

DEVELOPMENT BANK OF
THE FEDERATION OF BOSNIA AND HERZEGOVINA
ASSEMBLY OF THE BANK

ARTICLES OF ASSOCIATION
OF THE DEVELOPMENT BANK OF THE FEDERATION OF
BOSNIA AND HERZEGOVINA

Sarajevo, July 2009



Pursuant to Article 10, and in accordance with Article 12, paragraph 17 and Article 27 of the Law on the Development Bank of the Federation of Bosnia and Herzegovina ("Official Gazette of the FBiH " No. 37/08), and Article 29 (h) of the Law on Banks ("Official Gazette of the FBiH " No. 39/98, 32/00, 48/01, 27/02, 41/02, 58/02, 13/03, 19/03 and 28/03), at its 3rd session held on 8 July 2009, the Assembly of the Development Bank of the Federation of Bosnia and Herzegovina, at the proposal of the Supervisory Board of the Development Bank of the Federation of Bosnia and Herzegovina, hereby enacts the following:

ARTICLES OF ASSOCIATION OF THE DEVELOPMENT BANK OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

I. BASIC PROVISIONS

Article 1

The Articles of Association of the Development Bank of the Federation of Bosnia and Herzegovina (hereinafter referred to as: the Articles of Association and the Bank) shall regulate the following:

1. legal status, name and registered office of the Bank;
2. capital;
3. goals of business operations and activity;
4. organizational units of the Bank;
5. bodies of the Bank and their competencies;
6. internal organization of the Bank and competencies of employees with special powers;
7. organization, method of work, scope of work and responsibilities of boards and commissions;
8. internal control system;
9. internal and external audit;
10. rules of business operations, general acts and business policies of the Bank;
11. manner of technical and financial control in the implementation of lending and
12. other issues relevant for the work of the Bank.

II. LEGAL STATUS, NAME AND REGISTERED OFFICE OF THE BANK

Article 2

The Law on the Development Bank of the Federation of Bosnia and Herzegovina (hereinafter referred to as: the Law), established the Bank as a separate financial institution and defined the following: status, capital, ownership, goals of business operations and activity, powers, organization, bodies, documents, supervision and audit, financial reports, profit distribution and loss coverage and other issues relevant for the work of the Bank.



The Bank shall have capacity of a legal entity established by the Law and shall not be registered in the Court registry.

Article 3

The Bank shall be a development and export bank of the Federation of Bosnia and Herzegovina (hereinafter referred to as: the Federation) and shall operate under the name: "Razvojna banka Federacije Bosne i Hercegovine"

The abbreviated name of the Bank shall be "RB FBiH".

In its business operations abroad the Bank may use its name in the English language, which reads:

"Development Bank of the Federation of Bosnia and Herzegovina"

Article 4

The registered office of the Bank shall be in Sarajevo at its business address Igmanska No. 1. Decision to change the business address in the registered office of the Bank shall be made by the Supervisory Board of the Bank (hereinafter referred to as: the Supervisory Board).

The Bank shall have a stamp with the following text inscribed thereon: "Razvojna banka Federacije Bosne i Hercegovine". The shape, size and number of the stamp shall be determined by a decision of the Supervisory Board. The method of use, safekeeping and disposition of the stamp shall be determined by a decision of the President of the Management Board of the Bank (hereinafter referred to as: the Management Board).

The Bank shall have its logotype. Decision on the design, protection and the method of use of the logotype, as well as decision to change the logotype design shall be made by the Supervisory Board.

Article 5

The Bank may establish and be a member of companies in the Federation, Bosnia and Herzegovina and abroad.

The Bank may be a member of international financial institutions and international organizations active in the field of economic development promotion and may participate in their activities.

Decision on membership in companies and organizations hereof shall be made by the Supervisory Board of the Bank.



III. CAPITAL

Article 6

The capital of the Bank shall consist of one business share exclusively owned by the Federation.

The capital of Investicijska banka Federacije Bosne i Hercegovine d.d. Sarajevo¹ (hereinafter referred to as: IBF BiH), as the legal predecessor of the Bank, shall become the capital of the Bank.

The total capital of the IBF BiH as at 30 June 2008, as the last day of its business operations, amounts to BAM 106,489,159.38, and consists of equity capital in the amount of BAM 87,486,000.00 and capital reserves in the amount of BAM 19,003,159.38.

On behalf of the Federation, at the proposal of the Government of the Federation of Bosnia and Herzegovina (hereinafter referred to as: the Government of the Federation), the Assembly of the Bank shall decide on capital increase and reduction, as well as capital payment schedule.

