

**ARTICLES OF ASSOCIATION
OF
ERSTE BANK JOINT-STOCK COMPANY PODGORICA**

January 2016

TABLE OF CONTENT

I GENERAL PROVISIONS.....	3
II SYMBOLS AND HEAD OFFICE OF THE BANK.....	3
III THE BANK'S BUSINESS OPERATIONS	4
IV CAPITAL FUND, NUMBER AND TYPE OF SHARES AND CHANGE OF THE BANK'S CAPITAL	5
Capital and type of shares	5
Procedure for share capital increase	5
Procedure for share capital decrease.....	5
V BANK'S ORGANIZATION.....	6
Organizational parts of the Bank.....	6
Internal organization of the Bank	Error! Bookmark not defined.
VI CORPORATE GOVERNANCE.....	6
Shareholders Assembly of the Bank.....	7
Board of Directors	7
Audit Committee.....	10
Executive directors.....	10
Secretary General of the Bank	12
VII COMPLIANCE MONITORING FUNCTION.....	13
VIII PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING ACTIVITIES.....	13
IX REPRESENTATION AND SIGNING	13
X BUSINESS BOOKS, SYSTEM OF INTERNAL CONTROL AND INTERNAL AUDIT, EXTERNAL AUDIT, REPORTING, PROTECTION OF CLIENTS, PROFITS, LOSSES AND BANK RESERVES..	14
Business books	14
System of internal control and internal audit.....	14
External audit	14
Reporting.....	15
Protection of clients.....	15
Profit, losses and reserves of the Bank	15
XI REPRESENTATION AND LIABILITY IN LEGAL TRANSACTIONS	16
XII BUSINESS SECRET	16
XIII THE BANK'S GENERAL REGULATIONS.....	17
XIV MODIFICATIONS OF AND AMENDMENTS TO ARTICLES OF ASSOCIATION	17
XV TRANSITIONAL AND CLOSING PROVISIONS	17

Pursuant to Article 29 paragraph 1 bullet 1 of the Banking Law ("Official Gazette of Montenegro", No. 17/08 and 44/10), Article 54 of Article of Association of Erste Bank AD Podgorica and in line with Article 19 of the Business Organization Law ("Official Gazette of Montenegro", No. 06/02, 17/07, 80/08, 40/10, 73/10, 36/11 and 40/11), Erste&Steiermärkische Bank d.d. Rijeka, Republic of Croatia, as the only shareholder of joint-stock company Erste Bank AD Podgorica, registered with Central Register of Business Entities of the Tax Administration, under register number 4-0001 (hereinafter: „the Bank“), having authorizations of Shareholders Assembly of the Bank as joint-stock company, under Article 18a of Business Organization Law, on January 19, 2016 passed amendments to Articles of Association of the Bank in revised text to read as follows:

ARTICLES OF ASSOCIATION OF ERSTE BANK JOINT-STOCK COMPANY PODGORICA

I GENERAL PROVISIONS

Article 1.

- 1) ERSTE BANK JOINT-STOCK COMPANY PODGORICA (hereinafter referred to as "the Bank") is a legal person which acquired its status of legal person under the name of Opportunity Bank JSC Podgorica (resolution of the Commercial Court in Podgorica, Fi. No. 1109/02 as of 29 April 2002).
- 2) The Bank has changed its name in accordance with the decision of the Shareholders Assembly as of 21 July 2009 (confirmation of registration of the change of data issued by the Central Registry of the Commercial Court in Podgorica, as of 23 July 2009).
- 3) The Bank has been registered with the Central Registry of the Tax Administration (hereinafter referred to as: „CRBE“) under the registration number 4 – 0001671.
- 4) These Articles of Association shall define and govern the organization and corporate management of the Bank and align them with the Banking Law, Business Organization Law, regulations of the Central bank and other positive regulations.
- 5) The Bank is a joint-stock company for performing credit, deposit and other banking operations with the purpose of making profit in business operations.
- 6) The Bank is a legal person with rights, obligations and liabilities provided for in positive regulations, Foundation Agreement and these Articles of Association.

