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THE CROATIAN PARLIAMENT

3109

Pursuant to Article 88 of the Constitution of the Republic of Croatia I hereby issue the following

DECISION

PROMULGATING THE HRVATSKA BANKA ZA OBNOVU I RAZVITAK ACT

I hereby promulgate the Hrvatska banka za obnovu i razvitak Act, adopted by the Parliament of the Republic of Croatia at its session held on 8th December 2006.

Class: 011-01/06-01/82

No: 71-05-03/1-06-2

Zagreb, 13th December 2006

The President
of the Republic of Croatia
Stjepan Mesić (m.p.)

HRVATSKA BANKA ZA OBNOVU I RAZVITAK ACT

Subject matter of the Act

Article 1

This Act defines the position, activities, ownership, powers and organisation of Hrvatska banka za obnovu i razvitak as a special financial institution.

Position and objectives of Hrvatska banka za obnovu i razvitak

Article 2

(1) Hrvatska banka za obnovu i razvitak is the development and export bank of the Republic of Croatia.

(2) The objective of Hrvatska banka za obnovu i razvitak is to promote the development of Croatian economy.

Corporate name and registered office

Article 3

- (1) Hrvatska banka za obnovu i razvitak operates under the corporate name “Hrvatska banka za obnovu i razvitak”, and under the abbreviated corporate name “HBOR”.
- (2) In its foreign transactions Hrvatska banka za obnovu i razvitak may use its corporate name in English “Croatian Bank for Reconstruction and Development”.
- (3) The registered office of Hrvatska banka za obnovu i razvitak is in Zagreb.
- (4) Hrvatska banka za obnovu i razvitak has a seal which contains its corporate name, abbreviated corporate name and registered office.

Legal personality

Article 4

- (1) Hrvatska banka za obnovu i razvitak is a legal person established by a special law and shall not be registered in the Register of Companies.
- (2) Hrvatska banka za obnovu i razvitak may not be subject to bankruptcy or liquidation proceedings. Hrvatska banka za obnovu i razvitak may cease to operate only by operation of the provisions of a special law.

Capital

Article 5

- (1) The capital of Hrvatska banka za obnovu i razvitak amounts to Croatian kunas 7,000,000,000.00.
- (2) The capital referred to in paragraph (1) of this Article 5 shall be paid up by the Republic of Croatia from the State Budget.
- (3) The capital of Hrvatska banka za obnovu i razvitak consists of one share which cannot be divided, transferred or pledged, and is entirely owned by the Republic of Croatia.

Holdings in companies and membership in international organisations

Article 6

- (1) Hrvatska banka za obnovu i razvitak may establish and hold shares in companies within the Republic of Croatia and abroad.
- (2) Hrvatska banka za obnovu i razvitak may be a member of international financial

institutions and international organisations active in the field of economic development promotion, and may participate in the activities thereof.

(3) Decisions on holding shares in companies and membership in institutions referred to in this Article 6 shall be taken by the Supervisory Board of Hrvatska banka za obnovu i razvitak.

Raising funds

Article 7

(1) Hrvatska banka za obnovu i razvitak shall raise funds by issuing debt securities and taking out loans.

(2) Hrvatska banka za obnovu i razvitak may raise funds in the Republic of Croatia and abroad.

Liability for obligations

Article 8

(1) The liability of Hrvatska banka za obnovu i razvitak for its obligations extends to all of its assets.

(2) The Republic of Croatia guarantees for the obligations of Hrvatska banka za obnovu i razvitak unconditionally, irrevocably and at first demand, without issuing a separate guarantee instrument.

(3) The liability of the Republic of Croatia as the guarantor for the obligations of Hrvatska banka za obnovu i razvitak is joint and several and unlimited.

Taxes

Article 9

Hrvatska banka za obnovu i razvitak is exempt from profit tax.

Business activities

Article 10

(1) Within the framework of its powers and competences, Hrvatska banka za obnovu i razvitak in its operations promotes systematic, sustainable and even economic and social development in accordance with the strategic objectives of the Republic of Croatia.

(2) The main activities of Hrvatska banka za obnovu i razvitak shall be:
1. financing the reconstruction and development of Croatian economy;

2. financing infrastructure;
3. promoting exports;
4. supporting the development of small and medium-sized enterprises;
5. promoting environmental protection;
6. insuring the exports of Croatian goods and services from non-marketable risks.

(3) In order to conduct the activities referred to in paragraph (2) of this Article 10, Hrvatska banka za obnovu i razvitak shall enter into the following transactions:

1. lending and other placements;
2. bank and other guarantees;
3. insurance and re-insurance contracts;
4. debt and equity security investments;
5. other financial transactions and services aimed at conducting the activities set out in this Article 10.

(4) The Government of the Republic of Croatia may entrust Hrvatska banka za obnovu i razvitak with other financial transactions if considered to be of interest to the Republic of Croatia.

