

**HRVATSKA BANKA  
ZA OBNOVU I RAZVITAK  
(CROATIAN BANK FOR RECONSTRUCTION AND  
DEVELOPMENT)**

**BY-LAWS**  
*- consolidated version -*

*Zagreb, July 2014*

*Pursuant to Article 32 of the By-laws of Hrvatska banka za obnovu i razvitak (hereinafter: HBOR), and further to the Decision of the Supervisory Board of HBOR reached on the 137<sup>th</sup> meeting held on 17<sup>th</sup> June 2014, the Management Board of HBOR adopted on its 26<sup>th</sup> meeting held on 3<sup>rd</sup> July 2014 the consolidated version of the By-laws of HBOR.*

*The consolidated version includes the text of the By-laws of HBOR passed by the Supervisory Board of HBOR on its 80<sup>th</sup> meeting held on 21<sup>st</sup> March 2007, Changes and Amendments to the By-laws of HBOR passed by the Supervisory Board of HBOR on its 114<sup>th</sup> meeting held on 22<sup>nd</sup> August 2012, Changes and Amendments to the By-laws of HBOR passed by the Supervisory Board of HBOR on its 121<sup>st</sup> meeting held on 26<sup>th</sup> February 2013 and Changes and Amendments to the By-laws of HBOR passed by the Supervisory Board of HBOR on its 137<sup>th</sup> meeting held on 17<sup>th</sup> June 2014.*

## **BY-LAWS OF**

### **HRVATSKA BANKA ZA OBNOVU I RAZVITAK**

*- consolidated version -*

#### **Article 1**

The Act on Hrvatska banka za obnovu i razvitak (hereinafter: the Act) defines the position, ownership, powers and organisation of HBOR as a special financial institution.

HBOR is the development and export bank of the Republic of Croatia.

HBOR is a legal person established by a special law and shall not be entered into the Register of Companies.

#### **Corporate name**

#### **Article 2**

HBOR operates under the corporate name »Hrvatska banka za obnovu i razvitak« and under the abbreviated corporate name »HBOR«.

In its foreign transactions Hrvatska banka za obnovu i razvitak may use its corporate name in English, "Croatian Bank for Reconstruction and Development".

#### **Registered office and business address**

#### **Article 3**

The registered office of HBOR is in Zagreb, Strossmayerov trg 9.

The decision on the change of business address shall be made by the Management Board of HBOR.

### **Business activities**

#### **Article 4**

HBOR carries out banking and other financial transactions as well as supporting banking transactions in the Republic of Croatia and abroad and makes investments in the Croatian economy. HBOR also issues guarantees for exports covering non-market risks.

The main activities of HBOR shall be:

1. financing the reconstruction and development of the 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 against non-market risks.

In order to conduct the activities referred to in paragraph (2) of this Article, HBOR shall:

1. approve loans and other placements;
2. issue bank and other guarantees;
3. conclude insurance and re-insurance contracts;
4. invest into debt and equity securities;
5. perform other financial transactions and services with the purpose of conducting its activities.

The activities and transactions referred to in subparagraph 6 of paragraph (2) and the transactions referred to in subparagraph 3 of paragraph (3) shall be conducted by HBOR for and on behalf of the Republic of Croatia pursuant to special legislation.

### **Capital**

#### **Article 5**

The capital of HBOR amounts to HRK 7,000,000,000.00 and shall be paid up by the Republic of Croatia from the State Budget.

The schedule of payments of the capital of HBOR shall be determined by the State Budget for each year.

### **Authorisations in legal transactions and liability for obligations**

#### **Article 6**

HBOR can operate in its own name and for its own account, in its own name and for the account of another party and in the name of and for the account of another party.

HBOR has unlimited authorisation in legal transactions with third parties.

The liability of HBOR for its obligations extends to all of its assets.

The Republic of Croatia guarantees for the obligations of HBOR unconditionally, irrevocably and at first demand, without issuing a separate guarantee instrument. The liability of the Republic of Croatia as the guarantor for the obligations of HBOR is joint and several and unlimited.

### **Duration and dissolution**

#### **Article 7**

HBOR is a legal entity established by a special law by the Republic of Croatia for an indefinite period of time and can cease to operate only by the provisions of a special law.

### **Profit allocation and reserves**

#### **Article 8**

Hrvatska banka za obnovu i razvitak does not operate with the objective of achieving profit.

Annual profits shall be allocated to the reserves of HBOR pursuant to the Act.

Beside the reserves of HBOR referred to in paragraph (2) of this Article, HBOR shall form reserves for covering operating risks, the amount of which shall be determined by the Management Board of HBOR.

