

# **CHARTER OF PROCREDIT BANK SH.A. KOSOVO**

**(As Amended and Restated)**

**Approved by the Extraordinary General Meeting of Shareholders of  
ProCredit Bank SH.A. Kosovo, 16<sup>th</sup> August 2017**

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## **Part I - Name, Legal Status, Head Office, and Purpose**

### ***Article 1 - Legal Status***

1. ProCredit Bank Sh.a (joint stock company) (hereinafter referred to as the “Bank”), is a commercial bank, organized as joint stock company and the liability of the shareholders is limited as per applicable law of the Republic of Kosovo.
2. The Bank is a legal entity. The rights and obligations of the Bank are determined by the present charter (the “Charter”), the Law on Business Organizations No. 02/L-123, the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions No. 04/L-093, regulations of the Central Bank of the Republic of Kosovo and all other applicable statutory instruments and/or regulations according to the law in force in the Republic of Kosovo, as amended from time to time.

### ***Article 2 - Firm, Logo and Stamp***

1. The Bank has its corporate name, stamp and logotype, as well as other relevant requisites thereof.
2. The Bank conducts its business operations under the name “ProCredit Bank Sh.a.” (the firm).
3. Whenever the Bank's name is used in printed or other written form, the name shall be preceded by a logo, the design of which is provided in Annex 1 hereto.
4. The Bank has a round company stamp and a rectangular date stamp. Both display the name and the logo of the Bank. The Bank stamp and the date stamp may also display the logo and address of the head office of the Bank or, in the case of the company stamp and date stamp of a branch, the logo and address of the branch in question. The stamps will be registered with the appropriate authorities.

### ***Article 3 - Seat and Address***

The Bank’s registered office is located at Street George Bush 26, 10 000, Pristina, Republic of Kosovo.

### ***Article 4 - Participation in Forms of Association***

1. The Bank may operate a network consisting of branches, subsidiaries and/or affiliates and representative offices within Kosovo and abroad.
2. The Bank may participate in companies, consortiums and other forms of association provided for by law.

### ***Article 5 - Objectives of the Bank***

1. The Bank's objective is to conduct banking transactions and to offer financial services and other related services and transactions including the acquisition, holding and disposal of interests in other enterprises. In its lending operations the Bank will provide loans primarily, but not exclusively, to small enterprises, thereby contributing to the economic development of Kosovo.
2. The Bank may realize its objectives itself, through affiliated companies in Kosovo and abroad, and through equity participations.

### ***Article 6 - Accounting Year, Currency and Principles***

1. The fiscal year of the Bank coincides with the calendar year. It consists of twelve months, starting from January 1 and ending on December 31.
2. The Bank shall prepare its annual financial statements on the basis of the Euro.
3. The accounting principles of the Bank, and, accordingly, the periodic financial statements of the Bank, shall be compliant with Kosovo Accounting Standards and the International Financial Reporting Standards (hereinafter: IFRS).

### ***Article 7 - Other General Provisions***

1. The firm and logo, together with the seat and address of the Bank, as well as all other data required by the law in force in the Republic of Kosovo, shall be placed on all documents issued by the Bank.
2. The Bank's corporate existence is not limited in time.
3. The Bank has its own property and it can appear in legal transactions under its own name, acquire property rights and non-property rights, undertake obligations, and be a claimant or defendant in a court, an arbitration court and/or a mediation forum.
4. The Bank has its own balance sheet, is entitled to open settlement and other types of accounts (including foreign currency accounts) in Kosovo and foreign countries.

## **Part II - Business to be engaged in by the Bank**

### ***Article 8 - Activities***

1. The Bank carries out its activities in accordance with the Law on Business Organizations No. 02/L-123, the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions No. 04/L-093, decrees, rules and other regulations of the Central Bank of the Republic of Kosovo, documented administrative and accounting procedures, terms, conditions and limitations attached to the banking licenses, all other applicable statutory instruments and/or regulations according to the law in force in the Republic of Kosovo as amended and the present Charter. If there is no applicable regulation or decree of the Central Bank of the Republic of Kosovo for specific banking activity, the Bank will act in accordance

with international banking practices, with the prior approval of the Central Bank of the Republic of Kosovo.

2. In accordance with the license issued by the Central Bank of the Republic of Kosovo, the Bank provides lending, financial, settlement, cash and other banking services, including, but not limited to:
  - a. receiving interest bearing and non-interest bearing (demand, time and other) deposits and other refundable payment instruments;
  - b. holding accounts and financial assets;
  - c. issuing of loans, including, without limitation, business, mortgage, consumer and other types of loans, trade finance, issuance of guarantees, letters of credit and acceptance bills;
  - d. borrowing funds and buying or selling for its own account or for the account of customers:
    - i. money market instruments;
    - ii. debt securities;
    - iii. futures and options relating to the debt securities or interest rates; or
    - iv. interest rate instruments;
  - e. purchase and sale of monetary instruments for the Bank's and the Bank's clients' accounts (including, without limitation, cheques, promissory notes and depositary certificates), securities, futures, options and swaps with debt instruments and/or interest rates, currencies, interest rate instruments, debt instruments, foreign exchange instruments, precious metals and gems;
  - f. carrying out cash and non-cash transactions, providing cash collection services;
  - g. issuing and circulating payment tools (payment notes, cheques and bills of exchange);
  - h. money brokerage (including foreign currencies);
  - i. leasing;
  - j. providing safe-deposit services;
  - k. intermediary services on financial markets;
  - l. buying and selling foreign currencies, including transactions involving futures contracts exclusively for hedging its own interest rate and/ or exchange rate risk;
  - m. providing trust services, including, without limitation, the investment and administration of funds received in trust;
  - n. credit-information services;
  - o. services related to any of the activities provided above;
  - p. any other type of banking activity carrying out of which is permitted for the Bank under the laws of the Republic of Kosovo.

The list of activities as per the Kosovo Business Registration Agency list is set out in Annex 5.

3. When carrying out its activities the Bank is obliged to comply with the economic limits and economic standards set by the Central Bank of the Republic of Kosovo.

4. The Bank shall adhere to the rules and regulations set forth by the banking legislation of the Republic of Kosovo regarding holding the equity interests by the Bank in other legal entities.

### ***Article 9 - Exceptions***

1. In no event is the Bank permitted to finance businesses engaged in any of the excluded activities identified on the Exclusion List attached as Annex 2 hereto.

## **Part III - Capital and Shares**

### ***Article 10 - Share Capital***

1. The amount of the total authorized Share Capital of the Bank is as set out in Annex 4.
2. The shares may be allotted for cash. They may be allotted for consideration in kind only if the consideration is approved by 75% or more of the shareholders and any procedures in the applicable law requiring a valuation are followed.

### ***Article 11 - Shares***

1. The ordinary shares of the Bank shall have the same nominal value in the amount of EUR 5 per share, and a share may be divided subject to prior approval by the General Meeting of Shareholders. The ordinary shares shall have equal rights.
2. The shares issued by the Bank are registered and un-certificated and are subject to entry in the share register as determined in Article 13.
3. The ordinary shares are numbered from share number 1 up to the number issued.
4. Shares shall not be issued at a price less than their nominal value. If the shares are issued at a value higher than the nominal value, the excess amount, after backing issue expenses, shall be added either to the legal reserve or to a special reserve.
5. Only shares fully paid up shall be issued to the shareholders.
6. If a Shareholder fails to pay any amount due to the Bank in respect of his/her shares on the day appointed for payment thereof, the shares in respect of which the amounts are payable shall be offered for subscription to the remaining Shareholders in the proportion of their respective holdings in the issued aggregate share capital
7. Pursuant to the Law on Business Organisations the Bank may not assist the financing of or finance the purchase of its own shares by a third party.
8. The Bank may repurchase up to 10% of its issued shares from shareholders subject to complying with certain procedures under the Law on Business Organisations and the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions No. 04/L-093.

***Article 12 - Transfer of shares***

1. The shares shall be transferred in accordance with applicable laws subject to restrictions in any shareholder agreement which may require a first option to be given to the existing shareholders.
2. The Bank shall be notified by the seller of any transfer of a registered share and the evidence of transfer shall be furnished.
3. The Bank shall register transfer of ownership free of charge and without any restriction within three days from the receipt of the evidence of transfer of shares.