IV. GOALS OF BUSINESS OPERATIONS AND ACTIVITY

1. Goals of business operations

Article 7

The goals of business operations of the Bank defined under the Law as financial and goals of public interest, shall, within its competencies, stimulate systematic, sustainable and even economic and social development of the Federation in accordance with the general strategic goals of the Federation, specifically:

a) Financial goals:

1. Financing reconstruction and development of the economy of the Federation and employment growth;
2. Financing economic infrastructure;
3. Financing agricultural production improvement;
4. Financing rural development and encouraging construction of modern agricultural and tourist rural estates and development of rural tourism;
5. Financing of export incentives.

b) Goals of public interest:

1. Improving education and introducing new technologies and innovation of business methods;
2. Supporting the development of small and medium-size enterprises;

¹ /Investment Bank of the Federation of BiH, joint stock company Sarajevo-trans.note/



3. Insuring the export of goods and services from the Federation against non-marketable risks;
4. International promotion of development opportunities of the Federation;
5. Environment protection improvement;
6. Creating a single economic space;
7. Development of production chains of domestic products;
8. Even development of the cantons of the Federation.

2. Activity

Article 8

Within the scope of its activity, the Bank shall:

1. approve loans and other investments;
2. manage, on behalf of the Federation, the overall domestic and foreign funds earmarked for development projects;
3. receive deposits earmarked for financing development projects, and ensuring loan repayment;
4. perform financial leasing activities;
5. provide all forms of monetary guarantees in the country and abroad;
6. issue bills of exchange and bonds and take out loans;
7. buy and sell accounts receivable to manage credit risks and other risks (factoring);
8. perform securities-related activities in accordance with the law regulating the issue of and transactions in securities;
9. provide financial management services;
10. make investments and perform transactions in movable and immovable property in order to manage credit risks and other risks;
11. perform other tasks on its own behalf and for its own account, on its own behalf and for the account of another party, as well as on behalf of another party and for the account of another party;
12. perform other tasks arising from subparagraphs 1 through 11 hereof;
13. perform other financial activities and services in order to implement activities set forth in the Law and decisions of the Government of the Federation;
14. perform payment transactions for clients of the Bank;
15. purchase and sell foreign currencies;
16. perform other tasks in accordance with Articles 5, 6, 7 and 8 of the Law.

The Bank may receive deposits in domestic and foreign currency.

The Bank may approve¹ loans and guarantees in domestic and foreign currency.

V. ORGANIZATIONAL UNITS OF THE BANK

Article 9

The Bank shall perform its activity through the following organizational units: departments, divisions and Office of the Management Board of the Bank.



For the purpose of regional and structural harmonization of development, the Bank shall establish regional organizational units as branch offices.

The name of a branch office shall consist of the Bank's name and the name of the registered office of the branch office. Decision to establish a branch office shall determine the area of operations of the branch office.

The Decision to establish a branch office shall be issued by the Supervisory Board.

VI. BODIES OF THE BANK AND THEIR COMPETENCIES

Article 10

Bodies of the Bank shall be: the Assembly, the Supervisory Board, the Management Board and the Audit Board.

With respect to the terms and conditions for appointment and relieving of duty, conflict of interest - related prohibitions, duration and termination of terms of office of members of the Supervisory Board, the Management Board and the Audit Board, the pertinent legal provisions shall apply.

1. Assembly of the Bank

Article 11

The Assembly of the Bank shall consist of the Government of the Federation when it holds sessions in the capacity of the Assembly of the Bank (hereinafter referred to as: the Assembly).

Within its competencies the Assembly shall decide on the following:

1. Strategy and plans for business operations and development of the Bank;
2. Annual financial reports of the Bank, including reports of the external auditor, the Supervisory Board and the Audit Board and the business operations plan of the Bank for the following business year;
3. Amount and distribution of profit;
4. Amount and manner of loss coverage;
5. Capital increase, and reduction, as well as capital payments schedule;
6. Purchase, sale, exchange, leasing and other transactions in property in the amount that exceeds 15% of the book value of the Bank's assets;
7. Purchase and sale of assets whose value ranges between 5% and 15% of the book value of the total existing assets of the Bank, if such a transaction is not previously approved by unanimous decision of the Supervisory Board;
8. Appointment and removal of members of the Supervisory Board;
9. Measures of controlling and supervising the conduct of business;
10. Adopting and amending the Articles of Association;