II SYMBOLS AND HEAD OFFICE OF THE BANK

Article 2.

- 1) The Bank shall perform business operations under the following name:
ERSTE BANK JOINT-STOCK COMPANY PODGORICA
The abbreviated name of the Bank shall be ERSTE BANK JSC PODGORICA.
- 2) The head office of the Bank is in Podgorica, St. Studentska NN.
- 3) In its business operations the Bank will use the logo (graphic mark) as it follows:

Article 3.

- 1) The Bank has stamps and seals.
- 2) Content, shape, size and the mode of using stamps and seals as well as other issues significant for their usage shall be defined in a separate act of the Bank.
- 3) In legal traffic, official relations and business correspondence with natural and legal persons the Bank shall use memo that contains: logo and abbreviated name of the Bank, a statement that the company is a joint-stock one, address of the head office of the Bank and contact details, tax identity number (PIB), gyro account of the Bank and the number under which the Bank is registered with the CRBE.

III THE BANK'S BUSINESS OPERATIONS

Article 4

- 1) The Bank shall perform the following operations specified in the decision of the Central bank on granting licence 0101-78/1-2002 as of 18th of December 2002, as follows:
 1. accepts deposits and other financial means of private and legal entities and grants loans and other placements from those means, partially or in total, for its own account;
 2. issuing guarantees and taking over other obligations;
 3. purchasing and selling of the claims;
 4. issuing, processing and documenting payment instruments (including credit cards, travel and banking cheques)
 5. International payment transactions
 6. financial leasing
 7. trading in its own name and account or for the account of the client with:
 - foreign means of payment, including the foreign currency exchange services;
 - currency and interest rates instruments;
 8. collecting data, providing analysis and providing information and advice on the creditworthiness of the companies and entrepreneurs and other matters related to business;
 9. depo services;
 10. safe custody services;
- 2) Bank performs national payment system services in accordance with the Decision of the Central Bank of Montenegro, no. 01-01-93/1-2003 as of December 12, 2003.
- 3) Bank performs custody and depositary services in accordance with the Approval of the Central Bank no. 0102-3319/5, as of July 29, 2014.
- 4) The Bank performs insurance agency activities in accordance with the approval of the Central bank of Montenegro, no. 0102-6139/3 as of November 20, 2014 and consent of the Insurance Supervision Agency no. 03-1101/4/15 as of December 30, 2015.
- 5) In addition to the operations referred to in the paragraphs above, the Bank may also perform other operations not specified in the decision on granting licence and other operations, in accordance with the Banking Law.

IV CAPITAL FUND, NUMBER AND TYPE OF SHARES AND CHANGE OF THE BANK'S CAPITAL

Capital and type of shares

Article 5.

- 1) The founding capital of the Bank shall be EUR 3.000.000,00.
- 2) The share capital of the Bank shall be EUR 5.339.000,00.

Article 6.

- 1) The share capital the Bank shall compose of 5,339 ordinary registered shares having nominal value of EUR 1,000 each.
- 2) Record and unique list of shareholders of the Bank shall be kept at the Central Depository Agency in Podgorica.

Procedure for share capital increase

Article 7.

- 1) The Bank may increase the share capital from unallocated revenues, the Bank's reserves and from a new issuance of shares in accordance with the Banking Law, the Business Organization Law and the Law on Securities.
- 2) The decision on share capital increase by issuance of shares shall be passed by the Shareholders Assembly that shall pass a decision on new issuance of shares and a decision on modification and amendments to Articles of Association in which the amount of share capital is being changed. The Assembly may empower the Board of Directors to carry out a new issuance of shares up to the established amount and time limit.

Article 8.

- 1) The Decision of the Shareholders Assembly on share capital increase shall be submitted to CRPS that shall deliver it to the "Official Gazette of Montenegro" for publishing.
- 2) Following subscription and payment of new shares, amendments to Articles of Association pertaining to share capital increase shall be submitted to the CRPS whereby the capital will be considered increased.

Procedure for share capital decrease

Article 9.