***Article 13 - Share Register***

1. The Bank shall keep a register of its shareholders and enter in it the particulars as follows:
  - a. the name and addresses of the shareholders;
  - b. the date on which a shareholder was registered as a shareholder;
  - c. number of shares owned by each shareholder;
  - d. the date at which any person ceased to be a shareholder; and
  - e. a statement of the shares held by each shareholder, distinguishing each share by its number.
2. The share register shall be maintained by the company secretary or an independent registrar authorized by the Bank, which is obligated to register all changes in the ownership of the shares.
3. Each shareholder of the Bank is entitled to inspect the share register and he may request a copy of the register, or of any part of it, on payment of a reasonable charge; and the Bank shall cause any copy so required to be sent to him/her within 5 days beginning with the day immediately following the day on which such request is received by the Bank.
4. Except as ordered by a court of competent jurisdiction or as required by applicable law or by this Charter no person shall be recognized by the Bank as holding any share in trust and the Bank shall not be bound by or be compelled in any way to recognise any equitable, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety thereof held by the registered Shareholder.
5. In relation to the Bank a person may only be considered as a shareholder if he/she/it is registered in the share register.
6. If, in the opinion of the Bank, a person has been wrongly registered as shareholder in the share register, the Bank may cancel the registration only if it has previously notified the persons concerned by the intended cancellation and has granted them a reasonable period of time to make an objection.

### ***Article 14 - Increase of the Share Capital***

1. The Bank's authorized capital may be increased by resolution of the General Meeting of Shareholders.
2. The Board of Directors may propose to the shareholders an increase of the issued share capital within the limits of the authorized share capital.
3. The notice to the shareholders must state the reasons for the increase, the amount of the proposed increase, a draft of the changes of the Charter connected with the increase, an explanation of the number of additional shares to be issued or of increases in par value, as appropriate, proposed dates of the beginning and termination of the subscription period for the additional shares and details of the period and arrangements for the exercise of any preferential subscription rights as per Article 15 below.

### ***Article 15 - Preferential Subscription Rights of the Shareholders***

1. Unless otherwise determined by the General Meeting of Shareholders in the resolution to increase the authorized share capital and except in relation to shares relating to an employee share scheme, each shareholder shall be entitled, upon demand, to subscribe to new shares in proportion to his holding in the existing issued share capital. A period of not less than two weeks shall be set for exercising such subscription rights (hereinafter referred to as a "Subscription Period"). If one or more Shareholders do not make use of such subscription right, the other Shareholders shall have the right to subscribe the unsubscribed shares in proportion to their respective existing aggregate shareholdings for up to a year after the date of the shares being offered, or such shorter period of time as agreed in the original shareholder resolution, provided that their subscription price is not less than 100% of the price originally authorised and offered to the non-subscribing shareholders.
2. Every Shareholder intending to exercise his/her/its subscription rights as set out in previous paragraph of this article shall submit a written notice (hereinafter referred to as a "Subscription Notice" expressing such intention to the Chairperson of the Board of Directors within the subscription period as set out in subsection (1) of this article. The Chairperson of the Board of Directors shall ensure that the subscribers of new shares receive a Subscription Confirmation within one week from the end of the Subscription Period at the latest. The Subscription Confirmation shall specify the number of shares allocated to each Subscriber of new shares and the payment details required to execute the payment.
3. Following the registration of the new shares in the share register the Bank shall register each Shareholder, the number of shares for which he/she/it subscribed, and any other information required by law, in the share register and furnish proof thereof of such Shareholders.

### ***Article 16 - Reduction of the Authorized Share Capital***

1. The Bank's authorized capital may be reduced by resolution of the General Meeting of Shareholders. The resolution shall stipulate whether part of the share capital is to be repaid.
2. Any reductions of the authorized capital shall be subject to approval by the Central Bank of the Republic of Kosovo and must follow the procedures regarding public notification in the Law on Business Organisations.
3. The share capital may be reduced by:
  - a. a reduction of the nominal value of the shares;



- b. a cancellation of shares which, at the date of the passing of such resolution, have not been taken or agreed to be taken by any person, and a diminution of the amount of the Bank's share capital by the amount of the shares so cancelled.
4. The agenda, report and resolution must stipulate in which manner the capital reduction is to be made.
5. Any resolution adopted according to the provisions of this article shall be promptly communicated in writing by the Chairperson of the Board of Directors or an attorney in fact authorised by the General Meeting of Shareholders to those Shareholders which were not present or duly represented at the Meeting of the General Meeting of Shareholders at which the said resolution was passed.

### ***Article 17 - Other Alterations of the Share Capital***

1. The General Meeting of Shareholders may resolve to modify the division of its authorised capital.
2. Any resolution adopted according to the provisions of this article shall be promptly communicated in writing by the Chairperson of the Board of Directors or an attorney authorised by the General Meeting of Shareholders to those Shareholders which were not present or duly represented at the Meeting of the General Meeting of Shareholders at which the said resolution was passed.

### ***Article 18 - Appropriation of Profit and Allocation of Losses***

1. Losses shall be covered from the following sources, with these sources being utilised in the following order:
  - a. the Bank's retained earnings;
  - b. the Bank's voluntary reserves;
  - c. the Bank's statutory reserves;as far as such retained earnings and/or reserves are sufficient for this purpose.
2. Losses that cannot be covered by retained earnings and/or reserves shall be carried forward into the subsequent year.
3. The annual profit after taxes shall be used for the following purposes and in the following order:
  - a. to cover losses carried forward;
  - b. to increase or replenish the statutory reserves up to the amount required by law (if any);

Any remaining profit after taxes shall for a given year, subject to a resolution passed by the General Meeting of Shareholders, be carried forward and/or allocated to the voluntary reserves and/or be distributed in the form of a dividend to the shareholders. Part IV - Shareholders – Rights and Obligations

## **Part IV - Shareholders - Rights and Obligations**

### ***Article 19 - Rights of the Shareholders***

1. The Bank's shareholders are those persons who hold the shares of the Bank under the established rules and regulations and are registered with the share register of the Bank.
2. All ordinary shares of the Bank shall enjoy equal and inherent rights in the ownership thereof and shall entitle the shareholder of such share to undertake the following (subject to any shareholder agreement which may otherwise impose restrictions) namely:
  - a. the right to vote at the General Meeting of Shareholders, provided one share shall count for one vote;
  - b. the right to receive dividends declared by the general meeting ;
  - c. the preferential right of subscribing for new shares;
  - d. the right to share in the distribution of the Bank's assets on liquidation;
  - e. the right to transfer shares in pursuance of the law;
  - f. the right to view the Bank's balance sheet, the profit and loss account and the share register;
  - g. the right to receive written materials related to the agenda of the General Meeting of Shareholders (as hereinafter defined), or to review them at the head office of the Bank;
  - h. the right to be notified of the meeting of the General Meeting of Shareholders and to participate and vote in such meeting personally or by proxy.

### ***Article 20 - Obligations of the Shareholders***

1. The shareholders of the Bank shall have the obligation to make contributions covering the issue value of the subscribed shares within the terms specified in this Charter or by resolution of the General Assembly.
2. The shareholders of the Bank must act in accordance with the rules defined in the present Charter

## **Part V - Bodies of the Bank**

### ***Article 21 - Types of Bodies***

The bodies of the Bank shall be:

- a) the General Meeting of Shareholders;
- b) the Board of Directors; and
- c) the Management Board

## **Section I - General Meeting of Shareholders**

### ***Article 22 - Status and Meetings of the General Meeting of Shareholders***

The General Meeting of Shareholders is the supreme decision making organ of the Bank. It conducts two types of meetings: Ordinary Meetings and Extraordinary Meetings.