11. Filing a claim for indemnity that the Bank may have against members of the Supervisory Board and members of the Management Board, as well as appointing a representative in court proceedings, if the Bank may not be represented by members of the Management Board or the Supervisory Board;
12. Earmarking of deposits set forth in Article 6 of the Law;
13. Issuing bonds and other debt securities, taking out loans and credits, and on other liabilities of the Bank, with previous consent of the Government of the Federation;
14. Operations with persons having special relationships with the Bank, and acquiring equity shares or shares in companies and international organizations;
15. Entrusting the Bank with other financial operations, if it finds that to be in the interest of the Federation, with previous consent of the Government of the Federation;
16. In line with its competencies defined by the Law, the Assembly shall be responsible for quantitative and qualitative insurance and maintenance of the Bank's capital, at least on the level of minimum standards set by the Law on Banks of the Federation and the Regulation on Criteria and Manner of Supervision of Business Operations of the Development Bank of the Federation of Bosnia and Herzegovina (hereinafter referred to as: the Regulation).

Article 12

The Government of the Federation, on behalf of the Federation, shall submit a Report on the Bank's Business Operations and Business Operations Plan to the Parliament of the Federation of Bosnia and Herzegovina for adoption, following its adoption by the Assembly.

Article 13

The meeting of the Assembly shall be held as required and at least once a year.

The Prime Minister of the Federation shall chair the meeting of the Assembly in his/her capacity of the President of the Assembly (hereinafter referred to as: President of the Assembly).

If the President of the Assembly is absent or prevented from attending, the Minister of Finance - Deputy Prime Minister of the Federation shall chair the meeting of the Assembly.

The meeting of the Assembly shall be convened by the President of the Assembly, at the proposal of the Supervisory Board, unless otherwise provided by the Law.

The Supervisory Board shall prepare materials for the meeting of the Assembly and deliver them through the Ministry of Finance not later than 15 days before the date of meeting of the Assembly.

The Assembly shall make a decision on issues referred to in Article 11 paragraph 2, subparagraphs 2, 3 and 4 of the Articles of Association not later than 31 May of the current year for the previous year.

More detailed provisions on the manner of preparation and holding meetings, decision-making process and other issues related to the work of the Assembly shall be regulated by the Rules of Procedure of the Assembly.



2. Supervisory Board

Article 14

The Supervisory Board shall consist of seven members, namely the President and six members appointed and relieved of duty by the Assembly at the proposal of the Federation Ministry of Finance by means of open competition in accordance with the Law and constitutional provisions on proportional representation of the constituent peoples.

The President and members of the Supervisory Board shall be appointed at the same time for a five-year term of office.

The same person may be appointed President or member of the Supervisory Board not more than two consecutive times.

The President and members of the Supervisory Board may be relieved of duty even before their respective terms of office have expired, upon personal request or in case they fail to comply with the law and acts of the Bank, if they abuse their office or if other circumstances arise which are incompatible with discharge of duties on the Supervisory Board.

The President and members of the Supervisory Board must hold a university degree in economics, law or technical field and have at last five years of professional experience.

The following persons may not be appointed the President or member of the Supervisory Board:

- a) persons convicted of a criminal offence or economic violation in the field of economic and financial crime, during the course of five years as of the day when the judgment became final, excluding the imprisonment time, and
- b) persons banned by a final and binding judgment from performing activities under the competence of the Supervisory Board.

The President and members of the Supervisory Board may not perform any party-related activities in a political party.

The Supervisory Board shall report to the Assembly.

Article 15

Within its competencies¹ the Supervisory Board shall:

1. Appoint and remove members of the Management Board;
2. Grant a general power-of-attorney for individual programs;
3. Exercise competences and have responsibilities under the Law, the Regulation, other regulations and the Articles of Association; adopt a capital management program with policies related to quantity and quality of the capital that the Bank must provide and maintain, and establish procedures for creating and developing methods to monitor current and plan the Bank's future needs for capital;
4. Develop programs, policies and procedures and be responsible for them in accordance with its competencies set forth in the Regulation;