- 1) The share capital may be decreased by virtue of the decision of the Shareholders Assembly, in compliance with law.
- 2) The decision of the Shareholders Assembly on share capital decrease shall be submitted to CRPS that shall deliver it to the "Official Gazette of Montenegro" for publishing.

Article 10.

- 1) Prior to a share capital decrease the Bank shall carry out all actions prescribed by law for the protection of rights and settlement of claims of potential creditors.
- 2) When decreasing the share capital, the Bank shall annul a proportionate number of shares. The number of all shares of the shareholders shall be proportionally decreased to a number of shares owned by shareholders respectively.

Article 11.

- 1) The Bank may, in entirety or partly, return the shareholders their invested assets in a manner and by procedure provided for in law.
- 2) The share capital of the Bank may be decreased not less than the amount of minimum capital prescribed by law.
- 3) The capital shall be considered decreased when modifications of and amendments to Articles of Association of the Bank are registered with the CRPS.

V BANK'S ORGANIZATION

Internal organization of the Bank

Article 12.

Internal organization of the Bank shall be defined in detail by regulations on internal organization and systematization adopted by the Board of Directors at the proposal of the Executive Directors' Meeting of the Bank.

Organizational parts of the Bank

Article 13

- 1) Branches represent organizational units of the Bank not having a status of legal entity and conducting business operations on the main account of the Bank.
- 2) The branches are established by a decision of the Board of Directors in the following cases when:
 1. the business policy of the Bank and conditions of business operations in the financial market provide justification;
 2. there is possibility that the Bank streamlines business operations of the branches both in terms of organization and personnel.

Article 14

Pursuant to procedure provided for in law the Bank may establish other organizational parts including affiliations, counters and representative offices.

VI CORPORATE GOVERNANCE

Article 15.

The Bank shall have the following bodies:

1. Shareholders Assembly
2. Board of Directors

3. Audit Committee
4. Executive Directors
5. Secretary General of the Bank

Shareholders Assembly of the Bank

Article 16.

- 1) The Bank is a single-member joint-stock company.
- 2) A shareholder of a single-member joint-stock company shall have the authorizations of the Shareholders Assembly and shall make all decisions in a written form.

Article 17.

- 1) The Shareholders Assembly of the Bank is exclusively entitled to:
 1. adopt the Articles of Association of the Bank and its modifications and amendments;
 2. appoint and dismiss members of the Board of Directors ;
 3. establish the fees for members of the Board of Directors;
 4. consider a report of the Bank's business operations with a report of independent external auditor;
 5. decide on profit distribution;
 6. decide on increase and decrease of the Bank share capital;
 7. decide on change of name and head office of the Bank;
 8. decide on restructuring and closure of the Bank;
 9. decide on other issues under competence vested by the Banking Law, Business Organization Law and other positive regulations.

Board of Directors

Article 18.

- 1) The Board of Directors shall manage the Bank and perform the oversight over its operations.
- 2) The Board of Directors comprises of 5 (five) members managed by a Chairman.
- 3) The Board of Directors shall elect a Chairman and Vice-Chairman from among its members at its first (constitutive) meeting.
- 4) At least two members of the Board of Directors must be persons independent from the Bank, in line with the Banking Law.
- 5) Employees of the Bank may not be members of the Board of Directors.
- 6) By way of exception from the paragraph 5 of this Article, executive directors of the Bank may be elected as members of the Board of Directors provided that the total number of executive directors in the Board of Directors may not exceed one-third of the total number of the members of the Board of Directors.
- 7) Executive director may not be a Chairman of the Board of Directors.

Article 19.

In decision making the members of the Board of Directors shall be guided by principle of conscientiousness and practice of a good businessman.

Article 20.

- 1) Members of the Board of Directors shall be elected by the Shareholders Assembly.
- 2) A member of the Board of Directors may only be a person holding a university degree, of recognized personal reputation and professional qualifications, professional ability and experience in managing a bank by applying the rules of prudent business and for whose election there are no restrictions by provisions of the Banking Law.
- 3) A member of the Board of Directors may not be elected without prior approval of the Central Bank.
- 4) The approval of the Central Bank for member of the Board of Directors shall not cease to be valid in case of re-election of the member of the Board of Directors during his/her term of office.