### ***Article 23 - Ordinary Meetings of the General Meeting of Shareholders***

1. Ordinary Meetings of the General Meeting of Shareholders shall take place at least once per year, as foreseen by applicable law.
2. The Ordinary Meeting of the General Meeting of Shareholders analyses and discusses the reports on operations prepared by the Board of Directors and, notwithstanding any other right or obligation stipulated in the applicable laws and/or the Charter,
  - a. by a majority of votes representing 90% of the issued share capital, it has the exclusive competence to:
    - i. approve sales of substantial portions of the assets of the Bank;
    - ii. decide on status changes and mergers of the Bank;
    - iii. approve the commencement of any business other than banking or related financial services, either directly or through a subsidiary, provided that this shall not prevent the holding of equity stakes in small and medium sized enterprises to the extent necessary for enforcement of collateral or to the extent reasonably appropriate as part of the Bank's investment strategy;
    - iv. decide on dissolution of the Bank or whether it should seek protection of insolvency laws;whereby each shareholder shall not unreasonably withhold its consent to any of the issues set out in sub-paragraphs (i) to (iv);
  - b. by a majority of votes representing 75% of the issued share capital, it has the exclusive competence to:
    - i. decide on increases, reductions and/or alterations of the authorised capital and the volume, type, date and mode of issuances of new shares;
    - ii. amend the Charter and any bylaws or company agreement which is subsequently issued;
    - iii. determine the policy guidelines of the Bank and any amendments or changes thereto;
    - iv. decide on any transaction by the Bank which is not in the ordinary course of its business and/or on ordinary commercial terms and/or on the basis of arm's –length arrangements; and
    - v. decide on the conclusion of any partnership, profit sharing or royalty agreement or any other similar arrangement by the Bank whereby the Bank's income or profits are, or might be, shared with any third party;

- vi. decide on the purchase or acquisition, pledge or mortgage of property rights or other rights (other than the rights referred to in paragraph vii. below), the monetary value of which on the date of the Bank's decision to complete the transaction comprises 50% or more of the book value of the Bank's assets based on the Bank's most recently compiled balance sheet; and
  - vii. decide on the purchase or acquisition of property with accounting value between 15% (fifteen) and 33% (thirty three) of the total existing property of the bank if such transaction is not previously approved by unanimous decision of the Board of Directors.
- and
- c. by simple majority of the votes present, it has the exclusive competence to:
    - viii. approve the annual financial statements and the annual report;
    - ix. decide on the appropriation of profits and the coverage of losses and payment of any dividend;
    - x. decide which independent auditor shall be appointed to audit the financial statements;
    - xi. appoint and remove from office the members of the Board of Directors and set the expense allowance to be paid to the members;
    - xii. ratify the acts of the Board of Directors and the Chief Executive Officer; and
    - xiii. pass other resolutions in accordance with the applicable laws, and other internal rules and arrangements of the Bank.
3. The Chairperson of the Board of Directors is responsible for arranging the sending of written invitations or notice by facsimile, email, courier or registered letter to the shareholders of record for them to attend the General Meeting of Shareholders at least 10 days prior to the date of the meeting. The Chairperson also determines the agenda. The notice of the meeting shall state the date, time and place of the meeting and shall include the agenda with the appropriate documentation including details of any candidates for Board members, copy of annual report, profit and loss and balance sheet where they must be approved or a statement of when and how they will be sent to or made available to shareholders prior to the annual meeting. A director may not be removed at a meeting unless the notice of the meeting states that the purpose of the meeting. It shall also be required to give notice ten (10) days prior to the date of the meeting by placing an advertisement of no less than 10% of a page in a newspaper of general circulation in Kosovo in Albanian, Serbian and English languages.
4. As a rule, the Ordinary Meeting of the General Meeting of Shareholders takes place at the business premises of the Bank. At the suggestion of the Chairperson of the Board of Directors, it may, however, be conducted at another place, including one not located in Kosovo, provided, however, that such place does not place any undue burden upon any of the Shareholders.
5. For the purpose of determining the right to receive notice of a meeting or the right to vote, the relevant shareholders of record shall be those who are registered as shareholders or entitled to be registered as shareholders on the date which is 30 days prior to the scheduled date of the meeting ("the Record Date").

### ***Article 24 - Extraordinary Meeting of the General Meeting of Shareholders***

1. An Extraordinary Meeting of the General Meeting of Shareholders shall take place if a written request asking that such a meeting be held is submitted by a majority of the members of the Board of Directors or by shareholders holding in the aggregate total of 75% of the voting rights. The written request must be submitted to the Chairperson of the Board of Directors in less than ten 10 days prior to the proposed date of the meeting and must include the agenda, date, time and place of the meeting. The Board of Directors shall adopt a decision to convene or refuse a meeting within 5 days of receipt. A refusal to convene a meeting shall state the grounds for refusal, namely whether the correct number of persons holding the correct percentage of votes has requested the meeting or if none of the issues on the agenda are within the competence of the shareholders.
2. The Extraordinary Meeting of the General Meeting of Shareholders has the same powers as the Ordinary Meeting of the General Meeting of Shareholders except that it may not adopt a resolution approving the annual financial statements, the annual report or the appropriation of profits and the coverage of losses.
3. The Chairperson of the Board of Directors is responsible for sending written invitations by facsimile, email, courier or registered letter to the shareholders of record to attend the Extraordinary Meeting of the General Meeting of Shareholders in less than ten (10) days prior to the date of the meeting, and for determining the agenda. Notwithstanding the previous sentence, an Extraordinary Meeting of the General Meeting of Shareholders may also take place at any time with written invitation or on shorter notice, as foreseen in Article 24.4 of the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions No. 04/L-093, if all of the shareholders are present or represented and they decide unanimously to convene such a meeting. The notice of the meeting shall state the date, time and place of the meeting and shall include appropriate documentation.
4. Only business within the agenda may be conducted at an Extraordinary General Meeting unless all the shareholders entitled to vote are present or represented and they agree unanimously to discuss and/or decide on other matters.
5. For the purpose of determining the right to receive notice of a meeting or the right to vote, the relevant shareholders of record shall be those who are registered as shareholders or entitled to be registered as shareholders on the date which is 30 days prior to sending out the notice of the meeting (“the Record Date”).
6. As a rule, an Extraordinary Meeting of the General Meeting of Shareholders takes place at the business premises of the Bank. At the suggestion of the Chairperson of the Board of Directors, it may, however, be conducted at another place, including one not located in Kosovo, provided, however, that such place does not place any undue burden upon any of the Shareholders and this complies with applicable laws.

### ***Article 25 - Representation, Quorum and Voting Rights***

1. Shareholders who are juridical persons may attend meeting of the General Meeting of Shareholders through a duly authorized legal representative. Any shareholder or legal representative of a shareholder unable to attend the General Meeting of Shareholders may designate another shareholder or a third party to exercise his or her voting rights by proxy. Notification of the delegation of voting rights and name and identity details of the proxy must be forwarded to the Chairperson of the Board of Directors in the form of a written proxy prior to the General Meeting of Shareholders. The proxy must provide evidence of identity on attendance. The proxy may state how the shares should be voted at the meeting. If it does not then the proxy may vote the shares as he wishes.
2. The chairperson and at least one member of the Management Board shall be present during the General Meeting of Shareholders.

3. Voting rights may not be delegated to the Chief Executive Officer and/or any of his/her Deputies, the Senior Managers, the Internal Auditor or to other employees of the Bank. No proxy may be valid for longer than six months. A shareholder may revoke a proxy appointment at any time before a vote is cast by either delivering a revocation in writing to the Chairperson or by attending the meeting and voting his/her/its shares in person.
4. During the General Meeting of Shareholders, its members may make their views known either orally or in written form. In exceptional cases, the General Meeting of Shareholders may pass resolutions on the basis of votes submitted by post or facsimile. Detailed rules governing the communication of members' views and voting may be set forth in rules of procedure of the General Meeting of Shareholders determined by the General Meeting of Shareholders.
5. The General Meeting of Shareholders shall have a quorum if shareholders representing more than two-thirds of the issued share capital are present or duly represented. If within sixty (60) minutes from the time appointed for the meeting a quorum is not present, the meeting of the General Meeting of Shareholders, if convened at the request of shareholders representing less than fifty per cent of the voting rights, shall be dissolved; in any other case it shall stand adjourned, with the Chairperson of the Board of Directors determining the specific date (which shall not be earlier than fifteen (15) and not later than thirty (30) days after the date originally appointed for the General Meeting of Shareholders), time and place at which the meeting shall be re-convened; if at the adjourned and re-convened General Meeting of Shareholders a quorum is not present within half an hour from the time appointed for the General Meeting of Shareholders, the shareholders present shall form a quorum. The Chairperson of the Board of Directors shall inform all the shareholders without delay about any adjournment of a meeting of the General Meeting of Shareholders.
6. At meetings of the General Meeting of Shareholders, holders of ordinary shares are entitled to cast one vote for each ordinary share they hold. Unless stipulated otherwise by mandatory provisions of the law or by the provisions of this Charter, resolutions by the General Meeting of Shareholders require a simple majority of the votes present. Cumulative voting shall *not* apply even for the election of or dismissal of directors.
7. Voting for the election or removal of directors shall be by secret ballot. Voting on other matters shall be conducted through ballot papers however it may be conducted by secret ballot if so requested by the meeting or by one or more shareholders holding shares entitled to 20% or more of the votes that may be cast on such matter.
8. The register of shareholders shall be available at the meeting for inspection.