HBOR is exempt from profit tax.

### **Bodies of HBOR**

#### **Article 9**

The bodies of HBOR are the Management Board and the Supervisory Board.

### **The Management Board of HBOR**

#### **Article 10**

The Management Board of Hrvatska banka za obnovu i razvitak consists of three members, one of whom is the President of the Management Board. The President of the Management Board and the members of the Management Board shall be appointed and dismissed by the Supervisory Board.

The President and the members of the Management Board shall be appointed for a five-year term of office and may be reappointed thereafter.

A person may be appointed President or member of the Management Board pursuant to the law.

## **Cessation of the term of office**

### **Article 11**

The term of office of a member of the Management Board shall end by the expiry of the term of office, dismissal by the Supervisory Board, resignation of a member of the Management Board, retirement or death.

Should any legal hindrance to the performance of duty arise for a member of the Management Board during his/her term of office, the President of the Management Board shall urgently summon a meeting of the Supervisory Board at which the dismissal of such member of the Management Board and simultaneously the appointment of a new member of the Management Board shall be proposed to the Supervisory Board.

Should the term of office of a member of the Management Board terminate by resignation from Management Board membership, retirement or death of a member of the Management Board, the President of the Management Board shall urgently propose the convening of a meeting of the Supervisory Board on which the Supervisory Board shall appoint a new member.

Should the circumstances referred to in paragraphs (2) and (3) arise in connection with the President of the Management Board, the President of the Supervisory Board shall convene an urgent meeting of the Supervisory Board, on which the Supervisory Board will appoint a new President of the Management Board.

## **Rights, obligations and powers of the President of the Management Board**

### **Article 12**

The President of the Management Board shall have rights and obligations as defined by the Act, these By-laws and other internal regulations of HBOR and resolutions of the Supervisory Board of HBOR, respectively.

The President of the Management Board shall:

1. propose the appointment and dismissal of members of the Management Board to the Supervisory Board;
2. manage the activities of the Management Board;
3. summon meetings of the Management Board, propose the agenda and chair the meetings, as well as propose making of decisions of the Management Board;
4. assign duties to the members of the Management Board;
5. co-ordinate responsibilities and authorisations within HBOR;
6. report to the Supervisory Board on behalf of the Management Board.

## **Authorities and powers of the Management Board**

### **Article 13**

The Management Board shall represent HBOR, manage its operations and administer its assets in accordance with the Act and these By-laws. It shall be obliged and authorised to take all actions and make all decisions that it deems necessary for lawful and successful conduct of the operations of HBOR.

The Management Board shall have the following authorities: management and conduct of HBOR's operations, passing of normative documents determining the manner of business conduct and internal organisation of HBOR, passing of loan programmes, passing of individual decisions on loan approval

and other financial transactions, making decisions on the appointment and dismissal of employees with special authorisations, making decisions on rights and obligations of employees as well as reporting to the Supervisory Board.

Within the scope of its authorities, the Management Board shall:

1. manage the operations of HBOR;
2. supervise and control the overall activities of HBOR, in particular the issues of business policy, security, profitability and liquidity of operations;
3. pass the financial plans of HBOR;
4. pass the general terms and conditions of lending activities, guarantee activities and other business policy regulations;
5. pass the accounting policies and similar rules;
6. pass loan programmes pursuant to the main terms and conditions of lending to individual target groups determined by the Supervisory Board;
7. make decisions on the financial statements, except the ones within the scope of competence of the Supervisory Board;
8. prepare and propose the annual financial statements to the Supervisory Board;
9. pass the rules on HBOR's internal organisation, rules of procedure and other regulations determining or defining the internal organisation of HBOR;
10. pass rules on interest and fees, regulations, procedures and instructions regulating all areas of business operations and risk management;
11. pass the rules of procedure of the Management Board;
12. propose the By-laws and changes and amendments thereof to the Supervisory Board;
13. make individual decisions on loans or other financial transactions. For decisions on loans or other financial transactions in amounts exceeding HRK 37,000,000.00, a consent of the Supervisory Board is required, in which case the approval decision comes into force after consent is given;
14. make decisions on maintaining short-term liquidity by extending and taking loans and deposits and performing other financial transactions, regardless of the limitation of the amount referred to under sub-paragraph 13;
15. make decisions on the write-off of loans and decisions on settlements with debtors beyond the scope adopted by loan programmes, up to the amount of HRK 37,000,000.00. For decisions on the write-off of loans and decisions on settlements with debtors in amounts exceeding HRK 37,000,000.00, a consent of the Supervisory Board is required, in which case the approval decision comes into force after consent is given;
16. appoint and dismiss employees with special authorities, and contractually regulate remunerations and other relations between them and HBOR.

