

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

**March 2021.**

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Pursuant to Article 29 paragraph 1 bullet 1 of the Banking Law ("Official Gazette of Montenegro", no. 17/08, 44/10, 40/11 and 73/17 ), Article 17 paragraph 1 bullet 1 of Article of Association of Erste Bank AD Podgorica and in line with Article 114 and Article 329 of the Business Organization Law ("Official Gazette of Montenegro", No. 65/20), 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 108 paragraph 3 of Business Organization Law, on 31.03.2021. passed amendments to the 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 ("Official Gazette of Montenegro", no. 17/08, 44/10, 40/11 and 73/17) and Business Organization Law ("Official Gazette of Montenegro", no. 65/20).
- 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. Arsenija Boljevića 2A.
- 3) In its business operations the Bank will use the logo (graphic mark) as it follows:

- 4) Bank's adress for recieving electronic mail is [info@erstebank.me](mailto:info@erstebank.me).

**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 the name of the Bank, a determination that the company is a Joint-Stock Company , information on Head Office of the Bank, , Tax Identification number , transactional account of the Bank, name of the authority where the Bank is registered, number under which it is registered and the amount of the basic capital of the Bank."
- 4) The Bank publishes documents listed under paragraph 3 of this Articles on its website.

**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 18<sup>th</sup> 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) The Bank performs brokerage, dealer and investment manager services in accordance with the Approval of Central bank of Montenegro no. 03-3595-3/2016 dated May 24, 2016 and in

accordance with license of Securities Commission of Montenegro for performance of these services.

- 6) 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 license 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. Executive Directors

### **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) It is exclusive right of the Shareholders Assembly to:
  1. adopt the Articles of Association of the Bank;
  2. amend the Articles of Association of the Bank;
  3. elect and dismiss members of the Board of Directors of the Bank;
  4. determines remuneration amount for the work of the members of the Board of Directors of the Bank;
  5. members of the Board of Directors;
  6. review the annual report on the Bank's operations with the report of the independent external auditor;
  7. decides on the distribution of profit;
  8. decides on increase/decrease of the Bank's capital and on exchange of one class of shares with the other class;
  9. adopts the decision on management of Bank's property (purchase, sale, lease, exchange, acquisition or other) the value of which is greater than 20% of the carrying value of the company's assets (high value assets), unless a lower share is determined in the articles of association;
  10. decides on change of name and head office of the Bank;
  11. decides about restructuring and liquidation of the Bank;
  12. passes the Rules of Procedure;
  13. approves decisions on emissions of bonds, or other securities; decides on other matters from the scope of its jurisdiction in line with the Law on Banks, Law on commercial entities and other regulation;

### **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) Member of the Board of Directors can be only the person with higher education, recognized personal reputation and professional qualifications, professional abilities and experience in managing a bank, while implementing the rules of safe and cautious operations, and for whose appointment there are no conflicts as prescribed by the Law on banks and Law on commercial entities.
- 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 – by submitting resignation;
  2. upon expiration of the period for which the member was appointed;
  3. at the request of the Shareholder whose representative member of the Board of Directors is;
  4. when the member ceases to fulfil conditions laid out for the appointment of Board members in line with the Law on banks, Law on commercial entities or conditions determining member's independence (for independent members of the Board of Directors);
  5. if he fails to participate in the work of the Board of Directors (without proper justification) or fails to adhere to the internal acts of the Bank;
  6. if the member votes for decisions despite the conflict of interests;
  7. if member is convicted for an act that deems him/her as unworthy to perform the function of the Board member;
  8. in other cases that are prescribed by regulations;
- 2) Member of the Board of Directors may submit the resignation in writing prior to the expiration of term of which decision the member should inform the Board in writing.
- 3) Resignation from the paragraph 2 of this Article enters into effect on the day the new Board member is appointed.
- 4) In case Board member resigns or stops performing the function in any another way, new Board of Directors shall be appointed.



**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) In case of the voting tie, the vote of the President of the Board of Directors shall be a deciding vote.
- 6) In case of the conflict of interest, member of the Board of Directors shall inform the Board of Directors of conflict of interest existence and shall not vote on matters from which the conflict of interest arises.
- 7) Operations and other matters associated with the work of the Board of Directors shall be further regulated with 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) For the matters from within its jurisdictions the Board of Directors can establish committees and other permanent or temporary bodies which can assist the Board in its work in line with the law.
- 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.

#### Executive directors

#### Article 27.

- 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 are appointed by the Board of Directors to terms of office lasting three years.
- 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 28.**

- 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 29.**

- 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 30.**

- 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 31.**

- 1) The Chief Executive Officer :
  1. represents the Bank
  2. carries out the execution of the Shareholders Assembly and Board of Directors decisions;

3. ensures the solvency and liquidity of the Bank;
  4. enters into contracts on behalf and for the account of the Bank in line with his/hers authorizations;
  5. organizes and leads the operations of the Bank as a whole;
  6. coordinate the work of Executive directors, on a daily basis;
  7. ensure that the Bank operates in line with the law and regulations ;
  8. presides over meetings Executives Directors Committee and other bodies of the Bank, in line with the Bank's procedures;
  9. Decides about the employee's requests in first instance;
  - performs other duties from his/hers scope of duties as defined by regulation, Articles of Association and other documents of the Bank.
- 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.

The Bank has the Audit Committee and Secretary General.

