposed to in the area of operations under his or her competence,
- g) to perform other activities entrusted to him or her by the Chairperson of the Management Board within his or her competence.

**Article 37**

The member of the Management Board responsible for Corporate Business Division shall have the following powers and responsibilities:

- a) to organize the work and manage the Bank's area of operations dealing with the provision of services to legal persons, provision of services on the global markets, credit analysis, commercial factoring,
- b) to organize and supervise the work of directors of directorates, directors and heads of departments and units, and employees in the Division under his or her competence,
- c) to make recommendations and take measures for improving the work of all organizational units within the Division,
- d) to manage the risks the Bank is exposed to in the area of operations he or she manages,
- e) to coordinate the cooperation and communication with OTP Group headquarters in the area of operations under his or her competence,
- f) to perform other activities entrusted to him or her by the Chairperson of the Management Board within his or her competence.

**Article 38**

Member of the Management Board responsible for IT Division shall have the following powers and responsibilities:

- a) to organize work and manage the Bank's area of operations dealing with IT development, IT operations and digital transformation,
- b) to organize and supervise the work of directors of directorates, directors and heads of departments and units, and employees in the Division under his or her competence,
- c) to make recommendations and take measures for improving the work of all organizational units within the Division,
- d) to coordinate the cooperation and communication with OTP Group headquarters in the area of operations under his or her competence,
- e) to manage risks the Bank is exposed to in the area of operations under his or her competence,
- f) to perform other activities entrusted to him or her by the Chairperson of the Management Board within his or her competence.

**Article 39**

The member of the Management Board responsible for Corporate Governance and Bank security Division shall have the following powers and responsibilities:

- a) to organize the work and manage the Bank's area of operations which is responsible for legal affairs, corporate secretariat, bank security, as well as central procurement and logistics,
- b) to organize and supervise the work of directors of directorates, directors and heads of departments and units and employees in the Division for which he or she is responsible,
- c) to make recommendations and take measures to improve work in all organizational parts within the Division,
- d) to manage the risks to which the Bank is exposed in the area he or she manages,
- e) to prepare and submit proposals for decisions to the Management Board/Supervisory Board in accordance with work procedures,
- f) to coordinate cooperation and communication with OTP Group headquarters,
- g) to perform other activities entrusted to him or her by the Chairperson of the management Boards within his or her competence.

#### **4.4. Audit Committee**

##### **Article 40**

The Audit Committee shall consist of at least three members, of which at least one member must have knowledge in the area of accounting and auditing and shall not be an employee, shareholder or member of management bodies of the Bank.

The method of work and matters related to the work of the Audit Committee shall be closely regulated by the Rules of Procedure of the Audit Committee.

The Audit Committee shall:

- 1) monitor the financial reporting procedure;
- 2) monitor the effectiveness of internal control of the legal entity and internal audit;
- 3) monitor the statutory audit of annual and consolidated financial statements;
- 4) monitor the independence of hired certified auditors or audit companies that perform audits, as well as contracts for the use of additional services in accordance with Article 20 of the Law on Audit;
- 5) make recommendations to the General Shareholders Meeting, i.e. to the founders, on the selection of the audit company or the certified auditor;
- 6) consider plans and annual reports of internal control, as well as other matters related to financial reporting and auditing.

Minutes of the sessions of the Audit Committee shall be available to the Central Bank of Montenegro.

The Audit Committee shall hold meetings at least once in three months (quarterly).

The Audit Committee shall submit reports on its work to the Supervisory Board.

The Audit Committee shall prepare proposals, opinions and positions within its scope of work for the Supervisory Board to decide on these matters.

#### **Article 41**

Beside the permanent working bodies of the Bank defined within previous provisions and required by the law, the Bank shall be able to establish temporary working bodies.

Bodies from paragraph 1 of this article shall manage different areas of the work of the Bank, and define their scope and competences within Rules of procedure on work of the body.

## **V - THE BANK'S OPERATIONS**

### ***5.1. Areas of Operations of the Bank***

#### **Article 42**

The areas of operations of the Bank are the organizational units performing activities which incur significant risks for the Bank, as follows:

1. Retail Business Division,
2. Risk Management Division,
3. Strategy, Finance and Bank Operations Division,
4. Corporate Business Division,
5. IT Division,
6. Corporate Governance and Bank security Division.