Article 21.

- 1) The term of office of members of the Board of Directors shall last 4 (four) years.
- 2) The number of term of office of members of the Board of Directors shall not be limited.
- 3) In case the term of office of a member of the Board of Directors expires or terminates in other way, his/her membership in bodies of the Board of Directors shall also terminate.

Article 22.

- 1) The term of office of a member of the Board of Directors may terminate:
 1. at the personal request – resignation;
 2. by removal from the shareholder that a member represented in the Board;
 3. if not longer eligible for election by provisions of the Banking Law;
 4. if not participating in the work of the Board of Directors and not acting in accordance with rights and duties of a member, in accordance with the Bank's acts;
 5. in other cases by provisions of positive regulations.
- 2) A member of the Board of Directors may submit a resignation before expiration of term of office by notifying the Board in writing at least 14 days in advance.

In the case of resignation of a member of the Board of Directors or termination of his function in another manner, a new Board of Directors shall be elected.

Article 23.

- 1) The Board of Directors shall take decisions at the meetings.
- 2) Meetings of the Board of Directors shall be convened and presided over by a Chairman and in case of his absence, by a Vice -Chairman.
- 3) Other members of the Board may convene the meetings provided that it is accepted by more than a half of the members.

Article 24.

- 1) Meetings of the Board of Directors shall be held not less than once monthly.
- 2) The Board of Directors shall duly take decisions if the meeting is attended by a majority of members of the Board.
- 3) Decisions are taken by voting where each member has a respective vote.

- 4) The Board of Directors shall duly take decisions by a majority of votes of total number of members.
- 5) The manner of work and other issues related to the work of the Board of Directors shall be regulated in detail by the Rules of procedure of the Board of Directors.

Article 25.

The Board of Directors of the Bank shall:

1. prepare proposals of decisions to be approved by the Shareholders Assembly and take care of their implementation;
2. enact the Bank's general acts, except those enacted by the Shareholders Assembly;
3. establish business policy and strategy of the Bank and control their enforcement;
4. establish and maintain a risk management system for the risks to which the bank has been exposed in its operations that, as a minimum, includes the following:
 - strategy for risk management for a period not less than three years;
 - adopted policies and developed processes for risk management;
 - clearly defined powers and responsibilities for risk management for all levels of working process and decision making;
 - efficient and safe information technology system;
 - contingency plans;
 - stress testing
5. determine risk management policies and procedures for all the risks to which the Bank has been exposed in its operations;
6. periodically consider and evaluate exemptions from the established policies and procedures;
7. establish bases for the functioning of internal control systems adequate to the size of the Bank, complexity of operations and the level of assumed risk;
8. define the Bank's annual plan, including financial plan as well;
9. adopt the Bank's annual financial statements together with external auditor's report and reports on the Bank's operations during the year;
10. approve transactions that may significantly affect the structure of the Bank's balance sheet and risks taken in its operations, in accordance with the risk management policies and procedures;
11. elect and dismiss executive directors, Secretary General of the Bank and members of management of the Bank (second line directors) and set their salaries and other remunerations;
12. elect and dismiss the person managing organizational unit for internal audit of the Bank of the Bank and set its salary and other earnings;
13. adopt the internal audit annual plan and internal audit reports;
14. elect the Bank's independent external auditor with the approval of the Central Bank and examines its reports;
15. elect and dismiss members of the Audit Committee;
16. review annual report of the Audit Committee;
17. elect and dismiss members of the regular and ad hoc bodies of the Board of Directors;
18. decide on establishment and cancellation of organizational parts of the Bank;
19. define internal organization of the Bank;
20. elect and dismiss the person managing organizational unit for secretary affairs and compliance monitoring (compliance function) of the Bank
21. adopt the report on compliance of the Bank's operations with the law;
22. elect and dismiss person authorized for prevention of money laundering and terrorism funding activities and his/her deputy;
23. adopt the report on money laundering and terrorism funding activities submitted by the authorized person or his/her deputy;
24. review the Central Bank's examination reports and take all necessary measures to eliminate irregularities;
25. decide in the second instance by all objections in case of mandatory second instance;
26. define General operating conditions of the Bank;
27. approve introduction of new products and services in the Bank's operations;
28. enact ethical code of conduct for the Bank employees;
29. enact its Rules of procedure;
30. perform other duties as specified in positive regulations and regulations of the Bank.

