

Pursuant to Article 27 of the Articles of Association of Podravska banka d.d., the General Meeting of the Bank at its meeting held on 29 March 2017 laid down the final version of the Articles of Association of Podravska banka d.d. The final version comprises the text of the Articles of Association adopted on 28 June 2011 and its amendments of 29 March 2017

## **ARTICLES OF ASSOCIATION OF Podravska banka d.d. (final version)**

### **GENERAL PROVISIONS**

#### **Corporate name**


##### **Article 1**

The Bank shall operate under the name: Podravska banka dioničko društvo Koprivnica.  
The abbreviated name of the Bank shall read: Podravska banka d.d.

In its transactions abroad, the Bank may use the abbreviated name in the English speaking area: Podravska banka Plc, and in the German speaking area: Podravska banka AG.

Business and organisational units, in addition to the name of the Bank, shall also use their name.

##### **Article 2**

1. The corporate name of the Bank shall contain the trademark designed in the following manner: 
2. The Board of Directors of the Bank shall prescribe the design of the graphic symbol.
3. In its operations, the Bank shall use the stamp and the seal containing the protected graphic symbol and the name of the Bank.
4. The form, size and the manner of use of the stamp and the seal shall be laid down by the Board of Directors of the Bank.

#### **Registered office**

##### **Article 3**

The registered office of the Bank is in Koprivnica, Opatička ulica 3.  
The General Meeting of the Bank shall make a decision on the change of the registered office of the Bank.

### **ACTIVITIES OF THE BANK**

##### **Article 4**

The Bank shall carry out banking and other financial services in the Republic of Croatia, in accordance with law, namely:

1. acceptance of deposits or other repayable funds from the public and the approval of credits out of such funds, for its own account
2. acceptance of deposits or other repayable funds
3. approval of credits and loans, including consumer credits and loans and mortgage credits and loans, where permitted by a special act, and financing of commercial transactions, including export financing based on the purchase at a discount without recourse of noncurrent non-matured receivables collateralized with secured financial instruments (forfeiting)

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4. repurchase of receivables with or without recourse (factoring)
  5. financial leasing
  6. issuance of guarantees or other commitments
  7. trading for own account or for the account of clients in:
    - money market instruments,
    - transferable securities,
    - foreign exchange, including currency exchange transactions,
    - financial futures and options,
    - exchange and interest-rate instruments,
  8. payment services, i.e.:
    - 1) services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account;
    - 2) services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account;
    - 3) execution of payment transactions, including transfers of funds to a payment account with the user's payment service provider or with another payment service provider, in particular:
      - execution of direct debits, including one-off direct debits,
      - execution of payment transactions through a payment card or a similar device,
      - execution of credit transfers, including standing orders;
    - 4) execution of payment transactions where the funds are covered by a credit line for a payment service user, in particular:
      - execution of direct debits, including one-off direct debits,
      - execution of payment transactions through a payment card or a similar device,
      - execution of credit transfers, including standing orders;
    - 5) issuing and/or acquiring of payment instruments;
    - 6) money remittance,
  9. credit reference services, such as, for instance, collection of data, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently,
  10. issuing and administering other means of payment if the provision of such services is not considered the provision of payment services in accordance with a special act
  11. safe custody services
  12. money broking
  13. advice to legal entities on capital structure, business strategy and related matters, and provision of services relating to mergers and the purchase of shareholdings in other companies
  14. issuing electronic money (e-money)
  15. investment and ancillary services and activities prescribed by a special act governing the capital market, namely:
    - reception and transmission of orders in relation to one or more financial instruments
    - execution of orders on behalf of clients
    - dealing on own account
    - portfolio management
    - investment advice
    - underwriting of financial instruments, or placing of financial instruments on a firm commitment basis
    - underwriting of financial instruments, or placing of financial instruments without a firm commitment basis
    - safekeeping and administration of financial instruments for the account of clients, including custodianship and related services, such as, for instance, cash management, or management of security instruments
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- granting a credit or loan to an investor to allow the investor to conclude a transaction in one or more financial instruments, where the company granting the credit or loan is involved in the transaction
  - advice on capital structure, business strategies and related issues, as well as advice and services related to merger and acquisitions of shareholdings in companies
  - foreign exchange services, where these are connected to the provision of investment services
  - investment research and financial analysis, as well as other recommendations relating to transactions in financial instruments
  - services related to the services of underwriting, or placing of financial instruments on a firm commitment basis
  - investment services and activities, as well as ancillary services referring to the underlying assets of derivatives referred to in Article 3, paragraph 1, item 2, sub-item d), indents 2, 3, 4 and 7 of the Capital Market Act where investment services and activities are connected to investment or ancillary services,
16. activities related to the sale of insurance policies in accordance with the regulations governing insurance

## **Duration**

### **Article 5**

The duration of the Bank shall be indefinite.

## **ORGANISATION AND THE MANNER OF CONDUCTING BUSINESS**

### **Article 6**

The Bank shall operate in the country and abroad through the following business and organisational units:

- subsidiaries
- branches
- offices
- agencies
- local offices
- representative offices
- other business and organisational segments.

The Board of Directors of the Bank shall decide on the establishment of business and organisational units.

### **Article 7**

When adopting the Decision on the establishment or abolishment of a business and organisational unit, the Board of Directors of the Bank shall take into consideration whether:

- there exists business interest of the Bank for establishment or abolishment
- the establishment or abolishment contributes to generating profit for the Bank.

### **Article 8**

The Board of Directors of the Bank shall decide about the activities to be performed by a business unit, its authorisations and the scope of its operation.