### ***Article 26 - Chairing of Meetings of the General Meeting of Shareholders***

1. Meetings of the General Meeting of Shareholders are chaired by the Chairperson of the Board of Directors or by another member of the Board of Directors designated by the Chairperson or, if the designated Chairperson of the General Meeting of Shareholders is not present, by a shareholder or a duly authorized legal representative of a shareholder appointed by a simple majority of votes of the shareholders present or duly represented at the meeting of the General Meeting of Shareholders.
2. The Chairperson of the General Meeting of Shareholders determines the order in which the agenda items are to be discussed and the manner and form in which voting shall be carried out unless otherwise provided by the rules of procedure of the General Meeting of Shareholders.

### ***Article 27 - Minutes of the Meetings of the General Meeting of Shareholders***

A written record of the substance of all discussions at the General Meeting of Shareholders and of all resolutions adopted by the General Meeting of Shareholders shall be compiled, and this record shall be signed by the Chairperson and any secretary of the meeting who will be responsible for its accuracy. The record shall include the name of the bank and address of the headquarters, date, time and place of the meeting, the agenda, the quorum, the ballot or other procedures used for voting, the number of votes possessed by the shareholders at the meeting, the name of the Chairperson and any secretary, the issues voted on and the results of the votes, a summary of speeches and discussions, a list of the decisions made at the meeting and any objections by the shareholders and members of the board of directors. The Chairperson of the General Meeting of Shareholders or the secretary in charge of minutes is responsible for the compilation of the minutes which should be done no later than 30 days from the date of the meeting.

### ***Article 28 - Waiver of notice***

1. Whenever notice is required to be given under the applicable law and/or this Charter, a waiver of the notice in writing signed by the person(s) entitled to such notice shall be deemed equivalent to the giving of such notice.
2. A shareholder's attendance at a meeting shall constitute a waiver of any objection by the shareholder to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting expressly objects to the meeting on those grounds.
3. A Resolution signed by all the shareholders (in one or more documents) shall have the same force as a resolution of a meeting of the shareholders.

### ***Article 29 - Agenda***

1. A shareholder or shareholder(s) holding at least 5% of all votes entitled to be cast for the voting for the Board of Directors at an annual meeting shall have the right to place issues on the agenda of any meeting and also the right to propose candidates for election at the annual meeting to the Board of Directors, the number of which may not exceed the total number of the members of the Board of Directors. Any such proposals shall be made in writing, shall include the name(s) and numbers of votes of each proposer, and shall be delivered to the Bank, addressed to its Board of Directors at the Bank's principal office by email, courier or facsimile, no later than 8 days before the meeting.
2. Any such proposals which are properly delivered to the Bank at least 8 days before the notice of the meeting is sent shall be included in the notice and agenda for the meeting, and any such proposals which are properly delivered after that time will be promptly delivered by the Bank to all the shareholders to whom the original notice was sent.

## **Section II - Board of Directors**

### ***Article 30 - Status and Composition***

1. The Board of Directors advises and supervises the Management Board in its management of the Bank.
2. The members of the Board of Directors shall be elected by the General Meeting of Shareholders for a period of not more than four (4) years and may be re-elected. The Board of Directors shall have an uneven number of voting members and shall consist of at least 5 members. Majority of these members should be independent, non-executive directors and at least one of them must be resident in Kosovo. Each Director shall have 1 vote. Board members must be natural persons. The Chief Executive Officer must be a member of the Board without the right to vote in accordance with the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions and Central Bank of the Republic of Kosovo requirements.
3. The members of the Board of Directors are subject to the Central Bank of Republic of Kosovo approval, and their names shall be entered into a Registry maintained at the Central Bank of Republic of Kosovo.
4. The Board of Directors shall elect a Chairperson among its members.
5. The Members of the Board of Directors shall enter into employment contracts with the bank that are subject to approval by the General Meeting of Shareholders.
6. The current members of the Board of Directors are listed in the Annex 3 hereto.

### ***Article 31- Duties and Responsibilities of the Board of Directors***

The specific duties and responsibilities of the Board of Directors are as follows:

- a. to determine the bank's business strategy, risk management strategy, and all policies of the Bank within the framework of the policy guidelines as set out by the General Meeting of Shareholders and to obtain reports from officers, management or committees regarding the status of the Bank's operations and any other disclosures required by law, including any disclosures necessary for the Central Bank of the Republic of Kosovo;
- b. to approve the annual business plan (including the annual operating budget) and to monitor its implementation;
- c. to approve the Bank's broad organizational structure unless they have already been explicitly approved by the General Meeting of Shareholders;
- d. to draft proposals for amendments to the Charter and the policy guidelines for adoption at Meetings of the General Meeting of Shareholders;
- e. to appoint and, if necessary, to replace the Chief Executive Officer, to issue guidelines and instructions for his/her activities, and to determine the terms of his/her contract of employment, and to appoint and to approve any Deputies of the Chief Executive Officer, to issue guidelines and instructions for their activities, and to set their remuneration terms and agreements;
- f. to appoint the Senior Managers and to set their remuneration terms and agreements, based on the recommendation of the Chief Executive Officer,



- g. to prepare recommendations and the agenda for the General Meeting of Shareholders and, through its Chairperson, to convene Ordinary and Extraordinary Meetings of the General Meeting of Shareholders;
- h. to propose and mandate the external auditor chosen by the General Meeting of Shareholders, including setting remuneration and terms;
- i. to discuss and to approve reports on the business operations of the Bank during the course of the financial year and to review and approve the annual financial statements and the annual report and to submit it to the General Meeting of Shareholders;
- j. to present all external audit reports to the next following General Meeting of Shareholders;
- k. to approve and establish the special procedural rules for the committees of the Board of Directors particularly Audit Committee and Risk Management Committee, as and when required by the rules of the Central Bank of the Republic of Kosovo and the Banking Regulations;
- l. to approve the establishment by the Management Board of the Credit Risk Committee, the Asset and Liability Committee (ALCO), the Risk Management Committee, the HR Committee, the anti-money laundering committee and other committees if deemed necessary, and approve the rules and procedures governing the work of such committees. The Management Board may at any point in time decide on the establishment of additional committees as detailed in Article 42 below.
- m. to take all other measures necessary or desirable for the effective supervision of the Executive Officers as further detailed in this Charter;
- n. to make amendments to the Charter if the amendment is to restate previous amendments to the charter in a single document or to make other clerical changes or changes in form which do not affect the rights of any shareholder (in which case shareholder approval would be required);
- o. decide on the issuance of bonds, warrants and convertibles;
- p. to decide in principle on any kind of refinancing of the Bank, whether by way of loans, bond issues or otherwise, and accordingly instructs the Management Board to implement such decisions;
- q. to decide on credit exposures, committed or outstanding to or for the benefit of any single person or a group of connected person, exceeding the equivalent of 5 % of the Bank's paid-in capital plus reserves and retained earnings;
- r. to approve all purchase, sale, exchange, leasing and other property transactions directly or through subsidiaries (where applicable) during the business year that are equal to or exceed 10 % (ten) of the capital of the bank and to approve other transactions which are not in the course of ordinary business;
- s. to approve transactions between the Bank and any of the officers or members of the Management Board of the Bank exceeding the equivalent of 0.15% of the Bank's paid-in capital plus reserves and retained earnings as stated in Article 54 of this Charter and that are not prohibited by the Laws of the Republic of Kosovo, the Central Bank of Kosovo or this Charter;
- t. to implement decisions taken at the Ordinary and Extraordinary Meetings of the General Assembly of Shareholders either by itself or by instructing the Management Board as appropriate in the particular case;

### ***Article 32 - Eligibility for Selection and Delegation***

Members of the Board of Directors are not necessarily required to be a shareholder or a legal representative of a shareholder of the Bank.