The areas of operations are managed by the members of the Management Board who organize the work in their respective areas and report to the Supervisory Board for the work in the areas under their competence.

### **5.1.1. Risk Management**

#### **Article 43**

The Bank shall set up the system for management of risks on a daily basis managed by the members of the Management Board.

The risk management system shall particularly include the following types of risks:

- ) liquidity risk,
- ) credit risk,
- ) residual risk,
- ) concentration risk,
- ) counterparty risk,
- ) securitization risk,
- ) market risk,
- ) interest rate risk arising from non-tradable positions,
- ) operating risks,
- ) excessive financial leverage risk,
- ) other risks.

#### **Article 44**

By the Asset and Liability Management Policy (ALM Policy) and based on the special regulation of the Central Bank of Montenegro, the Bank shall define measures and activities to be continuously undertaken with the aim of ensuring the Bank's operations in a way to enable it to settle all its obligations at the time of their maturity.

#### **Article 45**

The Supervisory Board shall periodically, but at least once a year, reconsider the credit risk strategy and important credit risk policies of the Bank.

#### **Article 46**

By the procedures for credit risk management and in line with the regulation of the Central Bank of Montenegro, the Bank shall define the methodology for assets classification according to the level of the credit risk and the assessment of loss arising from the credit risk.

**Article 47**

The Bank shall adopt and implement adequate policies and procedures for residual risk management.

The Bank shall adopt and implement adequate policies and procedures for the management of concentration risk arising from exposures towards any counterparty, including central counterparties, groups of related counterparties and other counterparties from the same economic sector, the same geographical region, the same activity or related to the same commodity, as well as for the application of credit risk mitigation techniques, including in particular risks associated with large indirect credit exposures such as indirect exposure towards a single collateral provider.

In line with the methodology prescribed by the Central Bank of Montenegro, the Bank shall measure the exposure towards the market risks and determine the total capital requirements for those risks.

**Article 48**

In line with the methodology prescribed by the Central Bank of Montenegro, the Bank shall measure the exposure to the operating risk and determine the capital requirements for the operating risk.

In line with the methodology prescribed by the Central Bank of Montenegro, the Bank shall measure the exposure to the country risk and determine the capital requirements for the country risk.

In accordance with the Law on Credit Institutions and bylaws adopted by the Central Bank of Montenegro, the Bank shall establish and implement strategies, policies, processes and systems for identifying, measuring and monitoring individual risks and managing those risks.

***5.1.2. Internal Control System and Internal Audit*****Article 49**

In conformity with the Law on Credit Institutions and bylaws brought by Central Bank of Montenegro the Bank establishes, maintains and improves an effective system of internal control which includes the principles for delegating the powers and responsibilities, segregation

of duties, keeping of accounting records of assets and liabilities, matching of accounting data, securing the Bank's assets and providing independent internal audit, as well as accomplishment of the monitoring compliance function with the aim of observance of the Law and regulations brought in accordance with the Law and risk control functions.

### ***5.1.2.1. Monitoring the Compliance of the Bank's Operations with Regulations (Compliance)***

#### **Article 50**

The function of monitoring and control of the compliance of the Bank's operations with regulations is under the competence of a special organizational part within the Bank - Compliance Department.

The following activities shall be performed within the compliance function:

- 1) determining, assessing and monitoring the compliance of the Bank's operations with regulations, internal documents and standards;
- 2) identifying and assessing risks on possible incompliances the Bank is exposed to or may be exposed to in its operations;
- 3) assessing the effects of new regulations on the Bank's operations;
- 4) checking the compliance of new products or activities with the relevant regulations in cooperation with the function of risk control;
- 5) reporting to the Management Board, the Supervisory Board, the relevant working body of the Supervisory Board and other relevant persons on the risk referred to in item 1 of this paragraph;
- 6) advising the Management Board and other responsible persons on the application of regulations and internal documents, taking into account the changes thereof;
- 7) cooperating with the function of risk control and exchanging information regarding the risk referred to in item 1 of this paragraph and managing that risk; and
- 8) monitoring and making recommendations on the relevant educational programs.

#### **Article 51**

Director of Compliance Department of the Bank is a person with special powers and responsibilities who shall within his or her duties, periodically, but at least semi-annually,

submit to the Management Board and Supervisory Board a report on the work of the compliance function.