### **Article 9**

The decision on the internal organisation and the form of organisation of operations at the registered office and business units shall be made by the Board of Directors of the Bank in accordance with law.

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The Bank's by-laws regulating labour relations and the organisation of work, in addition to the members of the Board of Directors, can also define other managers who, in accordance with law, shall be exempted from the application of specific labour relation rules, and with whom special work contracts (management contracts) shall be concluded.

#### **Article 10**

The share capital of the Bank amounts to HRK 267,499,600.00.

The first-issue shares amounting to 107,256 ordinary registered shares have a total nominal value of HRK 400.00.

The second-issue shares are divided in 50,000 ordinary registered shares and have a nominal value of HRK 400.00.

The third-issue shares are divided in 3,125 ordinary registered shares and have a nominal value of HRK 400.00.

The fourth-issue shares are divided in 160,381 ordinary registered shares and have a nominal value of HRK 400.00.

The fifth-issue shares are divided in 100,000 ordinary registered shares and have a nominal value of HRK 400.00.

The sixth-issue shares are divided in 247,987 ordinary registered shares and have a nominal value of HRK 400.00.

The shareholder shall be entitled to all rights and obligations in accordance with the Articles of Association and the law.

### **INCREASE IN SHARE CAPITAL**

#### **Article 11**

The share capital of the Bank may be increased on the basis of the Decision on share capital increase through contributions, the Decision on the conditional increase of share capital and the Decision on the increase of the share capital out of the Bank's funds, or on the basis of another legally valid decision.

### **REDUCTION OF SHARE CAPITAL**

#### **Article 12**

The share capital of the Bank may be reduced on the basis of the Decision on the ordinary reduction of the share capital, the Decision on the simplified reduction of the share capital and the Decision on the reduction of the share capital by the revocation of shares, and on the basis of another legally valid decision.

### **CONTRIBUTIONS AND SHARES**

#### **Article 13**

The Bank's share capital shall comprise ordinary and preference registered shares.

Ordinary as well as preference shares may be issued in the case of need to increase the share capital.

The total nominal amount of preference shares shall not exceed one quarter of all issued shares constituting the Bank's share capital.

Shares shall be paid up in cash in accordance with the law and the decision of the General Meeting of the Bank.

#### **Article 14**

Preference shares shall not carry any voting right in the General Meeting of the Bank.

The holder of preference shares shall have all rights and obligations in accordance with the Articles of Association and the law.

#### **Article 15**

The Bank shall issue shares in dematerialised form.

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## **Transfer of shares**

### **Article 16**

Shares of the Bank shall be freely transferable, provided that the direct or indirect acquisition of a qualifying holding by a shareholder in the Bank shall be subject to a prior approval from the Croatian National Bank.

## **Share pledging**

### **Article 17**

Shares of the bank may be pledged in accordance with the applicable statutory regulations.

## **Acquisition of own shares**

### **Article 18**

The Bank shall be authorised to acquire its own shares only:

1. if the acquisition is necessary to avoid serious hardship for the Bank in the immediate future,
2. if the shares are to be offered for acquisition by employees of the Bank or of an affiliated company,
3. if shares are acquired to grant severance payment to shareholders in accordance with the provisions of the Companies Act,
4. if the acquisition is not for payment or if through the acquisition a financial institution purchases the shares on commission,
5. pursuant to the universal law of inheritance,
6. pursuant to the decision of the General Meeting of the Bank on the revocation of shares based on the regulations on the reduction of the share capital of the Bank,
7. on the basis of the authorisation of the General Meeting of the Bank to acquire shares with a time limit.

The total amount of the acquired own shares may not exceed the amount of 10% of the share capital of the Bank.

In the case referred to in item 1 and item 7 of this Article, the Board of Directors of the Bank must inform the following General Meeting of the Bank of the reasons for and purpose of the acquisition, the number and amounts of the acquired shares and their share in the share capital.

In the case referred to in item 2 of this Article, the shares must be transferred to these persons within one year of the date of acquisition.

## **Decision to issue shares**

### **Article 19**

The Decision of the General Meeting of the Bank on share capital increase by issuing shares must contain all elements prescribed by law.

Each shareholder, who so requests must be granted the right of subscription of the portion of new shares which corresponds to the shareholder's contribution in the previous share capital of the Bank, except if by the new subscription the shareholder wishes to acquire the qualifying holding.

The shareholder who wishes to exercise the pre-emptive right at subscription must announce his/her intention to the Bank within 14 days of the announcement of the call for the subscription of shares.

The General Meeting of the Bank may entrust the Board of Directors of the Bank to address the necessary organisational and technical issues related to the issuance of shares.

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## **Share Register**

### **Article 20**

The shares of the Bank shall be issued in dematerialised form, and they shall exist exclusively in the form of electronic files in the central depository of dematerialised securities managed by the Central Depository and Clearing Company, which shall, with regard to Bank's shares, perform the operations of a depository, conduct clearing and settlement for executed transactions, and shall perform other activities in conformity with the law.

A shareholder who has shares of the Bank deposited in his account with the Central Depository and Clearing Company shall be deemed the shareholder of the Bank.

### **Article 21**

Legal changes of registration shall also be entered in the share register, which refer to the membership in the Bank, e.g. changes of the nominal amount of shares or type of shares, the exclusion of shareholders, the proclaiming of documents on shares as invalid, the pledging of shares, the merger of shares and the revocation of shares.

In the case of the transfer of shares, registrations in the share register shall be carried out at a request of the shareholder.

### **Article 22**

Each shareholder shall be allowed insight into the share register.

The maintenance of the share register shall be the responsibility of the Board of Directors of the Bank.