5. Supervise business operations of the Bank;
6. Supervise the work of the Management Board;
7. Set business goals and a business operations strategy for the Bank based on the strategy and the Bank's business operations and development plans established by the Assembly;
8. Prepare proposals for the strategy for maintaining the amount, type and distribution of capital;
9. Develop a risk strategy and the Bank's risk profile and ensure the implementation of risk management policies and procedures;
10. adopt reports of the Management Board on business operations of the Bank based on semi-annual and annual statements with balance sheet and income statement, as well as other reports within its competence;
11. Adopt annual internal and external audit reports;
12. Submit to the Assembly for consideration and adoption a proposal of the annual report on business operations of the Bank with financial reports and internal and external audit reports, a report on the work of the Supervisory Board and the Audit Board and the Bank's business operations plan for the following business year;
13. Represent the Bank in its relations with members of the Management Board;
14. Appoint and remove members of the Audit Board and the Principal Internal Auditor of the Bank;
15. Appoint the External Auditor;
16. Appoint and remove members of the Credit Board at the proposal of the Management Board of the Bank;
17. Propose profit distribution and the manner of loss coverage;
18. Approve purchase, sale, exchange, leasing and other transactions in assets (fixed assets of the Bank) in the amount ranging between 5% and 15% of the book value of the total assets of the Bank;
19. Form reserves to be charged to credit loss expenses;
20. Prepare a proposal of the Articles of Association of the Bank;
21. Prepare Rules of Procedure for the Supervisory Board and the Audit Board, as well as other general internal acts of the Bank, business and other policies and procedures;
22. Establish interim commissions and define their membership and tasks;
23. Ensure the implementation of the adequate internal control system;
24. Ensure the implementation of adequate internal and external audit;
25. Decide on issues that under the Law and the Articles of Association have not been assigned to another body of the Bank for decision-making.

Article 16

The President and members of the Supervisory Board shall fulfill their duties and responsibilities in accordance with the Bank's interests.

The President and members of the Supervisory Board may not engage in a rival activity, i.e. they may not be members of the supervisory, administration or management body of any commercial bank.

The President and a member of the Supervisory Board shall report to the Supervisory Board any interest in the legal entity with which the Bank has established or plans to establish business relations.



In the case referred to in paragraph 2 hereof, the President and a member of the Supervisory Board may not decide on issues concerning relations between the Bank and other legal entities in which the President and the member of the Supervisory Board have a direct or indirect financial interest.

If the President or a member of the Supervisory Board act in contravention of paragraphs 1 through 3 hereof, the Bank shall be entitled to compensation for damage it thereby sustained.

Article 17

Meetings of the Supervisory Board shall be held as required, and at least once in three months.

A two-thirds majority of the total number of members shall be required to hold a meeting, and a simple majority of the total number of members shall be required for the Supervisory Board to take a decision.

Meetings of the Supervisory Board shall be chaired and conducted by the President of the Supervisory Board.

The President and members of the Supervisory Board shall be entitled to request all information on business operations of the Bank and attendance of members of the Management Board at the meetings of the Supervisory Board.

Persons who are not members of the Supervisory Board may attend a meeting only if presented with a written invitation from the Supervisory Board.

The manner of convening and holding meetings and issues related to the work of the Supervisory Board shall be regulated by the Rules of Procedure of the Supervisory Board.

The President and members of the Supervisory Board shall have the right to attend meetings of the Management Board.

Members of the Supervisory Board shall be entitled to remuneration for their work.

The amount of remuneration for the work of members of the Supervisory Board shall be determined by the Assembly. Remuneration and other rights of members of the Supervisory Board shall be regulated by a contract, in accordance with a decision of the Assembly.

The contract with the¹ members of the Supervisory Board referred to in the previous paragraph hereof shall be signed by the President of the Management Board.

3. Management Board

Article 18

The Management Board shall consist of the President and Vice-President of the Management Board and executive directors.



The President and Vice-President of the Management Board shall be appointed and relieved of duty by the Supervisory Board, by means of open competition, in accordance with the Law and constitutional provisions on proportional representation of the constituent peoples.

The Management Board shall organize the work and manage business operations of the Bank and within its competencies shall:

1. prepare elements for the Bank's business operations plan;
2. draft decisions, reports and other documents and acts for the Supervisory Board;
3. launch initiatives and give proposals for improving business operations of the Bank;
4. approve purchase, sale, exchange, leasing and other transactions in assets (fixed assets of the Bank) in the amount up to 5% of the book value of the total assets of the Bank;
5. take care of maintaining solvency and liquidity of the Bank and undertake measures, i.e. put forward measures for ensuring solvency and liquidity of the Bank;
6. appoint members of the Liquidity Commission and the Executive Officer in charge of liquidity;
7. be responsible for preparing and drafting financial reports and presentation thereof;
8. exercise competences and have responsibilities under the Law, other regulations and the Articles of Association,
9. implement and be responsible for the implementation of programs, policies and procedures issued by the Supervisory Board in accordance with the Regulation;
10. report to the Supervisory Board about all Credit Board's decisions to grant loans;
11. appoint a Risk Assessment and Assets Classification Commission;
12. adopt Rules of Procedure of the Management Board;
13. execute decisions of the Supervisory Board and the Audit Board.