Article 26.

- 1) The Board of Directors may form standing or temporary bodies to perform operations within its competence.
- 2) The composition and scope of work of the bodies referred to in paragraph 1) above shall be specified in detail in the Bank's acts, in accordance with the positive regulations.

Audit Committee

Article 27.

- 1) The Audit Committee shall consist of three members at least, the majority of which are not connected to the Bank and have experience on the positions in the area of finance.
- 2) Executive directors of the Bank shall not be elected as members of the Audit Committee.
- 3) Term of office of the Committee's members shall last 4 (four) years.
- 4) The Audit Committee shall:
 1. analyze and monitor the functioning of the system for managing risks the Bank is exposed to in its operations and propose the improvement of risk management strategies, policies and procedures;
 2. analyze and monitor the functioning of internal control systems;
 3. discuss internal audit programs and reports and give opinion on internal audit findings;
 4. monitor the implementation of internal audit recommendations;
 5. analyse financial reports of the bank prior to its submission to the Board of Directors;
 6. evaluate the quality of reports and information before they are submitted to the Board of Directors, including but not limited to:
 - application of accounting policies and procedures;
 - decisions requiring high level of evaluation;
 - impact of unusual transactions on financial reports;
 - quality of policies of data gathering;
 - changes occurred as consequence of completed audits;
 - assumptions on permanency of operations;
 - compliance with International Financial Reporting Standards and regulations
 7. give opinion on the selection of External Auditor and propose an audit fee.
- 5) The Audit Committee shall draw up proposals, opinions and standpoints on the issues within their scope of work that are to be decided by the Board of Directors.
- 6) The Audit Committee shall submit quarterly and annual reports on its work to the Board of Directors.

Executive directors

Article 28.

- 1) The Bank shall have 3 (three) executive directors, i.e. Chief Executive Director and two executive directors.
- 2) Chief Executive Officer and executive directors of the Bank shall be elected by the Board of Directors.

- 3) The same person may be re-elected as executive director of the Bank.
- 4) Executive directors may be foreign citizens and at least one executive director must speak the language that is in official use in Montenegro.
- 5) Executive directors shall be full-time employees of the Bank.

Article 29.

- 1) For a position of the executive director of the Bank may be appointed a person fulfilling apart from general conditions the following conditions:
 1. University degree;
 2. At least three years of working experience on duties with special authorizations and responsibilities in banking and other financial organizations;
 3. Competence and professional experience on managing positions in financial sector corresponding to the relevance and size of the Bank;
 4. No legal impediment to appointment, by provisions of the Banking Law;
- 2) Only a person that has obtained a prior approval of the Central Bank may be elected executive director.

Article 30.

- 1) The executive director of the Bank may be dismissed prior to expiration of a period he/she is appointed for by the decision of the Board of Directors of the Bank in the following cases:
 1. upon the personal request,
 2. if the Bank has suffered damage due to negligence in his/her work,
 3. if he/she acts contrary to the law and decisions of the Bank,
 4. in other cases provided for in positive regulations and acts of the Bank.

Article 31.

- 1) Executive directors shall be responsible for the organisation and management of the Bank and supervision of the work of the employees of the Bank on daily basis.
- 2) Executive directors shall be responsible for managing all risks the Bank is exposed to in its operations and performing other obligations in accordance with the Banking Law and these Articles of Association.
- 3) Executive directors of the Bank shall, in particular:
 1. implement the specified strategies of the Bank;
 2. implement decisions of the Bank's Shareholders Assembly and Board of Directors;
 3. decide on business transactions in line with the Bank's internal acts;
 4. ensure that the Bank employees are familiar with the regulations and other acts of the Bank regulating their labour obligations;
 5. ensure security and regular monitoring of the IT system of the Bank;
 6. inform the Board of Directors on actions that are not in accordance with the regulations and other acts of the Bank;
 7. report to the Board of Directors in accordance with the Bank's acts;
 8. immediately inform the Board of Directors and the Central Bank on any deterioration or potential deterioration of the financial condition of the Bank, as well as on other facts that may significantly impact the financial condition of the Bank;
 9. decide on other issues that are not under the competence of the Bank's Shareholders Assembly and Board of Directors.
- 4) Executive directors of the Bank shall form the Executive Directors' Meeting.