### **Article 23**

The share capital cannot be returned to the shareholders, except in the case of termination of the Bank's operations. In such a case, after the payment of all liabilities, the remainder shall be distributed to the shareholders in proportion to the nominal amounts of shares.

### **Article 24**

The rights and obligations of shareholders are regulated by the provisions of the Companies Act, the Credit Institutions Act and the Articles of Association of the Bank.

## **BODIES OF THE BANK**

### **Article 25**

The bodies of the Bank are:

- the General Meeting of the Bank
- the Supervisory Board of the Bank
- the Board of Directors of the Bank

## **GENERAL MEETING OF THE BANK**

### **Article 26**

Shareholders shall exercise their rights in company's operations at the General Meeting of the Bank in person or by a proxy.

Members of the Board of Directors and of the Supervisory Board shall participate in the work of the General Meeting of the Bank.

## **Competence of the General Meeting of the Bank**

### **Article 27**

The General Meeting of the Bank shall decide on issues explicitly laid down by law and by the Articles of Association, and specifically, on:

- election and relieving of duty of the members of the Supervisory Board, unless they are appointed to the board,

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- use of profits,
  - granting of approval of action to members of the Board of Directors and of the Supervisory Board,
  - appointment of the auditor of the Bank,
  - amendments to the Articles of Association,
  - increase and reduction of the share capital of the Bank,
  - termination of the Bank,
  - rules of procedure on the work of the General Meeting of the Bank,
  - type and class of shares issued by the Bank and on the nominal amount of the shares, on the revocation of shares and on the right to participation in profits on the basis of the ownership of shares.

The General Meeting of the Bank shall decide on the annual financial statements when delegated by the Board of Directors and the Supervisory Board to do so or when the Supervisory Board does not give its approval to the said statements as submitted by the Board of Directors of the Bank.

### **Convening of the General Meeting of the Bank**

#### **Article 28**

The General Meeting of the Bank must be convened in the cases specified by law and by the Articles of Association as well as always when the interests of the Bank so require. The General Meeting of the Bank shall be convened by the Board of Directors or by the Supervisory Board.

The General Meeting of the Bank must be convened if so requested in writing by shareholders that together have shareholdings in the amount of the twentieth share of the share capital of the Bank and that state the purpose and reason for the convening of such a Meeting. The request should be addressed to the Board of Directors of the Bank.

The General Meeting of the Bank shall meet upon need, when it is convened by a body authorised to do so under these Articles of Association, and no less than once a year after the end of the financial year (regular General Meeting of the Bank), in accordance with schedules stipulated by regulations for the submission of the annual accounts.

If, while preparing annual or other financial statements or otherwise, it is established that in the Bank there exists a loss in the amount of half of the share capital of the Bank, the Board of Directors must immediately convene the General Meeting of the Bank and inform it about it.

The place of the holding of the General Meeting of the Bank may be the place of the registered office of the Bank, the place of the seat of the stock exchange on which the Bank's shares are admitted and Zagreb, about which the decision shall be made by the body authorised, under these Articles of Association, to convene the General Meeting of the Bank.

### **Deadline for the convening of the General Meeting of the Bank**

#### **Article 29**

The General Meeting of the Bank must be convened at least 30 days before its holding.

### **Announcement of the Agenda**

#### **Article 30**

The agenda of the General Meeting of the Bank together with the call to the General Meeting shall be published on the website of the Bank and in the Official Gazette of the Republic of Croatia.

If shareholders who have shareholdings amounting to the twentieth share of the share capital of the Bank, after the General Meeting of the Bank has been convened, request that the subject matter of decision-making at the General Meeting of the Bank is announced, this must be done within ten days after the convening of the General Meeting of the Bank is announced.

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If the General Meeting of the Bank should decide about the amendments to the Articles of Association or about the entry into an agreement, which is valid only if the General Meeting grants its approval to it, the proposal for amending the Articles of Association i.e., the important content of the agreement must be announced.

For each item on the agenda that is the subject matter of decision-making at the General Meeting, the Board of Directors and the Supervisory Board of the Bank must also specify the proposals of decisions it should adopt in the announcement of the agenda.

At the General Meeting of the Bank, no decision can be made about the items on the agenda that have not been properly announced.

## **Notices to shareholders and members of the Supervisory Board**

### **Article 31**

The Board of Directors of the Bank must, at least twenty-one days before the holding of the General Meeting, announce the call to the General Meeting to credit or financial institutions and associations of shareholders that have used their right to vote in the name of shareholders at the previous General Meeting or that have requested the call to be announced to them.

The notice referred to in paragraph 1 of this Article, must be given by the Board of Directors of the Bank to the shareholders requesting it, or that have been registered in the share register as Bank's shareholders at the beginning of the fourteenth day prior to the holding of the General Meeting. The notices referred to in this paragraph shall be announced on the Bank's website.

Each member of the Supervisory Board can request from the Board of Directors to send him/her the notice referred to in paragraph 1 of this Article.

Shareholders' proposals submitted to the Board of Directors of the Bank in a timely and proper manner, in accordance with legal provisions, must be made available to the persons referred to in this Article.

The decisions of the General Meeting must be notified to each member of the Supervisory Board and to each shareholder at his/her request.

## **Chairman of the General Meeting of the Bank**

### **Article 32**

The General Meeting shall be chaired by the Chairman.

The Chairman of the General Meeting of the Bank shall be appointed by the President of the Supervisory Board by a decision from among the shareholders of the Bank for each General Meeting of the Bank.

## **List of participants and minutes at the General Meeting of the Bank**

### **Article 33**

A list of all present and represented shareholders and their proxies must be made at the General Meeting of the Bank, including the list of names and residences, as well as the amount of represented votes (shares).