### ***Article 33 - Resignation from the Board of Directors and Vacancy***

1. Each member of the Board of Directors may resign his/her mandate by submitting a written declaration to this effect to the Chairperson of the Board of Directors or one of his/her deputies, subject to one month's notice, which may be waived, provided that resignation may not be effective prior to the notice.
2. A vacancy on the Board of Directors shall be filled at the next shareholder meeting and in the meantime the Board of Directors shall operate without the member that has left.

If number of Directors falls to 3 or less, then the Directors shall convene an Extraordinary General Meeting for the purpose of electing additional members of the Board of Directors, which should be approved by the Central Bank of the Republic of Kosovo.

### ***Article 34 - Internal Rules of Procedure of the Board of Directors***

The Board of Directors shall define its own internal rules of procedure subject to the Articles below.

### ***Article 35 - Chairperson of the Board of Directors***

Following a meeting of the General Meeting of Shareholders at which the members of the Board of Directors have been duly elected in accordance with this Charter, a meeting of the Board of Directors shall take place at which the Board of Directors elects by majority vote one of its members to serve as Chairperson of the Board of Directors for the duration of his or her mandate, and one or several deputies. The election is supervised by the oldest member of the Board of Directors. Failing his/her attendance at any particular meeting a Chairperson shall be appointed for that particular meeting.

### ***Article 36 - Compensation of Board Members***

Members of the Board may receive payment for the performance of their duties. The amount of such payment and the terms of engagement shall be set out in the employment contracts which should be signed between the Members of the Board and the Chairperson of the Board of Directors, subject to approval by the General Meeting of Shareholders. Members of the Board shall be reimbursed for their travel expenses. The amount of the expense allowance shall be determined at yearly intervals by the General Meeting of Shareholders.

### ***Article 37 - Board Meetings and Resolutions***

1. Ordinary meetings of the Board of Directors shall take place at least once every quarter and at least once a year one of the quarterly meetings must be held in Kosovo. The Chairperson of the Board of Directors is responsible for sending written invitations to the Board members at least 14 days prior to the meeting, enclosing the proposed agenda. Extraordinary meetings of the Board may be convened at any time in writing by the Chairperson but there has to be a three (3) days' notice of the intention to convene such a meeting; an extraordinary meeting of the Board may also be convened at any time if at least one –third of the members of the Board of Directors request in writing that such a meeting be convened or by an individual Board member if the Chairperson has neglected his/her duty to have regular meetings. The Board shall be deemed to have a quorum when three members are present or duly represented by proxy. Proxies must be presented in writing before the meeting (electronic proxies are permissible if followed up by the original, signed version). The Chairperson of the Board of Directors may (and, if he receives a corresponding request from the majority of the Board members, he shall) invite any other persons to participate in meetings of the Board of Directors and may accord them speaking rights on individual agenda items at such meetings.
2. Resolutions shall be passed by a simple majority of those members present or duly represented, except those resolutions to approve the annual business plan and/or to approve the Bank's broad organisational structure and/or to approve the business policy of the Bank shall require a majority of 75% of the votes of the Directors present or duly represented;
3. Attendance of any director at the meeting shall constitute waiver of the notice requirements except where the director attends solely to object and does so object to the transaction of the meeting or to argue that the meeting is not lawfully convened.
4. Meetings of the Board of Directors may be held in more than one location, mutually connected by audio or video-conference, as long as the following requirements are met and are reflected in the related minutes:
  - a. the Chairperson of the meeting must be able to ascertain the identity and the right to participate of those present, shall chair the meeting, and shall ascertain and declare the results of the voting;
  - b. the secretary of the meeting must be able to adequately perceive the events in the course of the meeting; and
  - c. the participants must be able to participate in the discussion and to the vote on the items on the agenda, as well as to read, receive or send documents related thereto (if any).

### ***Article 38 - Minutes of Board Meetings***

A written record of the substance of all discussions at meetings of the Board of Directors and of all resolutions adopted by the Board of Directors shall be compiled by the Chairperson of the Board of Directors, and circulated to the other members of the Board within 10 working days of the meeting, including persons who attended, place and time of meeting, agenda, the issues submitted for voting and the results of the votes, including the names of directors who voted for and against or who abstained and the decisions adopted at the meeting. After approval of the members of the Board, this record shall be signed by the Chairperson of the Board and the secretary of the meeting at the next directors' meeting.

### ***Article 39 - Removal of Members of the Board of Directors***

The position of a Director shall be vacated if the Director:

- a. ceases to be a Director by virtue of any legal provision, statutory instrument or decree;
- b. becomes bankrupt or makes any arrangement or composition with his/her creditors generally;
- c. is disqualified under any law (including the law of the Republic of Germany) from being a Director or is imprisoned or convicted of a serious crime;
- d. becomes of unsound mind,
- e. shall be absent or not duly represented at more than two consecutive duly convened meetings of the Board of Directors without approval by the Board of Directors; or
- f. has been removed from office in accordance with this Charter.

### **Section III - The Management Board**

#### ***Article 40 - Status and Composition***

1. The Management Board, whose members are appointed by the Board of Directors, is responsible for independently and lawfully managing the bank. In doing so, it is obliged to act in the Bank's best interest and undertakes to increase the sustainable value of the Bank. It develops the Bank strategy, coordinates it with the Board of Directors and ensures its implementation.
2. The members of the Management Board are the Chief Executive Officer and the Deputy CEO (or deputies). All the members of the Management Board are equally responsible for the operations and the liabilities of the Bank.
3. The Bank shall be jointly represented by two members of the Management Board. In official absence of the CEO or the Deputy CEO the Bank can be individually represented by either the Chief Executive Officer or the Deputy CEO, respectively.
4. The term in the office for the Chief Executive Officer will be four years, which may be renewed without any limitation on the number of terms. The Chief Executive Officer and the Deputy Chief Executive Officer cannot be appointed without prior approval of the CBK.
5. The Management Board shall be supported, in the exercise of its legal and statutory functions, by organizational units specified in the Organizational Chart, which shall be approved and revised by the Board of Directors based on the needs of ProCredit Bank Sh.A.

#### ***Article 41 - Eligibility Criteria***

No one can be appointed as a member of the Management Board or a Senior Manager or if so appointed he/she shall be discharged, if he/she:

- a. does not comply with the criteria for bank management set by the Central Bank of the Republic of Kosovo;
- b. is a member of the Management Board of another commercial bank, non-banking deposit institution and/or other enterprise;
- c. is not eligible to hold the position of a director in accordance with the applicable laws;
- d. is bankrupt;
- e. has been convicted of an economic crime and the charges have not been annulled;
- f. is a spouse, child or close relative of another Management Board member.