(5) The activities and transactions referred to in this Article 10 shall be conducted by Hrvatska banka za obnovu i razvitak in accordance with the state aid legislation.

(6) The activities referred to in subparagraph 6 of paragraph (2) and the transactions referred to in subparagraph 3 of paragraph (3) of this Article 10 shall be conducted by Hrvatska banka za obnovu i razvitak on behalf and for the account of the Republic of Croatia. The Government of the Republic of Croatia shall define in detail the manner of conducting these activities and transactions by adopting special legislation.

Manner of performing business and risk management activities

Article 11

(1) Hrvatska banka za obnovu i razvitak shall carry out its activities directly or indirectly through banks or other legal entities.

(2) Hrvatska banka za obnovu i razvitak shall carry out the transactions referred to in Article 10 paragraphs (3) and (4) of this Act in the Republic of Croatia and abroad.

(3) Loans extended, guarantees issued and other transactions carried out by Hrvatska banka za obnovu i razvitak must be secured as it is customary in the banking business.

(4) Governed by the banking principles, Hrvatska banka za obnovu i razvitak shall, as much as possible, reduce its operating risks.

Financial operations

Article 12

- (1) Generating profits is not the ultimate goal of Hrvatska banka za obnovu i razvitak.
- (2) Annual profits shall be allocated to the Hrvatska banka za obnovu i razvitak reserves.
- (3) Where Hrvatska banka za obnovu i razvitak, at the request of the Government of the Republic of Croatia, places funds at below market conditions, the Republic of Croatia shall compensate Hrvatska banka za obnovu i razvitak from the State Budget for the shortfall which would have been generated had these funds been placed at market conditions.
- (4) A decision of the Government of the Republic of Croatia containing the request referred to in the immediately preceding paragraph must specify the amount, manner and time of payment of the shortfall.

Bodies of Hrvatska banka za obnovu i razvitak

Article 13

The bodies of Hrvatska banka za obnovu i razvitak are the Managing Board and the Supervisory Board.

Composition and term of office of the Managing Board

Article 14

- (1) The Managing Board of Hrvatska banka za obnovu i razvitak consists of three members. The members of the Managing Board, one of whom shall be appointed President of the Managing Board, shall be appointed and dismissed by the Supervisory Board.
- (2) The President and the members of the Managing Board shall be appointed for a five-year term of office and may be reappointed thereafter.

Power of representation and decision making

Article 15

- (1) The Managing Board shall represent Hrvatska banka za obnovu i razvitak, manage its operations and administer its assets in accordance with this Act and the Hrvatska banka za obnovu i razvitak By-Laws (the “By-Laws”).
- (2) Hrvatska banka za obnovu i razvitak shall be represented by the President and one member of the Managing Board acting jointly or by two members of the Managing Board acting jointly.
- (3) The Managing Board may authorise other persons to represent Hrvatska banka za obnovu i razvitak in certain transactions.

(4) The Managing Board shall take its decisions by a majority of votes of all of its members.

(5) The modes of work of the Managing Board shall be laid down in the By-Laws and the Rules of Procedure of the Managing Board.

Rights and obligations of the President and members of the Managing Board

Article 16

(1) The President of the Managing Board shall have the rights, obligations and authorities as defined under this Act and the By-Laws. The President of the Managing Board shall manage the activities of the Managing Board and chair the sessions of the Managing Board, coordinate the authorities and responsibilities within Hrvatska banka za obnovu i razvitak and report to the Supervisory Board on behalf of the Managing Board.

(2) Each member of the Managing Board shall have the authorities and duties entrusted to him/her under a special decision of the President of the Managing Board, made in accordance with this Act and the By-Laws. The duties of the Managing Board members may be altered and redefined in the course of their respective terms of office.

(3) Rights and duties of the President and the members of the Managing Board, including remuneration and other pecuniary rights, shall be set forth in agreements made between the President or, as the case may be, member of the Managing Board and Hrvatska banka za obnovu i razvitak, the latter in this case being represented by the President of the Supervisory Board.

Supervisory Board

Article 17

(1) The Supervisory Board of Hrvatska banka za obnovu i razvitak consists of nine members.

(2) The Supervisory Board consists of five Ministers in the Government of the Republic of Croatia, of which the Minister in charge of finance and the Minister in charge of the economy shall be the obligatory members of the Supervisory Board, whereas the remaining three ministers shall be appointed to the Supervisory Board by the Government of the Republic of Croatia from among the Ministers in charge of development, tourist industry, agriculture, environmental protection or construction industry.

(3) The Parliament of the Republic of Croatia shall appoint three members of the Supervisory Board and their permanent deputies from among the Members of Parliament.

(4) The President of the Croatian Chamber of Economy shall be the *ex officio* member of the Supervisory Board.

(5) Members of the Supervisory Board referred to in paragraphs (2) and (4) of this Article 17 shall appoint their respective permanent deputies, who shall in case of absence of the members participate in the work of the Supervisory Board.

