

Pursuant to Article 49 Point 43 and Article 81 of the Statute (the "Statute") of Sparkasse Bank Makedonija AD Skopje (the "Bank"), the Remuneration and Nomination Committee of the Supervisory Board of the Bank, on the meeting held on 29.06.2018 approved the following:

RULES OF PROCEDURE

for organization and operation of the Remuneration and Nomination Committee of the Supervisory Board

General Provisions

Article 1

These Rules of Procedure regulate the activities of the Remuneration and Nomination Committee (hereinafter: R&N Committee) formed by the Supervisory Board, convening of meetings, manner of organization and decision-making, as well as other issues related to the operation of the R&N Committee.

Article 2

The provisions of these Rules of Procedure are obligatory for the members of the R&N Committee (the "Members") and for any other person participating in the work of the R&N Committee.

Article 3

The R&N Committee operates on meetings.

Article 4

The R&N Committee operates according to the applicable provisions of the laws of Republic of Macedonia, the regulation of the National Bank of the Republic of Macedonia, the Statute of the Bank, the resolutions of the Bank's General Meeting of Shareholders, the Remuneration Policy, the Code of Corporate governance and other internal acts of the Bank, as well as according to these Rules of Procedure.

Article 5

The R&N Committee is consisted of 3 (three) members from the ranks of the Supervisory Board members, who are being appointed and discharged with a decision of the Supervisory Board, where one member is elected as President of R&N Committee.

The President of the Supervisory Board and at least one of the independent members are mandatory members of the Remuneration and Nomination Committee. In some cases, this function may be assumed jointly by all Supervisory Board members.

The Members are appointed and dismissed by the Supervisory Board. The term of office of the Members is in accordance with the term of office of the respective members within the Supervisory Board.

Article 6

At least one member of the Remuneration committee shall be required to have knowledge and experience in the area of remuneration policy.

If the R&N committee uses the services of a consultant, it must be ensured that said consultant does not at the same time provide services to the Management Board in matters relating to remuneration.

Article 7

The Members are obligated to perform their duties fair and with the diligence of prudent executives.

The Members are liable to keep the banking secret of the Bank's operations, which responsibility remains valid after the end of the Members' term of office.

The Members shall not use their rights in case of conflict of interest (defined in local regulation, and/or internal policy).

Article 8

The Members give written statements for the existence of conflict of their personal interests with the interest of the Bank.

Scope of activities:

Article 9

The R&N Committee decides upon issues within the scope of its activities regulated by the applicable legislation, Statute of the Bank, the Remuneration Policy, the Code of Corporate governance and other acts of the Bank for the matters related to the remuneration and nomination of the body's members.

The decisions for nominating of the member of each Bank's body must be adopted and by the Bank's body that in accordance to the Statute is authorized to appoint the members of the respective body.

The decisions for remuneration of the members of Supervisory Board, Management Board and the identified control functions must be adopted and by the Bank's body that in accordance to the applicable regulation is authorized to approve the respective remuneration.

Article 10

The R&N Committee performs the following activities:

1. reviews and regularly updates the Remuneration Policy;
2. present proposals for appointment and/or dismissal of members of the Supervisory Board, Management Board and the legally prescribed committees, defining the criteria and the rules for appointing those members;
3. deals with issues relating to vacant positions and successor planning;
4. pre-approves the remunerations of Supervisory and Management Board Members, as well as the identified control functions (senior manager in strategic risk, compliance and internal audit);
5. approves the identified and disclosed conflict of interest of body's members in accordance to the Policy for identifying conflicts of interest:
 - a. approves the conclusion of the contracts in which the members of the Management or Supervisory Board are committed to the performance of a service outside of their activities on the boards for the Bank or a subsidiary;
 - b. approves the conclusion of the contracts with companies in which a member of the Management Board has a considerable economic interest;
 - c. give consent of the side engagements or body's members with not significant or without any compensation;
6. discusses the reports for self-assessment of Supervisory Board members and
7. decides on other issues in compliance with the law, the Statute and other rules and regulations.

Convening meetings:

Article 11

The meetings of the R&N Committee are convened when necessary, at least once per year. The meetings of the Supervisory Board are convened and presided by the President of the Committee.

Article 12

The R&N Committee may pass decisions on meetings or by circulation, i.e. the votes may be obtained via telephone or other means of communication from all RNC Members.

In such cases, the agenda with the proposals are distributed to all Members, calling upon their vote in a form organized by the Cabinet.

The Members shall vote by sending a reply by e-mail to all Members or to the Cabinet, by telephone confirmation to the Cabinet, or by using other electronic means of communication.

Discussion:

Article 13

The President of the R&N Committee opens the discussion upon proposals.

All Members are entitled to participate in the discussion, as well as other invited experts, which provide further explanations upon particular materials.

The discussion is opened until the President closes the discussion, after establishing that the discussion has been exhausted, followed by a proposal by the President appropriately formulated for voting.

Article 14

In the event of conflict of interest identified and disclosed in accordance to the local regulation and/or internal policy, the conflicted member shall leave the meeting after giving the prescribed statement, and shall not participate in the discussion and decision-making for that particular matter. The identified conflict is noted in the Minutes.

Decision-making:

Article 15

The proposal set for voting must be formulated clearly and unambiguously.

The voting is public, by raising hand and voting AFFIRMATIVELY, AGAINST and RESTRAINED.

The quorum of the R&N Committee is appropriate for a valid decision-making, and the decisions shall be adopted by approval from majority of the total number of members.

The Members exercise their voting right in person, through telephone or video conference, or by e-mail.

Article 16

The President notes the voting of Members and declares the result.

In cases of deciding by circulation, when votes are casted by e-mail, the Cabinet of the Management Board shall receive a carbon copy from the respective member and shall inform the R&N Committee and the President on the voting of each member separately. The time for the response by the members is limited to three days, unless the President informs the members otherwise.

Distribution of materials and Minute taking:

Article 17

The Cabinet shall organize the minute's taker and shall prepare and distribute the minutes of the meetings, proposals and other materials for the meetings, as well as arranging and archiving of the meeting materials.

Article 18

The minutes of meetings shall contain the following data:

- Day, time and place of Remuneration and Nomination Committee meeting;
- Names of Members attending;
- Names of other persons attending;
- Determined agenda;
- Discussions, adopted decisions and voting results;
- Separate opinions and remarks – if requested by any Member.

The minutes are to be approved at the start of the next meeting; any corrections are to be requested at the latest then by the members of the Committee. The minutes of the Remuneration and Nomination Committee meetings are signed by all RNC Members who have attend the meeting.

Article 19

The minutes of meetings and the materials are of permanent character. The materials and other documents deriving from the work of the R&N Committee are kept in the Cabinet and in the Bank's archive.

Reporting

Article 20

The President of R&N Committee shall inform the Shareholder assembly once a year (if applicable) of the principles of the remuneration system through the Annual Report. R&N Committee is provided with all relevant information regarding the body's members activities through regular reports submitted to SVB. For the purpose of additional information (if required), R&N Committee will be provided with additional reports.

Transitional and final provisions:

Article 21

In the event, at any time, any of the provisions of these Rules of Procedure are not in compliance with the legislation or any internal acts of the Bank, the legislation and the internal acts of the Bank shall prevail.

Article 22

Amendments to these Rules of Procedure shall be executed in the same manner and proceeding as for their adoption.

Article 23

These Rules of Procedure become effective on the day of adoption. Any and all existing Rules of Procedure are hereby replaced and cancelled.

**Supervisory Board
President
Sava Dalbokov**