Meetings of the Management Board shall be chaired by the President of the Management Board and in the absence of the President of the Management Board, the Vice-President shall act in his stead.

Article 19

The President of the Management Board, the Vice-President of the Management Board and executive directors shall report to the Supervisory Board every direct or indirect interest in the legal entity with which the Bank has established or plans to establish business relations.

In the case of paragraph 1 hereof the President of the Management Board, the Vice-President of the Management Board and executive directors may participate in business relations based on a written consent by the Supervisory Board.

Article 20

The President of the Management Board shall:

1. chair the Management Board;
2. manage business operations;
3. represent and act on behalf of the Bank;
4. execute decisions of the Supervisory Board and the Audit Board;



5. be responsible for the legality of business operations;
6. decide on hiring, assigning and dismissing employees in accordance with the law, collective agreements and acts of the Bank;
7. make decisions on purchasing and disposing of fixed assets within the limit established by the Supervisory Board in accordance with Article 18 of these Articles of Association;
8. prepare operational instructions and other acts for the implementation of the established credit policy;
9. decide on all issues that under the Law or these Articles of Association have not been assigned to another body of the Bank for decision-making;
10. perform other tasks, in accordance with the law, these Articles of Association and other general acts of the Bank.

The President of the Management Board shall report to the Supervisory Board.

The status of the President of the Management Board, his/her powers, responsibilities, salary, financial and other entitlements shall be defined in a contract between the Supervisory Board and the President of the Management Board.

The contract with the President of the Management Board referred to in the previous paragraph hereof shall be signed by the President of the Supervisory Board.

The Prime Minister of the Federation shall give his/her consent to the salary of the President of the Management Board.

Article 21

The President of the Management Board may transfer to other persons a part of his/her powers referred to in Article 20 paragraph 1 of the Articles of Association.

The President of the Management Board shall be appointed to a four-year term of office and may be reappointed only once.

The President of the Management Board may, in a written document, transfer the right to act on behalf of the Bank to other members of the Management Board, employees and other persons.

The right to represent the Bank shall be given by the President of the Management Board to other persons in the form of a written power of attorney whereby the type and scope of powers of the proxy shall be determined.

The President of the Management Board shall, in the form of a decision on transfer of signing authority, issue an authorization to the employees of the Bank to conclude contracts on the basis of decisions taken by the relevant bodies of the Bank and other contracts related to the business operations of the Bank establishing financial liabilities of the Bank, as well as authorization to sign other individual acts i.e. documents.

The persons authorized by the decision of the President of the Management Board for the transfer of signing authority may not transfer the granted authority to other persons.



Article 22

If the President of the Management Board is absent or if he/she is prevented from attending, the Vice-President of the Management Board shall represent and act on behalf of the Bank.

The Vice-President of the Management Board shall be appointed for the same period of time as the President.

The Vice-President shall report to the Supervisory Board.

The position of the Vice-President of the Management Board, his/her powers, responsibilities, salary, financial and other entitlements shall be defined in a contract between the Supervisory Board and the Vice-President of the Management Board.

The contract with the Vice-President of the Management Board referred to in the previous paragraph hereof shall be signed by the President of the Supervisory Board.

The Prime Minister of the Federation shall give his/her consent to the salary of the Vice-President of the Management Board.

Article 23

Following the appointment procedure in accordance with Article 17 of the Articles of Association the executive directors shall be appointed and relieved of duty by the Supervisory Board at the proposal of the President of the Management Board for the same period as the President of the Management Board.

The executive directors shall organize the work of organizational units of the Bank that they are in charge of in accordance with the Rulebook on Internal Organization and Job Systematization of the Bank, represent the Bank and shall be responsible for the legality of business operations in tasks and scope determined in a written act by the President of the Management Board.

The status of executive director, his/her competencies, responsibilities, salary, financial and other entitlements shall be defined in a contract between the President of the Management Board and the executive director, subject to previous consent of the Supervisory Board.

The Prime Minister of the Federation shall give consent to the salary of the executive director.

Article 24

In the events of removal or resignation of the President of the Management Board, or in the event of his/her death or illness, or absence from office for other reasons without previous consent of the Supervisory Board for the period longer than thirty consecutive days, the Supervisory Board shall confirm the appointment of the Vice-President of the Management Board in this post or appoint acting President of the Management Board to perform this function until appointment of a new President of the Management Board by the Supervisory Board.