Should, in the operations of HBOR, an issue or need for decision-making arise, for which no particular body of HBOR is defined as being competent by the provisions of the Act or these By-laws, the Management Board shall be authorised to make such a decision.

### **Decision-making by the Management Board**

#### **Article 14**

The Management Board shall take its decisions by a majority of votes of all of its members.

The modes of work of the Management Board shall be laid down in more detail in the Rules of Procedure of the Management Board.

## **Representation**

### **Article 15**

Hrvatska banka za obnovu i razvitak shall be represented by the President and one member of the Management Board acting jointly or by two members of the Management Board acting jointly.

The power of representation of the Management Board of HBOR cannot be limited.

The Management Board may authorise employees with special authorities, other employees of HBOR or third parties to represent HBOR in certain transactions pursuant to the law.

## **Responsibility of the Management Board**

### **Article 16**

The Management Board shall, in accordance with these By-laws and the Act on HBOR, represent HBOR and conduct business on its own responsibility.

The Supervisory Board shall be authorised to raise the question of responsibility of the Management Board or an individual member of the Management Board for his/her work and to dismiss them if their responsibility for negligence resulting in considerable damage to HBOR has been established.

## **Employment contracts of Management Board members**

### **Article 17**

The President of the Supervisory Board shall conclude individual employment contracts with the President and the members of the Management Board regulating in detail their rights and duties.

## **Supervisory Board of HBOR**

### **Article 18**

The Supervisory Board of HBOR consists of ten members.

The Supervisory Board consists of six Ministers in the Government of the Republic of Croatia, of which the Minister in charge of finance, the Minister in charge of the economy and the Minister in charge of regional development and EU funds 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 tourism, agriculture, environmental protection, construction industry or entrepreneurship and crafts.

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.

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

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

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.

### **Powers and authorities of the Supervisory Board**

#### **Article 19**

The Supervisory Board has the following powers: determines the principles of HBOR's business policy and strategy, adopts the annual financial statements, performs the supervisory function and gives consent for individual decisions of the Management Board pursuant to these By-Laws.

Within the framework of its powers and competences, the Supervisory Board shall:

1. adopt HBOR's By-laws;
2. determine the principles of HBOR's business policy and strategy;
3. adopt HBOR's lending policy;
4. determine basic terms and conditions of financing for individual target groups;
5. adopt the annual financial statements;
6. appoint and dismiss members of the Management Board;
7. monitor and control the lawfulness of operations of the Management Board;
8. act on behalf of HBOR when liaising with the members of the Management Board;
9. give consent for individual decisions of the Management Board on loan commitments or other financial transactions in amounts exceeding HRK 37,000,000.00;
10. make individual decisions on transactions with entities that have a special relationship with the bank, and on the acquisition of ownership interests or shares in companies and international organisations;
11. make decisions on HBOR's long-term borrowings and the issuing of securities;
12. adopt the Rules of Procedure of the Supervisory Board;
13. give consent for decisions of the Management Board on loan write-offs and for decisions on settlements with debtors in amounts exceeding HRK 37,000,000.00.

### **Manner of performing the activities of the Supervisory Board**

#### **Article 20**

The Supervisory Board performs its activities at meetings that are convened when necessary, but at least once semi-annually.

Meetings of the Supervisory Board are chaired by the President of the Supervisory Board or, if he/she is prevented, by the Deputy President of the Supervisory Board.

The Supervisory Board may also take decisions by written ballot without convening a meeting. In such case, decisions are taken by at least a majority vote of all the members of the Supervisory Board.



The manner of convening and holding meetings and all issues relating to the activities of the Supervisory Board are regulated by the Rules of Procedure of the Supervisory Board.

### **Decision-making of the Supervisory Board**

#### **Article 21**

The Supervisory Board takes its decisions by a majority of votes of its attending members, with the obligatory presence of at least half of its members or their deputies, except for decisions for the taking of which some other majority has been prescribed by the Act or by these By-laws.

On behalf of the Supervisory Board, decisions and other acts of the Supervisory Board are signed by the President or, if he is prevented, by the Deputy President of the Supervisory Board.

### **Internal organisation and manner of conducting business in HBOR**

#### **Article 22**

HBOR performs its activities within the framework of the following organisational units: divisions, departments, services, units and special organisational units with the Management Board.

HBOR has neither subsidiaries nor branch offices.