### ***Article 42 - Duties and Responsibilities of the Management Board***

1. The duties and responsibilities of the Bank's Management Board include the following:
  - a. conduct the day-to-day operations and all activities of the Bank in accordance with the law, the Charter, the relevant employment contract, the business policy defined by the Board of Directors and in accordance with the policy guidelines as set out by the General Meeting of Shareholders;
  - b. maintain effective relationship with, as well as for providing monthly information to the Central Bank of Kosovo on the development of the Bank's business (including: monthly financial statements, reports on the liquidity situation, capital adequacy according to the recommendations of the Basel Committee, loan exposure, non-performing assets, volume of customer deposits by terms);
  - c. review all items prior to putting them on the agenda of the General Meeting of Shareholders or meetings of the Board of Directors, obtain all the necessary information, prepare proposals and draft resolutions;
  - d. exchange all relevant information on an on-going basis among the General Meeting of Shareholders and the Board of Directors;
  - e. supervise lending, settlements, financing, cash services, security, accounting and reporting of cash and valuables of the Bank, internal controls and accounting, ensure the Bank provides proper service to in the interests of the customers and supervise the other major activities of the Bank;
  - f. prepare quarterly reports on key aspects of the Bank's business operations and present these reports to the Board of Directors;
  - g. prepare the annual financial statements and the annual report for presentation to the Board of Directors;
  - h. lead and participate in various committees of the Bank according to the internal communication standard and making decisions in the relevant committees in accordance with the Terms of References of Committees, as well as with the Bank policies in force;
  - i. prepare the annual budget and the annual business plan for the next financial year prior to the start of financial year;
  - j. prepare special reports at the request of the Chairperson of the Board of Directors;
  - k. ensure the fulfilment of resolutions made by the General Meeting of Shareholders and the Board of Directors;

- l. perform all other tasks assigned to him/her by the Board of Directors in accordance with the applicable laws and this Charter and to ensure that the business operations of the Bank are conducted in a proper manner and in accordance with the law;
  - m. develop policies which are approved by the Board of Directors and ensure compliance with such policies;
  - n. develop standards, procedures, office rules and any other regulations, which are approved by the Management Board and ensure compliance with such standards, procedures, office rules and any other regulations;
  - o. decide on individual and joint authorities of officers of the Bank to grant credits, and decide on the establishment and competences of one or more credit committees within the Bank (except for loans exceeding 5% of the capital of the Bank which need to be approved by the Board of Directors);
  - p. decide on the establishment of committees, if deemed necessary or required by law or rules or regulations of the Central Bank of the Republic of Kosovo, and approve the rules and procedures governing the work of the committees. The Risk Management Committee, the Asset and Liability Committee (ALCO), the General Risk Committee, the HR Committee, and the anti-money laundering committee shall be approved by the Board of Directors (see Article 31.1 above). The Audit Committee shall be appointed by the Board of Directors (see Article 47 below);
  - q. decide on the selection, dismissal, training and remuneration of staff (provided that the Management Board shall be bound to consider the recommendations of the Board of Directors regarding certain senior managers);
  - r. provide monthly information to the Central Bank of the Republic of Kosovo of the development of the Bank's business (including: monthly financial statements, reports on the liquidity situation, capital adequacy according to the recommendations of the Basel Committee, loan exposure, non-performing assets, volume of customer deposits by terms);
  - s. contract all insurance policies required for the conduct of the Bank's operations, with such policies being purchased in every case from reputable insurance companies;
  - t. supervise the branch network activities;
  - u. fulfil the requirements set forth in this Charter and the applicable laws.
2. The rights and obligations of the members of the Management Board are defined by this Charter and the resolutions of the Bank's Board of Directors.

### ***Article 43 – Duties and Responsibilities of the Chief Executive Officer***

1. The CEO is responsible for the legality of the bank's operation and implementation of the established business strategy of the bank;
2. The CEO represents the bank and acts as its agent;

3. The CEO is responsible for the execution of the decisions of the General Meeting of Shareholders, the Audit Board and the bank's Board of Directors;
4. The CEO organizes and manages the bank's operations;
5. The CEO makes decisions about all matters which are not in the jurisdiction of the General Meeting of Shareholders, the Audit Board or the Board of Directors of a Bank; and
6. The CEO performs other functions in accordance with the law, the bank's charter and its general acts.

The CEO may delegate any of the duties and responsibilities set out in the preceding section to his Deputy or any of his Deputies, as the case may be.

#### ***Article 44 - Broad Organizational Structure and Allocation of Responsibilities among Management Board Members***

1. The Management Board resolves upon the broad organizational structure and the allocation of responsibility for business activities to the various members of the Management Board. The Board of Directors has to approve the broad organizational structure and be informed about the plan for allocating responsibilities and any amendment to it.
2. The members of the Management Board bear joint responsibility for the entire management of the Bank's business. They work together in a spirit of collective responsibility and keep one another informed about all major business transactions and measures adopted in their areas of responsibility. However, each Board member is individually responsible for the areas allocated to him/her in connection with the resolution of the Management Board.
3. If there are doubts about a matter related to another business line, each member of the Management Board is obliged to ensure that it is dealt with by the full Management Board.
4. The Management Board shall be regularly informed about developments in the individual business lines by the Management Board members bearing the relevant responsibility.

#### ***Article 45 - Management Board Meetings***

1. Any of the Management Board members convenes Management Board meetings, establishes the agenda and chairs the meetings. He/she determines the sequence in which on the agenda shall be dealt with. Meetings of the Management Board may be held in more than one location, mutually connected by audio or video-conference, as long as those present can identify the participation of the others and their decisions and can follow the meeting and vote on the items on the agenda, as well as read, receive or send documents related thereto (if any).
2. The Management Board has a quorum if all its members have received invitations and if at least 2/3 of its members participate in adopting resolutions. Absent members of the Management Board may participate in adopting resolutions by submitting their vote in writing, by phone or by email. Votes cast by phone must be confirmed in writing. Votes submitted subsequently also count as participation in the adoption of resolutions. They are only acceptable if the person chairing the meeting admits them and sets a deadline for their submission.
3. Resolutions may be adopted outside meetings by circulating the documents or in another form (e.g. by phone, by email or other forms of electronic approval). Insofar as a member of the Management Board has not participated in adopting such resolutions, he must be informed immediately about the resolutions adopted.

4. The Management Board must try to ensure that its resolutions are adopted unanimously. Should unanimity not be achievable the matter shall be brought to the attention of the Chairperson of the Board of Directors.
5. Minutes shall be kept of the meetings of the Management Board and signed by minimum two Management Board members within 10 working days after the meeting. A copy of the minutes shall be sent immediately to all the members of the Management Board.

### ***Article 46 - Reporting***

1. The MB shall provide the Board of Directors and each of the Shareholders with the following information:
  - a. submission of unaudited quarterly financial statements prepared according to IFRS which include both the balance sheet and the profit and loss statement as well as information on financial transactions with related companies, with such statements to be submitted within 60 days of the end of the relevant reviewed period;
  - b. annual audited financial statements that are prepared by the Management Board according to IFRS and audited by auditors of international reputation. Such reports are to be delivered as soon as prepared, but in any event within 120 days of the end of the relevant reviewed period;
  - c. quarterly status report covering the following aspects of the Bank's operations within 30 days of the end of each period:
    - i. number and volume of loans funded (monthly and aggregate), number and volume of loans outstanding;
    - ii. breakdown and ageing of loan arrears by volume and number, including arrears ratio, maturity profile, collection ratio;
    - iii. deposit development including detailed information on the growth in number and volume of current account, savings accounts, term deposits and the maturity structure of deposits;
    - iv. other relevant indicators such as capital adequacy ratios, liquidity ratios, profitability indicators, asset quality, asset composition, compliance with prudential regulations.
  - d. notice of events or conditions which could have material and adverse effect on the business or operations of the Bank;
  - e. notification of the key instructions or admonitions received by the Bank from the Central Bank of the Republic of Kosovo, the tax authorities, the courts, or other regulatory agencies, or of any other measures taken by these entities with regard to the Bank;
  - f. a management letters from the auditors commenting on, inter alia, the adequacy of the Bank's financial control procedures and accounting systems and its risk management systems, together with a copy of any other communication sent by the auditors to the Bank or its management in relation to the Bank's financial, accounting and other systems, management and accounts;
  - g. such information as any of the Shareholders and/or any of the Directors may from time to time reasonably request and permit representatives of the Shareholders to visit any of the Bank's premises and to have access to its books of account and records;
  - h. within one hundred and twenty (120) days after the end of each Financial Year, annual reports regarding Bank's compliance with Shareholders environmental requirements, including, without



limitation, a brief outline of the Bank's loan portfolio, a summary of material environmental issues associated with the Bank's loan and investment portfolio and a statement of whether the Bank or its clients are subject or any environmental claims of investigations of a litigious nature;

- i. promptly of any material changes to resolve liquidity requirements, credit classification and provisioning requirements, capital adequacy requirements and treasury requirements; and
  - j. Any correspondence to the Bank from its auditors or the Bank's internal auditor on irregularities if and when these should occur;
2. The MB is responsible for ensuring that information is provided in a timely fashion and on a regular basis, and that all information furnished is precise and complete.