- 5) The manner of work and other issues related to the work of the Executives Directors' Meeting shall be regulated in detail by its Rules of procedures of Executives Directors' Meeting, subject to the consent of the Board of Directors.

Article 32.

- 1) The Chief Executive Officer of the Bank shall:
 1. represent and stand for on behalf of the Bank;
 2. organize and manage the Bank's operations as a whole;
 3. coordinate the work of Executive directors, on a daily basis;
 4. ensure the legality of the Bank's operations;
 5. preside over Executives Directors' Meeting and the meetings of the bodies of the Bank, in accordance with the Bank's acts;
 6. perform other activities under competence vested by positive regulations, these Articles of Association and other Bank's acts.
- 2) Executive directors of the Bank, within their area of operations, shall be responsible for:
 1. organization and managing the operations;
 2. supervision over employees work;
 3. legality of operations and business results;
 4. risks management;
 5. implementation of Articles of Association, other general acts and decisions of the Bank's bodies within its competence;
 6. immediate implementation of recommendations and measures of the Central Bank;
 7. proposing of policies, procedures and other acts to the Bank's bodies;
 8. cooperation with competent state and other bodies in matters of concern to the Bank;
 9. concluding contracts within its scope of work, in accordance with the rules on signing in the Bank;
 10. proposing of measures for system improvement, strategies and policies of risks management in concrete area of operations.

Secretary General of the Bank

Article 33.

The Secretary General of the Bank shall perform following activities:

- 1) organizes work of Shareholders Assembly, Board of Directors and Executive Directors' Meeting of the Bank;
- 2) takes care about preparation and submitting of proposals for Shareholders Assembly, Board of Directors and Executive Directors' Meeting of the Bank;
- 3) participate in preparation of decisions and other regulations which are passed by Shareholders Assembly, Board of Directors and Executive Directors' Meeting of the Bank and submits them to responsible divisions and departments of the Bank;
- 4) responsible for preparation and keeping of Minutes of meetings of the Board of Directors and Executive Directors' Meeting of the Bank;
- 5) submits to CRPS documents in accordance with the Banking Law and Business Organizations Law;
- 6) submits to the Central bank documents necessary for requiring licences, approvals and consents in accordance with the Banking Law, regulations of the Central bank and other positive regulations;
- 7) performs other activities in accordance with positive regulations and the Bank's acts.

VII COMPLIANCE MONITORING FUNCTION

Article 34.

- 1) The Bank shall designate in its organizational structure an organizational unit or persons responsible for monitoring the bank's compliance with the law (compliance monitoring function).
- 2) Employees of the organizational unit or persons referred to in paragraph 1 above may not perform any other duties in the bank, which performance may lead to the conflict of interest.
- 3) The manager of the organizational unit or persons referred to in paragraph 1 above shall:
 - 1) inform the Board of Directors immediately on any irregularities found in connection with the compliance of the Bank's operations;
 - 2) periodically, but at least annually, report to the Board of Directors on the Bank's compliance.

VIII PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING ACTIVITIES

Article 35.

- 1) Activities on prevention of money laundering and terrorism financing in the Bank shall be performed by an authorized person and his/her deputy in accordance with the Law on prevention of money laundering and terrorism financing bylaws and general regulations of the Bank.
- 2) Functional position of person authorized for prevention of money laundering and terrorism financing shall be defined by general regulations on organization and systematization of in the manner that ensures its independence in performing of activities from its scope of work.

IX REPRESENTATION AND SIGNING

Article 36.