HBOR's Management Board may establish regional offices in the Republic of Croatia with the objective of presenting HBOR's loan programmes and its other activities. The seat of a regional office and the scope of its activities are determined by the decision establishing that respective regional office.

The scope of work, competencies and internal organisation of entities referred to in this Article are determined in detail by rules on HBOR's internal organisation.

### **Committees and commissions with HBOR**

#### **Article 23**

The Credit Committee is established in HBOR.

The Management Board may establish other committees and commissions, and determine the scope of their competencies and the way in which they carry out their activities.

## **Credit Committee**

### **Article 24**

The Credit Committee consists of at least three and at most five members who are appointed by the Management Board at the proposal of the President of the Management Board.

The Credit Committee makes individual decisions on direct commitments in amounts of up to HRK 700,000.00 and indirect commitments in amounts of up to HRK 3,000,000.00.

Applications for placements in amounts exceeding those referred to in paragraph 2 of this Article are considered by the Credit Committee and, if accepted, submitted by the Credit Committee to the Management Board for approval.

## **Employees with special powers**

### **Article 25**

Employees with special powers are appointed and dismissed by the Management Board.

Employees with special powers are: Senior Executive Director, Executive Director, Head of the Management Board Office, Managing Director, Advisor to the Management Board and other employees having been endowed with special powers by a decision of the Management Board.

Within their competencies, employees with special powers are responsible for the legality of operations and business performance, liquidity, fulfilment of duties, economic and financial success, improvement of the quality of operations and services as well as strengthening of HBOR's reputation.

The conditions and the terms of appointment of employees with special powers are determined by rules on HBOR's internal organisation.

## **Control of loans extended**

### **Article 26**

Expert teams regularly verify whether loan funds on-lent via commercial banks or granted directly to borrowers are utilised for specified purposes.

For the purpose of financial and technical control, external assistants, experts and auditors may be engaged in addition to HBOR staff members.

Expert teams are obliged to regularly report on their activities to HBOR's bodies in charge.

## **Control and Audit**

### **Article 27**

Internal control and audit activities are organised in the form of an independent organisational unit that has no operational tasks within the framework of HBOR's activities and that is responsible for its activities to the Management Board and the Supervisory Board.

Objectives, tasks, obligations, liabilities and the modes of work of the Control and Audit are determined in detail by rules adopted by the Management Board.

## **Annual financial statements**

### **Article 28**

Annual financial statements are adopted by the Supervisory Board at the proposal of the Management Board.

Upon the adoption of the Annual financial statements, the Supervisory Board submits them to the Parliament of the Republic of Croatia for confirmation.

## **Audit**

### **Article 29**

The State Auditing Office is in charge of auditing HBOR's operations and financial statements.

HBOR's financial statements are audited by a chartered auditing company each year. The Supervisory Board decides about hiring a chartered audit company at the proposal of the Management Board.

## **Business secret**

### **Article 30**

Documents and data that, due to their nature and importance within the framework of conducting business, must not be published, distributed or submitted to unauthorised persons, except in the way prescribed by law or internal regulations of HBOR, are considered to be business secret.

The Management Board defines more detailed provisions concerning business secret, HBOR's data storage and assets protection.

## **Conflict of interests**

### **Article 31**

President and members of the Management Board as well as employees with special powers must not establish another bank or any other financial institution during their employment with HBOR. Establishing another bank or financial institution stands as well for the purchasing of shares or any other manner of acquiring ownership interest in other banks or financial institutions.

Acquiring ownership interest of less than 5% of the total capital of a bank or a financial institution is not considered a purchase of shares or acquisition of ownership interest in another bank or financial institution.

By way of exception to the provisions of this Article, the Supervisory Board may give its consent to activities that are contrary to the provisions of paragraphs 1 and 2 of this Article.

## **Passing of, and Changes and Amendments to, the By-laws**

### **Article 32**

The By-laws are adopted, changed and amended by the Supervisory Board by a qualified majority of 3/4 of the attending members' votes, but in any case by at least a majority vote of all the members.

The Supervisory Board may authorise the Management Board of HBOR to pass changes to the By-laws or to adopt the consolidated text of the By-laws.

Draft changes and amendments to the By-laws may be proposed by the Supervisory Board and Management Board.

## **Temporary and final provisions**

### **Article 33**

These By-laws come into force on the date they are adopted.

The By-laws are published on the notice-board and on the Internet and Intranet sites of HBOR.

On the date of these By-laws coming into force, the By-laws of the Croatian Bank for Reconstruction and Development, adopted by the Supervisory Board of HBOR at its 60<sup>th</sup> meeting held on 6<sup>th</sup> May 2003, shall cease to be valid.