

## **BANKA KOMBETARE TREGTARE DIVIDEND DISTRIBUTION POLICY**

### **1. Objective**

The objective of this policy is to lay down the framework to be considered by the Board of Directors of Banka Kombetare Tregtare ('the Bank') before recommending dividend distribution to General Meeting of Shareholders for a financial year.

The policy also sets out the principles and different factors to be considered by the Board of Directors (BoD) at the time of making the proposal of distribution or of retention of profits, in the context of keeping a balance between the Bank and its shareholders' interests.

### **2. Main principles of the policy**

The Bank can declare dividend only after ensuring full compliance with the applicable legal and regulatory framework (*Annex*).

Moreover, the Bank shall ensure to maintain intact the regulatory limit of capital adequacy ratio, to comply with the externally stipulated financial covenants, and simultaneously to preserve adequate capital to cover any additional risk due to the Bank's systemic importance, as well as its growth potential.

The decision as how to deploy the excess capital, if any, rests with the General Meeting of Shareholders.

In principle, the retained earnings needed to maintain the legal and regulatory compliance shall be capitalized by increasing the share capital of the Bank.

### **3. Factors to be considered during dividend approval process**

The Board of Directors of the Bank would take into account, but not limited to, the following factors and circumstances while deciding on the proposal for dividend:

#### **3.1 Financial and regulatory factors:**

- i) Overall performance of the Bank, profitability and key financial metrics;
- ii) Capital Adequacy Ratio subject to regulatory requirements;
- iii) Capital Adequacy Ratio subject to loan/debt contracts' stipulations (covenants);
- iv) All other regulatory limits of BoA linked with regulatory capital level, including but not limited to: FX open position, maximum lending exposure and related party exposure;
- v) Systemic importance of the Bank in the Albanian banking market;
- vi) Auditors' qualifications pertaining to the statement of regulatory accounts, if any;
- vii) Expected capital requirements for growth/expansion plans of the Bank;
- viii) Past dividend trends;
- ix) Interim dividend paid, if any, and
- x) Re investment opportunities

#### **3.2 External factors:**

- i) Tax implications if any, on distribution of dividends;
- ii) Industry specific market conditions;
- iii) State of the domestic and global macro-economic environment, and
- iv) Shareholder expectations



#### **4. Declaration and payment of dividends**

Dividend is declared at the General Meeting of Shareholders, based on the recommendation of the Board of Directors. The shareholders can decide on any dividend amount, within the range of payable dividend proposed by the Board of Directors.

The decision regarding dividend shall be taken only by the General Meeting of Shareholders and not by a Committee of the Board or by any way of a Resolution passed by circulation.

Final dividend shall be paid only after approval at the General Meeting of Shareholders of the Bank.

Dividends shall be distributed proportionately to the par value of shares, unless the Articles of Association of the Bank provides otherwise.

#### **5. Amendments to the policy**

The policy may be amended to meet the requirements of applicable regulatory framework or the business interest of the Bank. In the event of a conflict between the policy and the regulatory framework, the regulatory guidelines shall prevail.

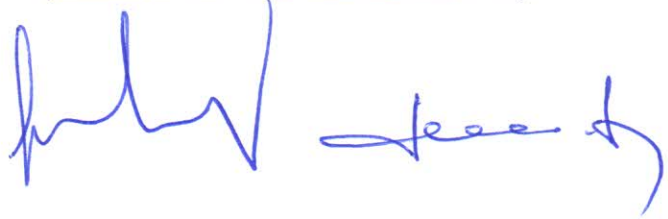
If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

#### **6. Disclosure of policy**

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.

İstanbul, 23 June 2017

ÇALIK FINANSAL HİZMETLER A.Ş.





## *Annex*

### **1. Legal and regulatory framework**

The Bank shall declare dividend only after ensuring compliance with the following legal and regulatory framework of the Republic of Albania, as amended and to the extent applicable to the Bank:

- Law No. 9901, dated 14.04.2008 “On Traders and Commercial Companies”;
- Law No. 9662, dated 18.12.2006 “On Banks in the Republic of Albania” and related regulations issued by the Bank of Albania (BoA);
- Law No. 8438, dated 28.12.1998 “On Income Tax” and related instructions;
- Articles of Association of Banka Kombetare Tregtare

### **2. Legal constraints on the distribution of dividends**

- The Article 77 of the Albanian Commercial Law No. 9901 provides the following constraints on the distribution of dividends applicable to a company:

#### *“Restrictions on Distributions, Solvency Certificate*

(1) A company may only make a distribution to its members if, after payment of the distribution:

- a) the company’s assets will fully cover its liabilities, and
- b) the company will have sufficient liquid assets to make payments of its liabilities as they fall due in the next twelve months.

(2) The Managing Directors shall issue a ‘solvency certificate’, which explicitly confirms that the proposed distribution meets the valuation as of paragraph 1. When the accounts of the company indicate that the proposed distribution cannot meet the valuation of paragraph 1, the Managing Directors may not issue the solvency certificate.

(3) The Managing Directors are responsible to the company for the correctness of the solvency certificate.”

Furthermore, the Article 129 of the Commercial Law provides the following condition:

#### *“Refunding Illicit Payments*

Shareholders shall return to the company any financial benefit received contrary to the provisions of this Law. This includes dividends received, if shareholders knew or ought to have known that these dividends or other advantages were received contrary to this Law. The lawsuit for the return of the financial benefits terminates within 3 years from the date of irregular payment.”

- Law No. 8438, dated 28.12.1998 “On Income Tax” in the article 33/1, defines that:

*“Commercial companies, after having paid income tax, within a period of 6 months from the of closing date of financial year, are requested to approve at the Shareholders Assembly of the company the financial results of the previous year and decide on the destination of the profit after tax by defining legal reserve amount, the amount to be used for investment purposes or for capital increase and the amount to be distributed in the form of dividends.”*

- According to the current legal and regulatory framework, before distributing any dividend amount, the Bank should create two legal reserves:

- i) Mandatory reserve according to the Commercial Law No.9901, and
- ii) General reserve according to BoA Regulation No.69 “On the Bank’s Regulatory Capital”.