#### **Audit Committee**

#### **Article 32.**

- 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:
    - i. application of accounting policies and procedures;
    - ii. decisions requiring high level of evaluation;
    - iii. impact of unusual transactions on financial reports;
    - iv. quality of policies of data gathering;
    - v. changes occurred as consequence of completed audits;
    - vi. assumptions on permanency of operations;
    - vii. 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.

**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 drafting and keeping the minutes and decisions from the Shareholders Assembly, the Board of Directors and Committee of Executive Directors. ;
- 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 SPECIAL DUTIES TO THE BANK**

**Article 51.**

- 1) Special duties towards the Bank are: duties of diligence, reporting of personal interest, avoidance of conflict of interest, keeping a trade secret, and complying with prohibition of competition
- 2) The following shall have the special towards the Bank:

- 1) Shareholders with significant holding in the core capital of the Bank or a shareholder who is a controlling member of the Bank in line with the Law on commercial entities;
- 2) Executive directors,
- 3) members of the Board of Directors,
- 4) representatives and procurators;
- 5) Auditor,
- 6) Liquidation administrator.

### **XIII BUSINESS SECRET**

#### **Article 52.**

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 53.**

- 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.
- 4) Disclosure of data referred to in Article 52 of this Articles of Association shall not be deemed as breach of trade secret if the disclosure of data is:
  1. obligation set by law or decision of a competent state authority;
  2. necessary to protect interest of the Bank;
  3. made in order to notify public on perpetration of an act punishable by law.

### **XIV DUE DILLIGENCE**

#### **Article 54.**

- 1) Persons with special duties towards the Bank from the Article 51 of the Articles of Association shall carry out their obligations conscientiously and with diligence of prudent businessperson in the interest of the Bank as a whole.
- 2) Diligence of prudent businessperson shall be deemed to be an increased degree of diligence, knowledge, skills, and experience required for pursuit of tasks within one's duties in the Bank.
- 3) If in addition to knowledge, skills, and experience referred to in paragraph 2 of this Article, the person referred to in paragraph 1 of this Article has additional specific knowledge, skills or experience, they shall be taken into account for the purpose of evaluating the level of diligence a person should demonstrate (diligence of prudent expert).

## **XV DUTY TO REPORT CONFLICT OF INTEREST**

### **Article 55.**

- 1) The persons with special duties to the Bank referred to in the Article 51 of the Articles of Association have the duty to notify the Board of Directors about the existence of personal interest or interest with his connected persons in legal transaction the Bank is undertaking.
- 2) The personal interest shall exist in the event of:
  1. entering into a legal transaction between the Bank and such person or his connected person;
  2. taking legal actions (taking actions in judicial and other proceedings, waiver of rights and other) taken by the Bank against such person or against his connected person;
  3. entering into a legal transaction between a Bank and a third party, or taking a legal action by a Bank in relation to a third party, if such third party has a financial relationship with such person or his connected person and if it can be expected that the existence of such relationship affect his actions.

### **Article 56.**

- 1) Entering into a legal transaction and taking legal actions referred to in Article 55 paragraph 2 of these Articles of Association may be authorized by majority of votes of all members of the board of directors or supervisory board, who are without a personal interest.
- 2) In cases where all members of the board of directors have a personal interest or the number of members without a personal interest is insufficient to achieve a quorum for work or due to equal split of votes between members of these organs who are without a personal interest and when the chairperson of the board of directors is absent or without the voting right, a resolution on authorizing entering into a legal transaction shall be adopted by the General Assembly;
- 3) In the event that the Board of Directors authorizes entering into a legal transaction in accordance with paragraph 1 of this Article, the board of directors shall be obliged to inform the General Assembly on the details of the issued authorization.
- 4) The authorization referred to in paragraph 1 of this Article shall not be required in the cases prescribed by the Law on Commercial Entities.

## **XVI DUTY TO RESPECT OF PROHIBITION OF THE COMPETITION**

### **Article 57.**

- 1) The person with special duties towards the Bank referred to in Article 51 of the Articles of Association cannot without a prior obtained authorization in accordance with Article 56 of these Articles of Association:
  1. Have a capacity of persons referred to in Article 31 paragraph 1 Items 1 to 4 of this Law in another Bank or business organization having the same or similar scope of operation (competing business organization);
  2. Be employed with a competing business organization;
  3. Be otherwise engaged with a competing business organization;Be a member or founder of another legal person having the same or similar scope of operation.

**XVII THE BANK'S GENERAL REGULATIONS**

**Article 58.**

- 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.

**XVIII MODIFICATIONS OF AND AMENDMENTS TO ARTICLES OF ASSOCIATION**

**Article 59.**

- 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) Decision on amendments to the Articles of Association is passed by the Shareholders Assembly at the proposal of the Board of Directors of the Bank.

**XIX TRANSITIONAL AND CLOSING PROVISIONS**

**Article 60.**

These Article of Association enter into force on the they of registration with the Central Registry of Commercial Entities.

*The revised text of Articles of Association contains basic text as of 06.02.2012., amendments as of 25.05.2012., amendments and supplements as of 29.04.2013., amendments as of 28.11.2013., amendments as of 12.08.2014., amendments as of 29.09.2014, supplements as of 19.01.2016., supplements as of 29.07.2016, amendments as of 30.05.2017 and amendments as of 31.03.2021.)*

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

Christoph Schoeffboeck  
President of the Management Board



Member of the Management Board



Krešimir Barić  
član Uprave