The list should be made on the basis of a valid document issued by a legally authorised institution in which computer system shares are registered on shareholder's account which belong to that shareholder (share register), or based on the power of attorney for the representation of shareholders at the General Meeting of the Bank.

The list should be presented to all participants of the General Meeting of the Bank before the first voting. The list shall be signed by the Chairman of the General Meeting of the Bank.

Each decision of the General Meeting of the Bank must be stated in the minutes taken by a notary public.



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The minutes shall specify the place and time of the holding of the General Meeting of the Bank, the name of the notary public and the manner and result of voting and the confirmation by the Chairman about the adopted decisions.

The list of participants at the General Meeting of the Bank should be appended to the minutes.

The notary public shall sign the minutes.

The Board of Directors of the Bank must, without delay, after the held General Meeting of the Bank, submit a verified copy of the minutes with appendices to the court of registration.

### **Right of shareholders to be informed**

#### **Article 34**

At the General Meeting, the Board of Directors of the Bank must provide each shareholder, at his/her request, the information about the operations of the Bank, if necessary for the consideration of the issues on the agenda.

The obligation to provide information refers both to legal and business relations of the Bank with affiliated companies.

#### **Article 35**

The Board of Directors of the Bank may withhold information:

- if, according to reasonable economic judgement, it could cause damage for the Bank, or to its affiliated company
- on tax levies and the amount of individual tax levies
- on the difference between the value at which individual matters are stated in business books of the Bank and their higher value, except if the General Meeting of the Bank affirms the annual financial statements,
- on the methodology of preparing financial statements of the Bank and the assessment of the value of its assets, revenues and expenditures, if the specification of these methodologies in the annex to the above mentioned statements is sufficient to provide the real idea of the asset and financial position, and the situation with the Bank's profits,
- if by providing information the Board of Directors of the Bank would commit a crime.

If a shareholder is denied information, the shareholder may request that his/her matter and the reason for which the response has been denied be stated in the minutes of the General Meeting of the Bank.

### **Quorum**

#### **Article 36**

The General Meeting of the Bank shall have a quorum when 50% of votes of all voting shareholders are represented at the meeting. If at the main General Meeting of the Bank the quorum is not achieved, another meeting must be convened within a month of the day of the holding of the General Meeting of the Bank at which the quorum has not been achieved.

#### **Article 37**

Decisions on all issues at the General Meeting of the Bank shall be made by the simple majority of present votes, except when by law it is determined that for the adoption of a decision the larger majority is required or the meeting of additional preconditions is required.

### **Voting**

#### **Article 38**

Each ordinary share of the Bank shall give its holder the right to one vote.

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By pledging shares, shareholders do not lose the right to vote.

A shareholder can also exercise his/her right to vote at the General Meeting of the Bank by a proxy.

A power of attorney shall be given in writing.

The power of attorney should be submitted to the Bank and it shall safeguard it.

Shareholders and proxies of shareholders shall have the right to participate and to exercise voting rights at the General Meeting provided that they are shareholders registered in the share register and that shareholders and their proxies notify their participation at the General Meeting of the Bank to the Board of Directors of the Bank no later than by the fifth day prior to the holding of the General Meeting of the Bank.

Members of the Supervisory Board and of the Board of Directors cannot be proxies of the constitutive shareholders.

### **Exclusion of the voting right**

#### **Article 39**

Nobody can exercise the right to vote for himself/herself or for anybody else when deciding about whether to grant him/her discharge; about his/her freeing from responsibility or about a claim the Bank has towards him/her. For shares from which a shareholder cannot exercise the right to vote in this way, other persons cannot do it for him/her either. The agreement by which a shareholder undertakes to vote according to the instructions by the Bank, the Board of Directors or the Supervisory Board of the Bank, or according to instructions of a dependent company shall be void. The agreement by which a shareholder undertakes to vote for each proposal by the Board of Directors or the Supervisory Board of the Bank shall also be null and void.

### **Costs of holding the General Meeting of the Bank**

#### **Article 40**

Each shareholder shall bear costs of his/her personal participation at the General Meeting of the Bank, while the costs of preparation and holding of the General Meeting of the Bank shall be borne by the Bank.

If the General Meeting is convened at the request of shareholders in possession of more than one twentieth of the share capital, pursuant to the provision of Article 28 of these Articles of Association, and the meeting is not held due to the lack of quorum or because of non-approval of the agenda, and a different agenda is not established, the costs of the holding of the General Meeting of the Bank will be borne by the shareholder or shareholders who have convened it, i.e. in the amount established by the General Meeting of the Bank at that or at the first subsequent meeting.

### **SUPERVISORY BOARD**

#### **Article 41**

The Supervisory Board of the Bank shall have 9 members.

A natural person who has a full capacity to act and for whom there exist no limitations in terms of statutory regulations for membership in the Supervisory Board of the Bank can be a member of the Supervisory Board.

### **Election of Supervisory Board members**

#### **Article 42**

- The members of the Supervisory Board shall be elected by the General Meeting of the Bank by the simple majority of votes cast
- Proposals of candidates for members of the Supervisory Board shall be made by shareholders and shall be submitted to the Supervisory Board prior to the expiry of the term of office of the Supervisory Board in one term

- The list of candidates shall be determined by the Supervisory Board and shall be submitted to the General Meeting of the Bank for election.  
Written declarations of the persons nominated for members of the Supervisory Board shall be enclosed with the list of candidates, by which they declare that they are ready to carry out the duties of a member of the Supervisory Board
- The Supervisory Board shall make a proposal on whether at the General Meeting of the Bank the members of the new Supervisory Board will be elected by lists or individually
- Deputy members of the Supervisory Board cannot be elected
- If the Supervisory Board does not have a sufficient number of members necessary for taking decisions about it, the members who are missing will be appointed by the court at a request by the Board of Directors of the Bank, by a member of the Supervisory Board or by a shareholder. The Board of Directors shall file a request with the court without delay, except if it expects that the number of the members of the Supervisory Board will be completed on time until the next meeting of that board.