## **Section IV - Committees**

### ***Article 47- Audit Committee, Risk Management Committee and other Committees***

#### **Audit Committee**

1. The Board of Directors shall establish an Audit Committee that consists of at least three members. The majority of the members who are selected shall be non-executive members of the Board of Directors. At least one member shall be an independent outside expert in the field of accounting or audit. The members of the Audit Committee shall be appointed by the Board of Directors.
2. The duties and responsibilities of the members of the Audit Committee are as follows:
  - a. set the accounting and reporting rules for the Bank, supervise the compliance with such rules and inspect the Bank's books and journals through the internal audit department of the Bank;
  - b. supervise the compliance of the Bank with the applicable laws and the banking regulation of the Republic of Kosovo;
  - c. approve the regulations governing the Bank's internal audit department and ensure the functioning of the internal audit department of the Bank;
  - d. ensure the independence of the internal audit department from the Bank's management board;
  - e. review the quarterly reports of the internal audit department, approve and present to the Board of Directors and the Management Board audit inspections and recommendations;
  - f. approve the annual operations plan prepared by the internal audit department and perform the plan's quarterly review;
  - g. supervise the activities of the internal audit, ensure its compliance with quarterly and annual operation plans;
  - h. assess the activities carried out by the head of the internal audit department and individual auditors;
  - i. assess the activities of each of the employees of the internal audit department in consideration of their professional skills and performance and make appropriate decisions;
  - j. together with the Bank's Board of Directors and the Management Board ensure the cooperation of the internal audit department with other structural units of the Bank;

- k. make recommendations to the Board of Directors on the employment / dismissal of the head and deputy head of the Bank's internal audit department, as well as on the remuneration of such staff; and
  - l. decide on the employment / dismissal of the other staff of internal audit department, as well as on remuneration of such staff.
3. The Audit Committee shall meet ordinarily once per quarter and extraordinarily when convened by the Board of Directors or by any of the members of the Audit Committee. Decisions shall be taken unanimously, and no abstentions shall be allowed. Minutes of meetings shall be recorded in such manner as prescribed by the rules of the Central Bank of the Republic of Kosovo.

### **Risk Management Committee**

1. The Bank shall have a Risk Management Committee that consists of all members of the Board of Directors.
2. The duties and responsibilities of the members of the Risk Management Committee are as follows:
  - a. monitor implementation of the bank's policies and procedures for risk management, including the effectiveness and independence of risk management functions within the bank;
  - b. monitor the risk profile of the bank, including the credit, market, liquidity, operational, compliance,
  - c. reputation, legal and other risks of the bank;
  - d. monitor compliance with this Law and regulations and orders there under; and
  - e. deliver opinions to the Board of Directors on any matters submitted to it by the Board of Directors or that the committee wishes to address.
3. The Risk Management Committee must meet at least quarterly and at such other times as provided for in this charter.
4. The Bank shall also have any other committees required by law or the Central Bank of Republic of Kosovo and shall be regulated by the internal acts and regulations of the bank.
5. Meetings of the Board Audit Committee and the Board Risk Management Committee shall be held at the registered office of the Bank or such other place convenient to and agreed by all the members. Meetings of any committees may also be held in more than one location, mutually connected by audio or video-conference, as long as those present can identify the participation of the others and their decisions and can follow the meeting and vote on the items on the agenda, as well as read, receive or send documents related thereto (if any).

### ***Section V - Secretary***

#### ***Article 48 -Appointment, Responsibilities***

The company secretary shall be appointed by the MB and shall have the duty to record the actions and meetings of the shareholders and the Board of Directors in a book for that purpose and to keep the register of shareholders,

any register of conflicts of interest, ensure all relevant shareholder and director notifications are given and that appropriate registrations are made at the Business Registry.

## **Part VI - Representation of the Bank**

### ***Article 49 – Granting of Powers of Attorney***

The CEO or any of his/her Deputies, may grant general commercial powers of attorney conferring full signing authority as well as limited powers of representation to employees of the Bank or to the Bank's external advisers, provided that declarations made by virtue of such power of attorney and/or power of representation shall be binding on the Bank only when the relevant declarations are made jointly by two members who have been granted power of attorney and/or power of representation for such declaration. Any such powers of attorney or powers of representation granted by the CEO or any of his/her Deputies shall be conferred in writing.

### ***Article 50 – Disclosure of Powers of Representation***

The Bank is obligated to disclose the names of the specific persons who have been granted full signing authority and limited powers of representation in its dealings with parties, and also to disclose the names of the specific persons who are authorized to sign within the Bank, in accordance with applicable law.

## **Part VII - Miscellaneous Provisions**

### ***Article 51 - Confidentiality***

1. Unless otherwise approved by the Board of Directors, the members of the Board of Directors, Management Board and other managers and officers of the Bank shall not use, publish, disseminate or disclose to any party, except for the managers or employees of the Bank whose right it is to know the same, any confidential information about the activities, expenses, financial or contractual arrangements or other agreements, transactions or other affairs of the Bank, of which they become aware. They shall use all reasonable efforts to prevent the publication or disclosure of any confidential information concerning such matters.
2. The above provisions of confidentiality shall not apply to: (a) any information which is considered as public and/or is required to be disclosed under the applicable laws; (b) information which became a part of public domain through other sources (not related to the Bank).
3. Any material information disclosed to any of the shareholders of the Bank which in the reasonable opinion of the Board of Directors, may affect the investment decision(s) of the shareholders, shall also be disclosed to other shareholders to the same extent.

### ***Article 52 - Fiduciary Duties***

Each officer, director and committee member shall have a fiduciary duty to the Bank. Where appropriate, such fiduciary duty shall include the duty to:

- a. act in good faith for the benefit of the Bank;
- b. exercise powers granted to him/her in accordance with the Bank's best interest;
- c. give adequate consideration to matters to be decided by him/her;
- d. avoid and disclose actual and potential conflicts between his/her personal interests and those of the Bank;
- e. exercise reasonable care and skill in the performance of his/her functions;
- f. ensure business opportunities relating to the Bank's business are given to the Bank and not used for theirs or their relatives' purpose; and
- g. treat as confidential all information received in the course of carrying out his/her duties.

### ***Article 53 - Conflicts of Interest***

1. The officers and committee members of the Bank may not enter into agreements of a value of more than the equivalent of 0.15% of the Bank's paid-in capital plus reserves and retained earnings with the Bank or its affiliates, unless approved by the Board of Directors. The Directors may not enter into agreements with a value of more than the equivalent of 0.15% of the Bank's paid-in capital plus reserves and retained earnings with the Bank or its affiliates, unless approved by General Meeting of the Shareholders. For the avoidance of doubt this shall not prohibit the entry into standard form agreements on substantially the same terms as those offered to the Bank's other customers or the acceptance of employee benefits included in contracts where those contracts were agreed via corporate procedures. It shall not prohibit participation in an employee share scheme.
2. The prohibition in paragraph (1) above shall also apply to agreements with related persons (including businesses or corporations in which persons referred to in the above section have an ownership interest), relatives, and relatives of the immediate family of the Directors.
3. A person may not be elected as an officer, director or committee member or fulfil the functions thereof, if he/she is an employee, officer or director of, or has a financial interest in, any entity which competes with the Bank and/or conducts the same or substantially the same business as the Bank or he/she himself/herself competes with the Bank. Any election made contrary to the provisions of this section shall be null and void.
4. A director or officer shall refrain from activities which compete directly with the business of the Bank and shall be liable for damages arising to the Bank as a result of such competition.
5. The officers, directors and committee members shall disclose to the Board of Directors and record in writing any financial interest that they might have regarding the Bank's:
  - a. business competitors;
  - b. creditors;
  - c. suppliers of goods or services; and
  - d. business customers.
6. In paragraph (5) above "Financial interest" means any material financial relationship, including without limitation any ownership interest, held by that individual or any member of his/her immediate family that might cause the person to favour the competitor, creditor, supplier or customer with regard to its relations with the Bank.

7. The disclosures required by paragraph 5 above shall be made by each individual at the time the financial interest arises or at the time the individual assumes an office, membership or otherwise is employed by the Bank and again when any specific issue for voting arises. The officer or director with the conflict of interest shall not vote on the relevant matter. If an officer, director or committee member fails to make a required disclosure, he/she may be liable to the extent that the Bank is damaged as a result of such failure. This is without prejudice to any decision of the Bank to dismiss or discipline the individual for failure to disclose the Conflict of Interest.