(6) The Minister in charge of finance shall be the President of the Supervisory Board, and the Minister in charge of the economy shall be the Deputy President.

Authorities of the Supervisory Board

Article 18

(1) The Supervisory Board shall define the fundamentals of business policy and strategy of Hrvatska banka za obnovu i razvitak, supervise the conduct of business of Hrvatska banka za obnovu i razvitak and make decisions in cases its competence is required by operation of the provisions of this Act or the By-Laws. The Supervisory Board may make the conclusion of specific transactions, or types of transactions, conditional upon its prior consent.

(2) The Supervisory Board shall appoint, and remove from office, the President and the members of the Managing Board, and shall act on behalf of Hrvatska banka za obnovu i razvitak when liaising with the President and the members of the Managing Board.

Passing of the By-Laws and other acts

Article 19

(1) The Supervisory Board shall adopt the By-Laws and other acts of Hrvatska banka za obnovu i razvitak the adoption of which is placed under its competence.

(2) The Supervisory Board shall adopt the By-Laws by a qualified majority of 3/4 of the present members' votes, but at least by the vote of one half of all of its members.

(3) The Supervisory Board shall adopt other acts and decisions by a simple majority of its present members, the presence of at least half of all of its members being required.

(4) The Managing Board shall submit the proposals of By-Laws and other acts and decisions to the Supervisory Board.

(5) The modes of work of the Supervisory Board shall be laid down in the By-Laws and the Rules of Procedure of the Supervisory Board.

Subject matter of the By-Laws

Article 20

(1) The modes of work, operations and internal organisation of Hrvatska banka za obnovu i razvitak shall be laid down in detail in the By-Laws.

(2) The By-Laws shall include the provisions specifying:

1. the business activities and the registered office of Hrvatska banka za obnovu i razvitak,
2. the corporate bodies of Hrvatska banka za obnovu i razvitak and the modes of their

- respective work and authorities,
3. internal organisation and competences of executive employees,
 4. the exercise of technical and financial control over lending operations,
 5. internal control and audit functions.

(3) Apart from the provisions listed in paragraph (2) of this Article 20, the By-Laws may also include the provisions on other issues important for the Hrvatska banka za obnovu i razvitak business activities.

Business year

Article 21

Business years shall match calendar years.

Financial statements and audit of operations

Article 22

(1) The Supervisory Board shall prepare the Hrvatska banka za obnovu i razvitak annual financial statements and submit them for confirmation to the Parliament of the Republic of Croatia.

(2) The annual financial statements shall be deemed accepted when adopted by the Parliament of the Republic of Croatia.

(3) Financial statements of Hrvatska banka za obnovu i razvitak shall be audited by a certified firm of auditors. The decision on the selection of a firm of auditors for each particular business year shall be made by the Supervisory Board on the Managing Board's proposal.

(4) The State Audit Office shall be in charge of auditing the operations and financial statements of Hrvatska banka za obnovu i razvitak.

Secondary application and exclusion from application of other legislation

Article 23

(1) To the extent not provided to the contrary in this Act, the provisions of the Companies Act pertaining to limited liability companies and the provisions of the Banking Act, save for the provisions on the central bank's approval for providing banking and other financial services, establishing of branches and legal persons, central bank supervision, deposit insurance, involuntary administration, liquidation, bankruptcy and penalty provisions, shall apply to the corporate structure and operations of Hrvatska banka za obnovu i razvitak.

(2) Legislative provisions providing for the allocation and maintenance of special reserves with the central bank and the restrictions to the volume and increase of placements, legislative

provisions on the organisation and modes of operation of State administration bodies, legislative provisions pertaining to civil servants and officials, legislative provisions on entering into lending and guarantee transactions by extrabudgetary entities, the Insurance Act, or any legislative provisions regulating the above matters, shall not apply to Hrvatska banka za obnovu i razvitak.

Transitional and final provisions

Article 24

- (1) The schedule of payments of the capital referred to in paragraph (1) of Article 5 of this Act shall for each year be set forth by the State Budget.
- (2) The legislation referred to in Article 10 paragraph 6 of this Act shall be adopted by the Government of the Republic of Croatia within 90 days of the date of entry into force of this Act.
- (3) On the day of entry into force of this Act, the Hrvatska banka za obnovu i razvitak Act (published in the Official Gazette No. 33/92., 76/93., 108/95. i 8/96.) shall be repealed.
- (4) All the rights and obligations of Hrvatska banka za obnovu i razvitak which have arisen up until the day of entry into force of this Act, shall remain in force until their respective fulfilment.
- (5) Upon the entry into force of this Act the members of the Hrvatska banka za obnovu i razvitak corporate bodies shall continue to hold their respective offices until the end of their term.

Entry into force

Article 25

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Class: 450-02/06-01/03
Zagreb, 8th December 2006

THE CROATIAN PARLIAMENT
The President of the
Croatian Parliament

Vladimir Šeks (m.p.)