#### **Article 43**

The members of the Supervisory Board of the Bank shall be elected or appointed to a term of four years and can be re-elected or re-appointed.

#### **Removal of members of the Supervisory Board**

##### **Article 44**

The General Meeting of the Bank may remove a member of the Supervisory Board even before the expiry of the term of office to which the member has been elected. For the removal to be valid, it is necessary to pass a decision at the General Meeting of the Bank with votes representing  $\frac{3}{4}$  of the votes cast at the Meeting.

The decision on removal shall be valid when it is presented to the member being removed.

##### **Article 45**

The court will remove a member of this board at a request by the Supervisory Board if there is a valid reason for that. The Supervisory Board shall decide about putting forth the request to the court concerning removal by the simple majority of votes.

##### **Article 46**

The Board of Directors of the Bank shall publish without delay any changes in the composition of the Supervisory Board in the same way as Bank's announcements are published, and inform the court of registration and the Croatian National Bank about it.

#### **Incompatibility of membership in the Board of Directors and the Supervisory Board**

##### **Article 47**

A member of the Supervisory Board cannot at the same time be a member of the Board of Directors of the Bank, a procurator or a proxy of the Bank.

The Supervisory Board can, without the approval of the Croatian National Bank, on a one-time basis and for a maximum period of three months, appoint some of its members as deputies of the members of the Board of Directors who are missing or who are not able to perform their function.

#### **Competence of the Supervisory Board**

##### **Article 48**

The Supervisory Board shall supervise the conduct of business affairs of the Bank.

The Supervisory Board can check and inspect books and documentation of the Bank, petty cash, securities and other. For this purpose the Board can use some of its members or experts.

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The Supervisory Board shall submit to the General Meeting of the Bank a report on the supervision it has exercised. In the report, it shall in particular specify whether the Bank is operating in accordance with the law, the Articles of Association and other by-laws of the Bank, and with the decisions of the General Meeting of the Bank, whether the annual financial statements are prepared in accordance with the balance in the Bank's accounts and whether they show the correct assets and business condition of the Bank, and its opinion about the proposal by the Board of Directors of the Bank concerning the use of profits or the coverage of losses of the Bank.

Members who do not agree with part of the report or with the report as a whole shall submit their comments to the General Meeting of the Bank in writing.

The Supervisory Board can convene the General Meeting of the Bank. It is obliged to do it when necessary for the interests of the Bank. This decision is made by a regular majority vote.

The Supervisory Board of the Bank shall also have the following competences:

1. give its approval to the Board of Directors in deciding the Bank's business policy
2. give its approval to the Board of Directors in setting out the Bank's financial plan
3. give its approval to the Board of Directors to strategies and policies of taking risks and managing them
4. give its approval to the Board of Directors to strategies and procedures of estimation of adequacy of internal capital
5. give its approval to the Board of Directors to the by-law by which adequate functioning of the system of internal controls is established and ensured
6. give its approval to the Board of Directors to the by-law on internal audit and to the internal audit's annual activity plan
7. make decisions concerning other issues stipulated by law.

#### **Article 49**

The Supervisory Board shall represent the Bank in relation to the Board of Directors members.

The management of Bank's activities cannot be transferred to the Supervisory Board.

#### **Work of the Supervisory Board**

#### **Article 50**

Members of the Supervisory Board shall elect the President and one Deputy President from among its members.

The Board of Directors shall inform the court of registration about the elected President and Deputy President of the Supervisory Board.

The Board of Directors of the Bank shall inform the court of registration and the Croatian National Bank about the elected President and Deputy President of the Supervisory Board.

Minutes shall be taken about the meeting of the Supervisory Board, which shall be signed by the President.

Each member of the Supervisory Board must be given the minutes for insight at his/her request.

The Supervisory Board may set up a commission to prepare decisions to be made and to control their implementation. The commissions shall not decide on issues within the competence of the Supervisory Board. The commissions shall regularly inform the Supervisory Board about their work.

#### **Article 51**

Each member of the Supervisory Board or the Board of Directors, with stating the reason and purpose, may request from the President to convene the meeting of the Board.

The meeting must be held within 15 days of being convened.

If such a request has not been met, the member of the Supervisory Board or the Board of Directors may convene the meeting of the Supervisory Board with stating the reason for convening and presenting the agenda for that meeting.

The meetings of the Supervisory Board shall be convened upon need, and must be convened at least once in six months.

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**Article 52**

The meetings of the Supervisory Board shall not be attended by persons who are not its members or members of the Board of Directors of the Bank. Reporters for certain issues to be decided may be summoned to the meeting.

**Decision-making at the Supervisory Board**

**Article 53**

The Supervisory Board can make decisions if at least one half of its members participate in decision-making.

Decisions of the Supervisory Board shall be made by a majority vote.

A member of the Supervisory Board who is not able to attend a meeting of the Supervisory Board can authorize a person by a written power of attorney to represent him/her at a specific meeting of the Supervisory Board.

Absent members of the Supervisory Board may participate in the decision making by giving their votes in writing.

**Remuneration to Supervisory Board members**

**Article 54**

Members of the Supervisory Board shall be entitled to remuneration proportional to the tasks carried out by the member of the Board and to the standing of the company, in the amount determined by the General Meeting of the Bank.