The office referred to in the previous paragraph hereof may not be held longer than ninety days. Before the ninety-day period expires, the Supervisory Board must issue a vacancy announcement to appoint the President of the Management Board.

Article 25

The Bank shall have a secretary who shall, within his/her powers, implement decisions of the Supervisory Board, the Audit Board and the President of the Management Board.

The Secretary shall be appointed and relieved of duty by the Supervisory Board at the proposal of the President of the Management Board, in accordance with a previously published vacancy announcement.

The Secretary shall be responsible for preparing meetings and keeping records of the Supervisory Board and the Audit Board.

In addition to powers and responsibilities referred to in paragraphs 1 and 3 hereof, the Contract between the President of the Management Board and the Secretary shall define other tasks and powers, salary and other financial entitlements, subject to previous approval by the Supervisory Board.

4. Audit Board

Article 26.

The Audit Board of the Bank shall consist of the President and four members who are appointed and relieved of duty by the Supervisory Board, in accordance with the law, by means of open competition, in accordance with constitutional provisions on proportional representation of the constituent peoples.

The President and members of the Audit Board shall be appointed at the same time for the period of four years.

One person may be appointed the President or member of the Audit Board for two consecutive times at the most.

The President and a member of the Audit Board may not be appointed from the group that includes the President or members of the Supervisory Board, and they may not be members of the Management Board or employees of the Bank, nor may they have direct or indirect financial interest in the Bank, save for the remuneration relative to their office.

The Audit Board shall report directly to the Supervisory Board.

The Audit Board shall:

1. be responsible for the performance of external audit;
2. present revised financial reports to the Supervisory Board;
3. supervise the work of internal audit;
4. inform the Supervisory Board of the internal auditor's findings at least quarterly.



5. audit business operations of the Bank at the request of the Supervisory Board and shall submit a report thereof to the Supervisory Board;

The Audit Board shall be authorized to request that the meeting of the Supervisory Board and of the Assembly be convened when it has established irregularities in the work of the President or members of the Supervisory Board or members of the Management Board of the Bank.

The Supervisory Board shall issue the Rules of Procedure of the Audit Board.

Members of the Audit Board shall be entitled to remuneration for their work. The Supervisory Board shall set the level of remuneration for the work of the members of the Audit Board.

The remuneration and other rights of the members of the Audit Board shall be regulated by contract, in accordance with a decision of the Supervisory Board.

The contract with the President and members of the Audit Board referred to in the preceding paragraph hereof shall be signed by the President of the Supervisory Board.

VII. INTERNAL ORGANIZATION OF THE BANK AND COMPETENCES OF EMPLOYEES WITH SPECIAL POWERS

1. Internal organization

Article 27

Internal organizational structure, more detailed job descriptions and other issues related to organizational units and branch offices shall be determined by the Rulebook on Internal Organization and Job Systematization of the Bank (hereinafter: the Rulebook on Internal Organization).

Article 28

The following operations shall be carried out in the Bank's branch offices:

1. implementing the established business policy of the Bank;
2. initiating the development of investment programs, projects and business plans;
3. collecting investment programs, projects and business plans, as well as information on the credit rating of clients and/or users of loans and investments in their respective area of operations;
4. collecting, processing and selecting applications for loans and investments in their area of operations in accordance with the set criteria and methodology;
5. coordinating activities and preparing proposals for disbursement of loans and investments with other organizational units of the Bank;
6. monitoring the realization of approved loans and investments;
7. collecting information and analyses for more efficient risk management;
8. monitoring claims recovery;
9. controlling the earmarking of approved funds;



10. providing advisory services and other technical assistance to clients and/or users of funds;
11. other operations on order of the Management Board of the Bank.

2. Employees with special powers

Article 29

The heads of the organizational units of the Bank shall be employees with special powers, who are appointed and relieved of duty by the Management Board.

In addition to the heads of the Bank's organizational units, namely: heads of departments, heads of branch offices and heads of divisions, employees with special powers shall be also other employees to whom the status of employees with special powers has been awarded by a decision of the President of the Management Board in accordance with this law, the Articles of Association, and general acts of the Bank.

Employees with special powers shall be responsible for the performance of duties and tasks set forth in the Rulebook on Internal Organization, employment contracts and in powers in accordance with the decision of the President of the Management Board.

Within the scope of their competences and powers, employees with special powers shall be responsible for the legality of work and business operations, maintaining the solvency and liquidity of the Bank, discharging of duties, economic and financial performance, improvement of the quality of operations and raising the reputation of the Bank.

Employees with special powers shall report to the Management Board of the Bank.