### **5.1.2.2. Activities of Risk Control Function**

#### **Article 52**

The Bank shall ensure the function of risk control within which the following activities are performed:

- 1) participation in the development and review of risk management strategies and policies, as well as in their supervision;
- 2) preparation of independent information, analyses and assessments of exposure to risks;
- 3) provision of advice on decisions related to risk management and reporting to the Management Board, Supervisory Board or the relevant working body of the Supervisory Board on whether exposures to risk and decisions on risk assumption are in line with the Bank's risk appetite and risk management strategy;
- 4) participation in the process of making all significant decisions related to risk management, including decisions made at the level of business lines or organizational units, without the right to make decisions;
- 5) analyses of risks present in new products, implementation of significant changes in the existing products, including significant changes in related procedures and systems in the Bank's operations, extraordinary transactions, as well as entry into new markets and trading in new financial instruments;
- 6) making proposals and recommendations for improving the risk management system;
- 7) monitoring and analyses of the Bank's risk profile in relation to strategic objectives and risk appetite, including exceeding the limits, proposing measures for their elimination and notifying the competent authority of the Bank;
- 8) conducting stress testing;
- 9) identification and assessment of risks in regard to transactions with related parties;



10) analyses, follows-up and reports to the Management Board, the Supervisory Board and the relevant working body of the Supervisory Board on the adequacy of the Bank's internal capital and internal liquidity and review of strategies and procedures for assessing internal capital requirement and internal liquidity.

The Bank shall ensure that the function of risk control regularly informs the Management Board, the Supervisory Board and/or the Risk Committee of the Supervisory Board about the assumptions used for the risk analysis, as well as about possible shortcomings of that analysis.

### **5.1.2.3. Internal Audit**

#### **Article 53**

Internal audit shall be organized as an independent in-house function.

The function of internal audit shall be performed by a special organizational unit of the Bank - Internal Audit Department.

The internal audit activities shall be directed towards the improvement of the Bank's internal organization functioning through systematic and disciplined approach to the improvement of the internal control system efficiency.

#### **Article 54**

Internal audit shall operate on the basis of the risk assessment in the areas of operations which implies directing the activities, by volume and priorities, from high risky to the less risky areas, organizational units and transactions.

The work method and work-related matters concerning the internal audit shall be more closely regulated by the Rules of Procedure on the Bank's Internal Audit Department.

#### **Article 55**

Internal Audit Department shall be managed by the internal auditor appointed by the Supervisory Board.

The Supervisory Board shall adopt annual plans for the internal audit and internal audit reports.

## **5.2. Limitations in the Bank's Operations**

### **Article 56**

In performing the banking activities, the Bank shall adhere to the provisions on the prohibition of the competition in order to avoid disloyal concentration on the banking market.

The Bank shall not set the limits of operations that are stricter than those prescribed by the Law, except at the request of the Central Bank of Montenegro.

### **5.2.1. Banking Secret**

#### **Article 57**

The banking secret means data on account holders and account numbers, data on deposits and data on loan beneficiaries and balance of their loans, and other data and information about the client obtained by the Bank while providing services to the client.

The banking secret represents the business secret.

#### **Article 58**

The data representing the banking secret may be made available to the Central Bank of Montenegro, competent court, other persons, exclusively based on the explicit written consent of the client and in other cases stipulated by the Law.

### **5.2.2. Informing the Clients**

#### **Article 59**

Upon the client's request, the Bank shall provide information on the balance of the credit or deposit account and ensure his or her access to other data which can be made available to the client in line with the Law.

The Bank's documents shall define the kinds of data that are disclosed, as well as the deadlines and the method of their disclosure.

## VI - ORGANIZATIONAL UNITS OF THE BANK

### Article 60

Organizational units of the Bank within the Network of Business Units are:

- ) branches,
- ) sub-branches, and
- ) counters.