**Granting credits to the members of the Supervisory Board**

**Article 55**

The Bank may grant credits to the members of the Supervisory Board and to the members of their immediate family in accordance with statutory regulations, only with the approval and based on a decision of that Board.

**DUTIES AND RESPONSIBILITIES OF THE MEMBERS OF THE SUPERVISORY BOARD**

**Article 56**

In carrying out the tasks of the Supervisory Board, the members of the Supervisory Board shall act with the care of a prudent businessperson and safeguard the confidentiality of the company.

The Supervisory Board members who violate their obligations shall be jointly and severally liable for the damage inflicted to the Bank.

In the case of dispute, they must show that they have applied the care of a prudent businessperson.

Members of the Supervisory Board of the Bank shall:

1. give opinion on the findings of the Croatian National Bank and other supervisory authorities in their procedure of supervising the Bank
2. be jointly responsible to the Bank for any damages arising as a consequence of dereliction of their duties
3. immediately notify the Croatian National Bank concerning:
  - a) the member's appointment to the management or supervisory bodies of other legal persons, or the cessation of the member's function therein
  - b) legal arrangements on the basis of which a member of the Supervisory Board or a member of his/her immediate family has directly or indirectly acquired shares or equity participation in a legal person based on which the member of the Supervisory Board together with the member

of his/her immediate family has acquired a qualifying holding in the legal person or their equity participation has fallen below the limit for the qualifying holding.

## **BOARD OF DIRECTORS OF THE BANK**

### **Article 57**

The Board of Directors of the Bank shall have from two to five members, one of whom shall be appointed Chairman of the Board of Directors of the Bank.

The decision on the number of members of the Board of Directors shall be made by the Supervisory Board.

Persons who in addition to general legal conditions also meet the conditions from the Credit Institutions Act may be appointed Chairman and member of the Board of Directors.

### **Appointment and removal of members of the Board of Directors**

#### **Article 58**

A person may not be a member of the Board of Directors:

1. who has been punished for the offence of abuse of bankruptcy, abuse during the bankruptcy procedure, preferential treatment of creditors or violation of obligation of conduct accounting and business records pursuant to the provisions of the Criminal Code of the Republic of Croatia, during the period of five years after the finality of the judgement, such period not including the time of serving the sentence, or
2. against whom a safety measure was pronounced forbidding him/her to engage in business entirely or partially involving the scope of activity of the Bank, during the time while the aforesaid prohibition remains in force.

#### **Article 59**

The Chairman and members of the Board of Directors shall be appointed by the Supervisory Board of the Bank to serve a term of office of up to 5 years, with a possibility of re-appointment.

Each appointment of the Chairman and members of the Board of Directors of the Bank shall require a mandatory approval granted by the Croatian National Bank at a written request by the Supervisory Board of the Bank.

#### **Article 60**

The Supervisory Board may revoke its decision on the appointment of a member of the Board of Directors or of its Chairman when there is an important reason to do so.

Important reason shall be in particular: a gross violation of duty, inability to orderly conduct the business of the company or a vote of non-confidence at the General Meeting of the Bank.

The removal shall be valid until its invalidity is established by a court decision.

The removal of a member or the Chairman of the Board of Directors shall not affect the provisions of the Agreement they have concluded with the Bank.

### **Management of Bank's activities**

#### **Article 61**

The Board of Directors of the Bank shall direct the activities of the Bank at its own responsibility, or according to own judgement, but always in the interest of the Bank.

The members of the Board of Directors shall be authorised to direct the activities of the Bank only jointly.

If the voting at decision-making results in a tie, the decisive vote shall be the vote of the Chairman of the Board of Directors.

## **Representation**

### **Article 62**

The members of the Board of Directors shall direct the business and represent the Bank jointly. The granting of the power-of-attorney for the representation of the Bank and its revocation shall be decided by the Board of Directors of the Bank.

A power-of-attorney may be given to any person who is of legal age and has a full capacity to act.

A power-of-attorney shall be given in writing and shall be entered in the court register.

A procurator may represent the Bank, i.e. conclude any contracts and take any legal actions in the name and for the account of the Bank, where such actions arise from the registered activities of the Bank, only in conjunction with one member of the Board of Directors of the Bank.

A procurator may not, without having a special authorisation, dispose of, or encumber real estate, nor make statements and take any legal actions that will institute a bankruptcy proceeding or another proceeding that leads to the termination of the Bank.

A procurator may not give to other persons an authorisation to conclude deals.

### **Article 63**

The Board of Directors shall adopt its Rules of Procedure, which shall regulate in more detail the organisation and the manner in which the Board of Directors of the Bank conducts its business, as well as other issues related to the activities of the Board of Directors.

The decision on the adoption of the Rules of Procedure shall be taken unanimously by the Board of Directors of the Bank.

### **Article 64**

The authority of the Board of Directors of the Bank to represent the company cannot be limited. The only limitations in representation shall be those set under regulations by the Articles of Association, decisions of the Supervisory Board and the General meeting of the Bank and by the Rules of Procedure about the work of the Board of Directors of the Bank.

## **Preparation and implementation of decisions of the General Meeting of the Bank**

### **Article 65**

The Board of Directors shall:

- at a request by the General Meeting of the Bank, prepare decisions and by-laws the adoption of which is under the responsibility of the General Meeting of the Bank,
- prepare contracts that may only be concluded with the approval of the General Meeting of the Bank,
- execute Decisions that the General Meeting of the Bank adopts within its competence.

## **Income of members of the Board of Directors**

### **Article 66**

The Supervisory Board shall determine the income of the members of the Board of Directors and shall conclude contracts with them.