### ***Article 54 - Liability***

Officers, directors and committee members shall use their best efforts to perform their duties and pursue the best interests of the Bank. The preceding notwithstanding, no officer or member of any management body shall bear liability for any action or omission if the underlying decision to act or to refrain from acting was made in good faith, resulted from consideration of information reasonably available at the time, and was rationally related to the goals and purposes of the Bank.

### ***Article 55 - Indemnity***

To the extent permitted by law and except in the event of a conflict of interest, gross negligence or wilful misconduct, the Bank shall indemnify any officer, director and committee member who was or is a party or is threatened to be made a party to any threatened, pending or completed civil action, suit or proceeding (other than by the Bank), by reason of the fact that he/she is or was an officer, director and committee member of the Bank against expenses (including reasonable legal expenses including for an international specialist where relevant), judgments, fines and amounts paid in settlement actually and reasonable incurred by him/her in connection with such action, suit or proceeding.

## **Part VIII - Final Provisions**

### ***Article 56 - Entering into force***

1. This Charter enters into force after it has been approved by a majority of votes representing 75% (seventy-five per cent) of the Bank's issued Share Capital at the General Meeting of Shareholders and after it has been approved by the Central Bank of the Republic of Kosovo.
2. The Chairperson of the General Assembly of Shareholders shall confirm by his/her signature that this Charter has been properly approved.

### ***Article 57 - Amendments to this Charter***

Any amendments to this Charter shall require a majority of votes representing 75% (seventy-five per cent) of the Bank's issued share capital at the General Meeting of Shareholders.

### ***Article 58 - Applicable Law***

For all cases that are not regulated in this Charter the law in force in the Republic of Kosovo shall apply.

***Article 59 - Originals***

This Charter has been prepared in three original copies in the English language. The text shall be translated also in other official languages used in the Republic of Kosovo.

***Article 60 - Priority Language***

The original text of this charter shall be drafted in the English language and translated in two official languages (Albanian and Serbian). In the case of contradiction between the version in English and translations in other languages, the English text shall prevail.

Date: 16<sup>th</sup> August 2017

Place: Frankfurt am Main, Germany

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Signed by: Mr. Borislav Kostadinov

Chairperson of the General Assembly of Shareholders

ProCredit Bank SH.A.

**ANNEX 1 - Logotype of the Bank**



## ANNEX 2 - The following activities shall not be financed:

- a) production or activities involving harmful or exploitative forms of forced labour/harmful child labour<sup>1</sup>, discriminatory practices, or practices which prevent employees from lawfully exercising their rights of association and collective bargaining;
- b) the production or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations or international conventions and agreements, including without limitation, legislation or conventions relating to the protection of biodiversity resources<sup>2</sup> or cultural heritage;
- c) production or trade in weapons and munitions;
- d) production or trade in alcoholic beverages (excluding beer and wine)<sup>3</sup>;
- e) major production or trade in tobacco<sup>3</sup>;
- f) gambling, casinos and equivalent enterprises<sup>3</sup>;
- g) trade in wildlife or wildlife products regulated under CITES<sup>4</sup>;
- h) production or trade in radioactive materials (including storage and treatment of radioactive wastes); business or activities relating to the nuclear industry or nuclear materials<sup>5</sup>;
- i) production or trade in or use of unbonded asbestos fibres or asbestos-containing products<sup>6</sup> or products containing polychlorinated biphenyls<sup>7</sup>;
- j) production or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances<sup>8</sup> and other hazardous substances subject to international phase-outs or bans<sup>9</sup>;
- k) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest, production and trade in wood or other forestry products other than from sustainably managed forests;
- l) drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- m) shipment of oil or other hazardous substances in tankers which do not comply with International Maritime Organization (IMO) requirements<sup>10</sup>;
- n) activities involving the release of genetically modified organisms into the natural environment without approval being given by competent authorities or where the relevant authority has declared itself as GMO free<sup>11</sup>;
- o) activities within, adjacent to, or upstream of land occupied by indigenous peoples and/or vulnerable groups, such as lands and watercourses used for subsistence activities such as livestock grazing, hunting or fishing;
- p) activities within, adjacent to, or upstream of designated protected areas under national law or international conventions, sites of scientific interest, habitats of rare/endangered species, and primary/old growth forests of ecological significance<sup>12</sup>;
- q) activities which may affect adversely sites of cultural or archaeological significance;
- r) activities involving involuntary resettlement;

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<sup>1</sup> This includes any activity related to human trafficking. Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty. Harmful child labour means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development. For further guidance refer to: IFC (see IFC/MIGA Joint Policy Statement on Forced Labour and Harmful Child Labour); the ILO Declaration on Fundamental Principles and Rights at Work, and the principles enshrined in the following conventions: ILO conventions 29 and 105 (forced and bonded labour), 87 (freedom of association), 98 (right to collective bargaining), 100 and 111 (discrimination); 138 (minimum age); 182 (worst forms of child labour); Universal Declaration of Human Rights.

<sup>2</sup> Relevant international biodiversity conventions include, without limitation: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; Convention on Biological Diversity.

<sup>3</sup> This does not apply to clients/ enterprises who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a client's primary operations. Exemptions can be made with approval of IFC.

<sup>4</sup> CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from IFC or EBRD.

<sup>5</sup> This does not apply to the purchase of medical equipment, quality control (measurements) equipment and any other equipment where the radioactive source is trivial and/or adequately shielded.

<sup>6</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is <20%.

<sup>7</sup> Polychlorinated biphenyls —a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

<sup>8</sup> Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from IFC or EBRD.

<sup>9</sup> A list of products that are subject to phase outs or bans is available from IFC or EBRD. Reference documents include EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

<sup>10</sup> This includes: tankers which do not have all required MARPOL SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under regulations 13G and 13H of Annex I of MARPOL. No single hull tanker over 25 years old should be used.

<sup>11</sup> For EBRD countries of operation: activities involving the release of GMOs into the natural environment need to be referred to EBRD and benchmarked against the applicable Performance Requirements

<sup>12</sup> Principal reference documents are the IUCN Guidelines on Protected Areas.



- s) transboundary movements of waste prohibited under international law<sup>13</sup>;
- t) construction of mini-hydro cascades without appropriate environmental assessment;
- u) prostitution and any business for which the primary business activity is related to pornography;
- v) exploitation of diamond mines and commercialisation of diamonds, when the host country has not adhered to the Kimberley agreement (KPCS) or other similar international agreements on extractive resources.

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<sup>13</sup> Reference documents are: Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations; Basel Convention of 22 March 1989 on the control of transboundary movements of hazardous wastes and their disposal.

**ANNEX 3 – Board of Directors (general details)**

Name, surname
Mr. Borislav Kostadinov- Chairperson of the Board of Directors
Mr. Marcel Zeitinger
Mr. Rainer Ottenstein
Mr. Jordan Damchevski
Mr. Luan Gashi
Mr. Ilir I. Aliu –Chief Executive Officer  ProCredit Bank Kosovo SH.A.

**ANNEX 4 - Share Capital and Shareholders**

Shareholder	New Capital Structure		Percentage of shares (%)
	Paid in capital In EUR	Number of shares	
ProCredit Holding AG & Co. KGaA	61,346,210	12,269,242	100
Total issued capital	61,346,210	12,269,242	100

**ANNEX 5 – List of Activities – at the Kosovo Business Registration Agency**

- 5263 Other non-store retail sale
- 6512 Other monetary intermediation
- 6521 Financial leasing
- 6522 Other credit granting
- 6523 Other financial intermediation nec.
- 6711 Administration of financial markets
- 6712 Security broking and fund management
- 6713 Activities auxiliary to financial intermediation nec.
- 7011 Development and selling of real estate
- 7012 Buying and selling of own real estate
- 7020 Letting of own property
- 7032 Management of real estate on a fee or contract basis

The activities relating to real estate and property shall only be undertaken in so far as they are ancillary to the financial activities, for example for the purposes of enforcing security for a loan or to the extent that they relate to the Company's own premises.