VIII. ORGANIZATION, METHOD OF WORK, SCOPE OF WORK AND THE RESPONSIBILITY OF BOARDS AND COMMISSIONS

1. Credit Board

Article 30

The Credit Board shall consist of seven members who are appointed and relieved of duty by the Supervisory Board on a proposal from the Management Board of the Bank.

Members of the Management Board of the Bank shall be members of the Credit Board by virtue of the office. If the Management Board of the Bank has less than seven members, other members of the Credit Board may be appointed from among the employees.

The President of the Management Board shall be the President of the Credit Board by virtue of the office.

The Credit Board shall issue separate decisions on the Bank's liabilities, approval of loans and other investments, issuing of guarantees and other forms of security.

A two-thirds majority of the total number of members shall be required to hold a meeting



and have a decision of the Credit Board reached.

The method of work, decision-making, the rights and responsibilities of the Credit Board shall be regulated by the Rules of Procedure of the Credit Board which are approved by the Supervisory Board.

2. Liquidity Commission

Article 31

The Liquidity Commission (hereinafter: the Commission) shall consist of three to five members who are appointed and relieved of duty by the Management Board.

The Vice-President of the Management Board and the Executive Director who is responsible for the management of the Bank's monetary assets shall be members of the Commission by virtue of the office. Other members of the Commission shall be appointed from among employees of the Bank.

The Management Board shall appoint an Executive Officer in charge of liquidity from among members of the Liquidity Commission.

In order to identify and monitor regular and extraordinary outflows of money and to propose measures to ensure the ability of the Bank to achieve, i.e. administer inflows of money which would be adequate for its current needs, the Commission shall be responsible for:

1. proposing and implementing the Bank's liquidity policy in relation to the Bank's current liquidity position and issuing liquidity plans and policies;
2. monitoring developments in the field of liquidity of the Bank, and
3. controlling the management of the Bank's liquidity with special focus on the monetary reserves and/or other highly liquid assets increasing the Bank's expenditures.

The meetings of the Commission shall be held at least once a week.

As regards the function of proposing and implementing liquidity policy, the Commission shall comply with provisions of the Law, the Regulation, other regulations, as well as with the strategy, policies and procedures set forth in the Bank's Liquidity Risk Management Program.

In the framework of its competences the Commission shall make decisions, submit reports and put forward proposals for maintaining and improving liquidity to the Management Board and the Supervisory Board.

The Commission's method of work and decision-making shall be further regulated by the Rules of Procedure of the Commission which are adopted by the Management Board.



IX. INTERNAL CONTROL SYSTEM**Article 32**

The internal control system in the Bank is a process used to establish and implement detailed procedures and actions related to the comprehensive system of monitoring and testing implementation of business activities and operations at all business (functional and operational) levels and fields in which the Bank is active, which is implemented by the Supervisory Board, the Audit Board, the Management Board and employees of the Bank at all levels, as a permanent activity in the Bank's operations.

The internal control system ensures that the work and actions of all employees comply with regulations in force and general acts of the Bank through the monitoring and control of performance of business activities in all segments of the Bank's operations and at all functional and operational levels.

Article 33

The main objectives of the internal control system in the Bank shall be:

- achieving business operations objectives (starting from the premise that the Bank must be efficient and successful in using its assets and other sources), protection against loss and providing conditions for all bodies and employees to act in a way that ensures protection of the Bank's interests;
- adequate information reporting, which means timely preparation of accurate and reliable reports necessary for the Bank's decision-making process, which includes reliable periodic reports and the annual report, other financial reports and other financial publications for regular and other (external) purposes. The reliability of financial reports at the Bank shall be achieved by means of comprehensive and well-defined accounting principles and rules;
- conformity with relevant laws and other regulations, supervision requests and internal policies and procedures, which is achieved through the Bank's operations;
- implementation of policies related to the Bank's internal control system which, *inter alia*, should ensure that the authority to make business decisions, depending on their nature, is transferred to the relevant management levels in the Bank and that such authority is fully exercised, i.e. implemented throughout the Bank's organizational structure.

Article 34

The internal control system primarily includes the accounting and financial operations of the Bank, including special control of the financial plan and planning, standard and nonstandard expenditures, statistical analyses and their publication, periodic operative and business reports and training programs aimed at improving executive functions of all officials of the Bank, and is closely tied to internal audit which: a) supervises the operation of the Bank's internal control system, and b) provides timely information on the system's adequacy to the Audit Board and the Management Board.