When determining total income of a member of the Board of Directors (salaries, profit participation, reimbursement of expenses, payments of insurance premiums, commissions and all other benefits), the Supervisory Board shall ensure that the aggregate income bears a reasonable relationship to the work done by the member of the Board of Directors and with the condition of the Bank.

If the circumstances of the Bank deteriorate to such an extent that the payment of income referred to in the previous paragraph would result in gross injustice, the Supervisory Board shall be entitled to reduce such income to the members of the Board of Directors of the Bank.

The reduction of income shall not affect other parts of the contract signed between the member of the Board of Directors and the Bank.

The member of the Board of Directors shall have the right to terminate the Contract with the Bank at the end of the following trimester, with a notice period of six weeks.

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## **Restraint of trade**

### **Article 67**

A member of the Board of Directors may not, without the consent of the Supervisory Board, for his/her account or for the account of third persons, carry out activities from the scope of activity of the Bank, he/she may not act as a member of the Management or Supervisory Board in another Bank.

Also, he/she shall not be a personally liable member of a trade company, if the company carries out activities from the scope of activity of the Bank.

If a member of the Board of Directors acts contrary to the aforementioned prohibition, the Bank may claim compensation from such member for thus inflicted damage or require such member of the Board of Directors to consider business he/she has concluded for his/her own account as businesses concluded for the account of the Bank, and to transfer the earnings following from the business transacted, i.e. to assign the claim for payment of the remaining part of the earnings to the Bank.

## **Granting credits to the members of the Board of Directors**

### **Article 68**

The Bank may grant a credit to the members of the Board of Directors and to the members of their immediate family in accordance with statutory regulations only on the basis of a decision of the Supervisory Board.

## **Reporting to the Supervisory Board**

### **Article 69**

The Board of Directors shall report to the Supervisory Board about:

- business policy and other issues regarding the future management of business (minimum once a year, and upon need and without delay),
- profitability of the Bank's business, in particular the return on equity (at the meeting of the Supervisory Board at which the annual financial statements are discussed)
- the course of business, particularly revenues and the condition of the Bank (once quarterly)
- business activities which could be of high importance for the profitability of business and solvency of the Bank (timely, so that the Supervisory Board can make an opinion about them).

The Supervisory Board may at any time require the Board of Directors of the Bank to also report on other matters of importance for the stability of business and solvency of the Bank.

The Board of Directors of the Bank must immediately notify in writing the Supervisory Board of the Bank about the following events:

1. if Bank's liquidity or solvency is threatened
2. if grounds occur for expiry of the authorisation to operate, reasons for the revocation of the authorisation to operate or reasons for the revocation of permission for the provision of specific financial services
3. if financial position of the Bank changes to such an extent that the Bank no longer attains the minimum capital or the minimum capital adequacy ratio prescribed by law
4. if the Bank exceeds the permitted exposure to one person due to a fall in the regulatory capital or due to circumstances beyond the Bank's influence
5. about all measures of the Croatian National Bank and other supervisory bodies adopted in the process of supervision of the Bank or supervision over it.

A member of the Board of Directors shall immediately notify in writing the Supervisory Board of the Bank concerning:

1. the member's appointment to the supervisory bodies of other legal persons, or the cessation of the member's function therein,
2. legal arrangements on the basis of which the member of the Board of Directors or a member of his/her immediate family has directly or indirectly acquired shares or equity participation in a legal



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person based on which the member of the Board of Directors, together with a member of his/her immediate family has acquired a qualifying holding in the legal person, or their equity participation has fallen below the limit for the qualifying holding.

## **DUTIES AND RESPONSIBILITIES OF MEMBERS OF THE BOARD OF DIRECTORS**

### **Article 70**

The Board of Directors members shall direct the Bank's activities by acting with the care of a prudent businessperson and safeguarding the confidentiality of the Bank.

The Board of Directors members who violate their duties prescribed by law and by these Articles of Association shall be jointly and severally liable for the damage inflicted on the Bank.

In case of dispute, the members of the Board of Directors shall prove that they have acted with the care of a prudent businessperson.

The Board of Directors of the Bank shall ensure that the Bank operates in compliance with:

1. professional rules and standards
2. Credit Institutions Act and regulations adopted under that act
3. other regulations governing the operation of the Bank's operations.

The Board of Directors shall ensure the implementation of supervisory measures imposed by the Croatian National Bank.

The Board of Directors of the Bank shall ensure that the Bank operates in compliance with risk management rules, and shall in particular:

1. establish well defined, transparent and consistent internal lines of responsibility, which will ensure clear segregation of duties and responsibilities, and prevent conflicts of interest, and
2. approve and regularly review strategies and policies for risk management, including also the management of risk arising from the macroeconomic environment in which the Bank operates and the status of its business cycle.

## **INTERNAL AUDIT**

### **Article 71**

The Bank shall organise the internal audit that shall independently and objectively conduct internal audits of overall operations of the Bank in accordance with regulations, rules, principles and professional standards.

### **Article 72**

The internal audit shall work in accordance with the annual activity plan adopted by the Board of Directors of the Bank with prior opinion of the Board of Auditors and the approval by the Supervisory Board.

The internal audit shall prepare a report about its work and submit it quarterly to the Board of Directors of the Bank and to the Board of Auditors, semi-annually to the Supervisory Board of the Bank, and annually to the Croatian National Bank.

## **BY-LAWS OF THE BANK**

### **Article 73**

The Bank shall have its by-laws adopted by the Board of Directors of the Bank independently or with the approval by the Supervisory Board of the Bank, and in accordance with the statutory regulations of the Republic of Croatia.