- 1) The Chief Executive Officer shall represent the Bank and act on its behalf.
- 2) When undertaking legal actions for and on the behalf of the Bank, the Chief Executive Officer must provide the signature of at least one more executive director.
- 3) General rules on signing for and on behalf of the Bank shall be defined in detail by the decision on special responsibilities of the employees of the Bank issued by the Executives Directors' Meeting of the Bank subject to the consent of the Board of Directors.

Article 37.

- 1) Besides general rules on signing referred to paragraph 3 of Article 36), Chief Executive Officer of the Bank may authorize other person who may, in his name and on his behalf, conclude contracts and undertake other legal activities for and on behalf of the Bank.
- 2) Besides general rules on signing referred to paragraph 3 of Article 36), executive directors of the Bank may authorize other person who may, in his name and on his behalf, conclude contracts and undertake other legal activities for and on behalf of the Bank.
- 3) The authorization referred to in the paragraph 1 and 2 may be general or specific, for certain activity or sort of activities or legal actions.

X BUSINESS BOOKS, SYSTEM OF INTERNAL CONTROL AND INTERNAL AUDIT, EXTERNAL AUDIT, REPORTING, PROTECTION OF CLIENTS, PROFITS, LOSSES AND BANK RESERVES

Business books

Article 38.

The Bank shall

1. keep business books in accordance with the bank chart of accounts prescribed by the Central Bank;
2. draw up accounting statements, evaluate assets and liabilities and prepare financial statements in accordance with the Banking Law, regulations issued on the basis of this Law, International Accounting Standards and International Financial Reporting Standards;
3. supervise the registration of shares in the Central Depository Agency.

System of internal control and internal audit

Article 39.

- 1) The Bank shall arrange and carry out the system of internal control in accordance with positive regulations and which, as a minimum, includes clear principles of delegation of authorities and responsibilities, delegation of duties, accounting of assets and liabilities, compliance of accounting data, insurance of the Bank's funds and provision of independent internal audit and compliance function.

Article 40.

- 1) The Bank shall organize the internal audit in such a way as to provide permanence in the performance of internal audit, audit access to all operations in the bank, independence, fairness and impartiality in the work of internal auditor, adequate organization in the performance of internal audit function and timely reporting of internal audit findings.
- 2) Function of internal audit shall be performed by an organizational unit of the Bank. The person managing organizational unit for internal audit of the Bank shall be elected by the Board of Directors under conditions and restrictions as stipulated by the Banking Law.
- 3) The person managing organizational unit for internal audit of the Bank as well as employees in this organizational unit shall not perform other operations in the Bank.

External audit

Article 41.

- 1) The Bank shall be obliged to arrange an audit of the annual financial statements and together with the external audit report and opinion submit them to the Central Bank, in accordance with positive regulations.
- 2) The external audit of the Bank's annual financial statements shall be performed in accordance with positive regulations.
- 3) The External Auditor shall submit an audit report in accordance with positive regulations.

- 4) The Bank shall be obliged to annually publish a shorter version of the external auditor's report in at least one of daily newspapers (a balance sheet and profit and loss statement from the latest auditor's report accompanied by the external auditor's opinion).

Reporting

Article 42.

- 1) The Bank shall prepare and submit to the Central Bank in a timely manner reports and other data, in a form, content and within timeframes prescribed by the Central Bank regulations.
- 2) The Bank shall disclose data that are relevant to making the public aware of its financial position and performance, in accordance with positive regulations and acts of the Central Bank.

Protection of clients

Article 43.

- 1) The Bank shall be obliged to post in its business premises valid general operating conditions.
- 2) The Bank shall inform the client, upon his/her request, on condition of the loan or deposit account and provide him/her with the access to other information that may be available to the client in accordance with the Banking Law.
- 3) Every beneficiary of a loan granted by the Bank shall be fully informed about conditions of crediting, effective interest rate and accepted and delivered repayment schedule of the loan.

Profit, losses and reserves of the Bank

Article 44.

The Bank shall determine its funds and distribute them, in accordance with the positive regulations.

Article 45.