### Article 61

a) *A branch carries out the following activities:*

1. Activities with corporate and retail clients
  - ) Account opening, receipt of applications for all types of cards, custody services, eBanking and other products and services,
  - ) Concluding POS contracts with clients,
  - ) Treasury activities; Renting safe-deposit boxes to citizens.
2. Domestic depositary operations with corporate and retail clients,
3. Currency exchange activities,
4. National payment operations for corporate and retail clients,
5. International payment operations for corporate and retail clients,
6. Acceptance of applications and issuance of certificates on liquidity (for corporate and retail clients),
7. Western union transactions,
8. Collection of data and providing information on clients' creditworthiness (corporate and retail),
9. Processing and approving loans in line with internal procedures for corporate and retail clients; Issuing all types of guarantees and letters of credit; Preparing cases for Special Credit Handling Department and preparing limit applications; Monitoring of loan collection for corporate and retail clients,
10. Processing and recording payment instruments,
11. Acting upon complaints,
12. Other banking activities specified by the Law and the Bank's regulations.

b) *A sub-branch carries out the following activities:*

1. Activities with corporate and retail clients

- ) Account opening, receipt of applications for all types of cards, custody services, eBanking and other products and services,
  - ) Concluding POS contracts with clients,
  - ) Treasury activities, Renting safe-deposit boxes to citizens.
- 2. Domestic depositary operations with corporate and retail clients,
- 3. Currency exchange activities,
- 4. National payment operations for corporate and retail clients,
- 5. International payment operations for corporate and retail clients,
- 6. Western union transactions,
- 7. Collection of data and providing information on clients' creditworthiness (corporate and retail clients),
- 8. Processing and approving loans in line with internal procedures for corporate and retail clients; Issuing all types of guarantees and letters of credit; Preparing cases for Special Credit Handling Department and preparing limit applications; Monitoring of loan collection for corporate and retail clients,
- 9. Processing and recording payment instruments,
- 10. Acting upon complaints,
- 11. Other banking activities specified by the Law and the Bank's regulations.

c) *A counter carries out the following activities:*

- 1. Depositary operations with retail clients,
- 2. Currency exchange activities,
- 3. National payment operations for corporate and retail clients,
- 4. International payment operations for retail clients,
- 5. Western Union transactions
- 6. Retail activities:
  - Account opening, receipt of applications for all types of cards, custody services, eBanking and other products and services,
- 7. Acting upon complaints,
- 8. Acceptance of applications and issuance of certificates on liquidity (for corporate and retail clients),
- 9. Treasury activities; Renting safe-deposit boxes to citizens,
- 10. Provides account statements to legal entities,
- 11. Also performs other banking activities specified by the Law and Bank's regulations.

Detailed description of business units' network of Crnogorska Komercijalna Banka and business processes performed within their competences are defined by special regulations of the Bank.

**Article 62**

Organizational parts of the Bank do not have the status of the legal entity. Managers are directly responsible for the work of the Bank's organizational parts.

**VII - ACCOUNTING, AUDITING AND REPORTING****7.1. Accounting****Article 63**

The Bank keeps business books, prepares accounting reports, evaluates assets and liabilities and compiles financial statements in line with the following:

1. Law on Credit Institutions and regulations which are brought on the basis of that Law,
2. Law on Accounting,
3. International Accounting Standards and
4. International Financial Reporting Standards.

The Bank keeps its business books according to the Chart of Accounts prescribed by the Central Bank of Montenegro.

**7.2. External Audit****Article 64**

The audit of the Bank's annual financial statements is carried out by the external auditor, i.e. the audit company appointed by the General Shareholders Meeting with the approval of the Central Bank of Montenegro. The independent external audit of the Bank's financial statements is carried out in line with the special regulations governing audit area in Montenegro, international accounting standards, the auditing ethics and the regulations of the Central Bank of Montenegro.

**7.3. Reporting****Article 65**

In line with the regulation of the Central Bank of Montenegro, the Bank shall prepare and timely submit to the Central Bank of Montenegro accurate reports and other data on its financial position and operation.

**Article 66**

Data which are significant for informing the public on the financial position and operation of the bank are published on the Bank's website.

Every year, the Bank publishes the Annual Report on Bank's Performance in both Montenegrin and English language.

**VIII - THE BANK'S PROFIT****Article 67**

The Bank determines its revenues, expenditures and profit in conformity with legal regulations and the provisions of these Articles of Association.

The part of the revenues that remains in the annual calculation after the servicing of all expenditures and other legal obligations, the Bank discloses as its profit.