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## **DISTRIBUTION OF PROFITS**

### **Article 74**

The Board of Directors and the Supervisory Board shall propose the distribution and division of profits to the General Meeting of the Bank.

The General Meeting of the Bank may determine the distribution of profits by a decision on the use of profits different than the proposal put forth by the Board of Directors and the Supervisory Board.

The shares of shareholders in profits (dividend) shall be determined in the absolute amount per share.

## **BANK RESERVES**

### **Article 75**

The Bank shall create legally required reserves in compliance with the Companies Act and the Credit Institutions Act.

The Bank shall include a minimum of one twentieth of profits accrued during the current year in legally required reserves, deducted by the amount of losses in the previous year, until reserves together with capital gain reach the amount of the share capital of the Bank increased by twenty percent. Legally required reserves not exceeding the amount of 5% of the share capital of the Bank can be used to:

1. cover losses from the current year, if they are not covered from previous year's profits or if it cannot be done by using other reserves,
2. cover losses from the previous year, if they are not covered from current year's profits or if it cannot be done by using other reserves.

The part of legally required reserves exceeding 5% of the share capital of the Bank can be used to:

1. cover losses from the current year, if it cannot be done from previous year's profits,
2. cover losses from the previous year, if it is not done from current year's profits,
3. increase share capital from Bank's own means.

Legally required reserves cannot be used for purposes referred to in items 1 and 2 of this paragraph if reserves are simultaneously used for the payment of dividend.

### **Article 76**

The Bank shall create reserves for own shares and other reserves.

The Bank shall create reserves for own shares to the amount of ten percent (10%) of the share capital of the Bank.

The remaining part of reserves, above the amount of legally required reserves and reserves for own shares, shall be other reserves.

The Bank shall create other reserves to the amount determined by the decision of the General Meeting of the Bank.

The Bank shall also create reserves to provide for potential losses arising from doubtful loans and corresponding off-balance sheet items.

## **ACCOUNTING AND AUDIT**

### **Article 77**

The Bank shall draw up annual financial statements in accordance with accounting regulations and International Financial Reporting Standards.

The annual financial statements of the Bank shall be reviewed by the authorised auditor, who shall submit his/her report to the Supervisory Board and to the Board of Directors of the Bank.

## **CHANGES OF THE STATUS**

**Article 78**

Any joining or merger of the Bank, according to the proposal of the agreement on joining or merger jointly prepared by the Board of Directors and by the Supervisory Board, shall be decided upon by the General Meeting of the Bank.

**TERMINATION OF THE BANK**

**Article 79**

The General Meeting of the Bank shall decide about the termination of the Bank by a decision that must be adopted on the basis of votes that represent at least three quarters of the share capital of the Bank.

In such a case, the procedure of regular wind up shall be carried out according to the law and regulations of the Republic of Croatia.

On the basis of the decision on the division of assets, Bank's liquidators shall divide the assets to shareholders within 30 days of the date when the decision on the termination of the Bank has been adopted, in such a way that after the settlement of all liabilities the remainder shall be directed primarily to the holders of preference shares, i.e. up to the maximum amount of the nominal amount of the shares, and after that to the holders of ordinary shares in the proportional amount of the nominal amount of their shares in the Bank's assets.

**OBLIGATION TO KEEP BUSINESS AND BANKING SECRET**

**Article 80**

Documents and data, which due to their nature and importance for Bank's operations must not be disclosed or given for insight to unauthorised persons, except in the manner stipulated by law or by a decision of the Board of Directors of the Bank, shall be considered a business secret.

The Bank shall guard as a banking secret confidential data on the balance in individual savings deposits and other cash deposits at the Bank and on the balances in, and transactions through current and giro accounts, as well as all data, facts and circumstances which it has acquired on the basis of providing services to clients and in performing operations with individual clients.

Members of the Bank bodies, Bank shareholders, Bank employees and other persons who, owing to the nature of transactions they perform with or for the Bank, have access to confidential data referred to in the previous paragraph of this Article, may not disclose such data to third parties, make use of such data against the interest of the Bank and its clients, or enable third parties to make use of such data, except in cases stipulated by law.

The obligation to safeguard banking secret shall not cease for persons referred to in the previous paragraph even after the termination of their employment in the Bank, or after the termination of their status of Bank shareholders or membership in the Bank bodies.

**RIGHT TO INITIATIVE FOR AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

**Article 81**

Shareholders who individually or jointly have shares the value of which exceeds one third of the share capital, the Board of Directors and the Supervisory Board shall have the right to initiative for amendments to the Articles of Association of the Bank.

Shareholders shall exercise their right to initiative by submitting the elaborated proposal of the need to amend the Articles of Association to the Board of Directors of the Bank, the Supervisory Board and to the Chairman of the General Meeting of the Bank.

The Board of Directors of the Bank will submit the justified proposal for amendments to the Articles of Association to all shareholders, no less than within 15 days of the holding of the General Meeting of the Bank at which the amendments to the Articles of Association will be decided upon.

**TRANSITIONAL AND CONCLUDING PROVISIONS**

**Article 82**

The text which has been duly adopted and which is kept at the Administration Department shall be considered the original copy of the Articles of Association.

**Article 83**

These Articles of Association of Podravska banka d.d. (final version) of 29 March 2017 shall come into force and become effective as of the date of the entry in the court register.

**Article 84**

By the entry into force of these Articles of Association the Articles of Association of Podravska banka d.d. (final version) established at the General Meeting of the Bank held on 28 June 2011 shall cease to be valid.

Chairman of the General Meeting of the Bank:  
Damir Barišić