The Bank shall prepare annual financial reports for each business year, in accordance with positive regulations.

Article 46.

- 1) The Shareholders Assembly of the Bank shall decide on any profit distribution.
- 2) The Bank's profit shall be distributed for the following purpose:
 1. legal and other reserves;
 2. shareholders' dividends;
 3. other purposes in accordance with the positive regulations.

Article 47.

The Shareholders Assembly of the Bank shall take decision on the appropriation of special reserves in accordance with positive regulations.

Article 48.

The Shareholders Assembly of the Bank may decide not to pay dividends to shareholders for the previous year but to use the undistributed profit for increase of total capital of the Bank.

Article 49.

Should the annual report reveal losses from business operations, the Board of Directors shall prepare a recovery program in accordance with positive regulations and a decision of the Shareholders Assembly of the Bank.

XI REPRESENTATION AND LIABILITY IN LEGAL TRANSACTIONS

Article 50.

- 1) The Bank, within its business activities, acts in legal transactions as legal subject, concludes legal actions and undertakes other legal activities or actions.
- 2) The Bank shall perform business operations in its own name and on its behalf, in its own name and for account of the third parties and in the name and for account of the third parties.
- 3) For its obligations in business transactions with third parties, the Bank shall be held liable with all of its assets.
- 4) The shareholders of the Bank shall be held liable for obligations of the Bank up to the amount of funds they have invested in the share capital of the Bank.

XII BUSINESS SECRET

Article 51.

As business secret shall be considered:

1. documents and data given to the Bank as confidential by certain bodies or organizations;
2. documents and data defined by the Bank's body as confidential;
3. data and documents being declared as confidential by responsible managing bodies, regulations or governmental bodies;
4. data being declared as banking secret, in line with the Banking Law.

Article 52.

- 1) Shareholders, members of the Board of Directors, all employees in the Bank, external auditor and other persons that, during their operations with the Bank or on behalf of the Bank, have access to the information and data representing business secret, shall be obliged to keep those information and data while working in the Bank and after separation from the Bank.
- 2) Parties that have obtained information that represents business secret shall be obliged to use such information exclusively for the purpose for which they have been obtained and shall not make it available to third parties except in cases prescribed by the law.
- 3) Unauthorized release of documents and data representing business secret of the Bank in light of regulations, these Articles of Association and other general acts of the Bank shall be deemed a serious breach of the Bank's interest, and for employees it shall be deemed a serious breach of duties.

XIII THE BANK'S GENERAL REGULATIONS

Article 53.

- 1) The general regulations of the Bank shall be Articles of Association, rulebooks, rules of procedure and decisions of the Bank's bodies that regulate certain matters in the general manner.
- 2) Articles of Association shall represent a core general regulation of the Bank.
- 3) Other general regulations of the Bank must be in compliance with Articles of Association of the Bank.

XIV MODIFICATIONS OF AND AMENDMENTS TO ARTICLES OF ASSOCIATION

Article 54.

- 1) Modifications of and amendmenst to Articles of Association shall be made in the manner and according to the procedure for its adoption.
- 2) Initiative for modifications of and amendmenst to Articles of Associaton may be submitted by:
 1. Shareholder(s) of the Bank
 2. Board of Directors of the Bank
 3. Executive Directors of the Bank
- 3) The Shareholders Assembly shall adopt modifications and amendments to Articles of Association at the proposal of the Board of Directors.

XV TRANSITIONAL AND CLOSING PROVISIONS

Article 55.

- 1) Articles of Association shall come into force on the day of its registration at the CRPS.
- 2) By entering into force of these Articles of Association, Articles of Association of Erste Bank AD Podgorica as of 29th of September 2014 shall cease to be valid.

The revised text of Articles of Association contains basic text as of April 26th 2013 and amendments as of 28th of November 2014, 12th of August 2014, 29th of September 2014 and 19th January, 2016.

On behalf of the only shareholder, Erste&Steiermarkische Bank d.d. Rijeka, Republic of Croatia:

Christoph Schoefboeck
President of the Management Board

Sladana Jagar
Member of the Management Board