The profit referred to in paragraph 1 of this Article shall be distributed to:

1. the Bank's reserves,
2. the Bank's shareholder as dividend,
3. for other purposes in conformity with the Law.

**Article 68**

If annual calculation of the Bank shows that revenues are not sufficient to cover the expenditures and other legal obligations, the Bank discloses the business loss.

The Bank covers the disclosed business loss in accordance with regulations and international standards.

**IX - REPRESENTATION AND AGENCY OF THE BANK*****9.1. Chairperson of the Management Board*****Article 69**

The operations of the Bank shall be managed and represented by the Chairperson and at least one other member of the Management Board. The Chairperson of the Management Board shall have the following powers and responsibilities:

- a) to represent and act on behalf of the Bank,
- b) to ensure the implementation of decisions passed by General Shareholders Meeting, Supervisory and Management Boards,
- c) to organize and manage the work process within the Bank,
- d) to coordinate the work of other members of the Management Board,
- e) to convene and chair sessions of the Management Board,
- f) to undertake initiatives and give proposals for enhancing the Bank's business operations,
- g) to take care of maintaining the Bank's solvency and liquidity,
- h) to ensure the legality of the Bank's operations,
- i) to decide, at first instance, on rights arising from the employment relationship,
- n) to perform other activities under his or her competence as defined by the Law and the Bank's documents.

#### **Article 70**

When undertaking the activities on behalf and for the account of the Bank, minimum the signatures of two members of the Management Board of the Bank are required (four eyes principle).

The chairperson of the Management Board of the Bank shall sign on behalf and for the account of the Bank with minimum one member of the Management Board.

The general rules of signing in the name and on behalf of the Bank are regulated in more detail by internal regulations issued by the competent body of the Bank.

The Chairperson of the Management Board of the Bank, during his or her absence, by way of a Special Power of Attorney, shall transfer his or her powers to another person to represent and act on behalf of the Bank in that period, of which he or she shall inform the Supervisory Board.

## **9.2. Procuracy**

#### **Article 71**

The Management Board of the Bank may authorize one or more procurators to represent the Bank, i.e. to conclude contracts and undertake legal actions in the name and on behalf of the Bank, but only together with at least one member of the Management Board of the Bank.

The person granted with the procuracy (general power to represent) should have appropriate experience in performing activities related to banking and financial market, as well as in managing organizational units of the Bank that are important for performing the activities of the Bank.

The general power to represent is given in the form of a notarial deed and must be registered in the Central Registry of the Commercial Court.

The procurator may conclude contracts and undertake legal action in the name and on behalf of the Bank for which he or she is authorized on the basis of the procuracy.

The procuracy may be revoked at any time, regardless of the legal transactions for which it has been issued.

## **X - THE BANK'S EMPLOYEES**

### **Article 72**

The employees of the Bank are the persons who have established employment relationship with the Bank.

The Bank's employees have rights, duties and responsibilities determined by Law and other regulations, the Collective Labor Agreement, these Articles of Association and other general documents of the Bank.

## **XI - GENERAL DOCUMENTS OF THE BANK**

### **Article 73**

General documents of the Bank are the Articles of Association, Strategies, Rules, Policies, Procedures, Decisions and other documents brought by the bodies of the Bank, which regulate certain matters in a general manner.

### **Article 74**

The main general document of the Bank is the Articles of Association.



Other general documents of the Bank shall be in compliance with the Articles of Association.

Individual documents brought by the bodies of the Bank and authorized persons of the Bank shall be in compliance with the general documents of the Bank.

## **XII - FINAL PROVISIONS**

### **Article 75**

The shareholder of the Bank and the Supervisory Board shall have the right to propose change, that is, amendment to the Articles of Association.

When the Supervisory Board receives the proposal for change, that is, amendment to the Articles of Association submitted by the shareholder of the Bank, or when the Supervisory Board itself makes such proposal, the proposal with the rationale for change, that is, amendment to the Articles of Association shall be submitted to General Shareholders Meeting.

Changes, that is, amendments to the Articles of Association shall be adopted by the General Shareholders Meeting.

### **Article 76**

These Articles of Association shall enter into force on the day of its registration into the Central Registry of Business Entities (CRPS) and shall apply starting from, 10 February 2023.

Upon the application of these Articles of Association, the Articles of Association adopted on August 29, 2022 shall become null and void.