The main elements that make up the internal control system of the Bank shall be:



- efficient organizational structure of the Bank;
- adoption of the business plan of the Bank, in written form, with clear objectives and business policies which include defining acceptable and unacceptable risk levels, with the responsibility of the Bank's Management Board to ensure conditions for risk identification, monitoring and control, with a clearly defined line of competence and responsibility and a line of reporting;
- supervision carried out by administration and management bodies, which in particular means that the Supervisory Board and the Management Board shall recognize, identify, monitor and take necessary steps to control those risks;
- risk assessment by means of identification and assessment of external and internal factors which could affect adversely the achievement of the objectives of the Bank;
- control activities carried out through adoption of plans, policies and procedures (in accordance with the policies) and checking whether they are being implemented;
- information and communication, which means the existence of adequate and comprehensive internal financial and operative information, information on compliance with the law and policies, and external market information about developments and conditions relevant for the decision-making process, and such information must be reliable, timely and accessible.
- following/monitoring activities, which means an efficient internal audit function as part of the internal control system supervision, which will provide independent, impartial and objective information on the functioning of the lines of control in all segments of the Bank's operations.

Article 35

The main procedures for implementing the internal control system shall be:

- establishing and maintaining an efficient organizational structure of the Bank;
- establishing and maintaining an adequate accounting system of the Bank;
- efficient protection of the Bank's assets;
- providing for establishment and implementation of an efficient program of internal and external audit of the Bank, and
- efficient protection of the Bank against abuse for criminal purposes (money laundering, robberies, terrorism, etc).

The Supervisory Board shall be responsible for the establishment, operation and enhancement of the internal control system at the Bank and shall issue a separate act thereof on a proposal from the Management Board.

The act referred to in paragraph 1 hereof shall regulate in greater detail the activities and measures for the implementation of internal control, i.e. the bodies responsible for its execution.

The President of the Management Board shall provide conditions for implementation of the internal control system by providing monitoring and overview of adopted programs, plans, policies and procedures, i.e. implementation thereof.



X. INTERNAL AND EXTERNAL AUDIT**1. Internal Audit****Article 36**

The Bank shall have an Internal Audit Division (hereinafter: Internal Audit) which shall be headed by the Principal Internal Auditor (hereinafter: the Internal Auditor).

The Supervisory Board shall define the tasks of the Internal Audit Division in accordance with the law, other regulations and general acts.

A separate act shall be issued to regulate more detailed provisions relative to the manner of work of the Internal Audit Division.

Article 37

The Internal Auditor shall independently assess the adequacy, efficiency and performance of the internal control system and shall inform the Management Board and the Audit Board of the implementation of the system and shall give proposals for its improvement.

The Internal Auditor shall cooperate with the Audit Board and shall report to the Supervisory Board for his/her work.

In exercising their competences, the Internal Auditor and staff of the Internal Audit Division must have powers for unrestricted and unimpeded work.

The main objective of the Internal Audit is to prevent Bank losses, ensure a higher level of objectiveness and accuracy of financial reports and to discover circumstances inside the Bank that may have a negative impact on its business operations and sustainability, as well as to identify the losses that have already occurred in the Bank by monitoring the quality of the established internal control system in the Bank and conducting evaluation and reporting thereof to the Bank's Supervisory Board and the Audit Board with relevant proposals for its improvement.

Objectives, tasks, responsibilities and the method of work of the Internal Audit shall be more closely regulated by a Rulebook to be adopted by the Supervisory Board.

Article 38

The Supervisory Board shall issue a decision on appointment and relieving the Internal Auditor of duty.

Salary and other financial benefits of the Internal Auditor shall be defined by a contract signed by the Supervisory Board and the Internal Auditor.

The contract with the Internal Auditor referred to in the preceding paragraph hereof shall be signed by the President of the Supervisory Board.



Article 39

The Internal Auditor shall be responsible for:

1. identifying, monitoring and assessing risks related to business operations;
2. checking whether an adequate internal control system is in place which ensures that the risks are managed in such a manner which reduces them to an acceptable level;
3. monitoring conformity of the Bank's operations with the Law, the Regulation, other laws and regulations and general acts of the Bank;
4. monitoring and evaluation of the efficiency of the Bank's business operations already in place.

The Internal Auditor shall:

1. put forward an annual work program of the Internal Audit to the Audit Board;
2. be consistent in the implementation of the adopted Internal Audit annual work program;
3. submit to the Management Board and the Audit Board internal audit reports regarding the work of individual organizational units of the Bank and individual segments of business operations to the organizational units that are the subject of audit;
4. submit the audit report to the Audit Board and the Supervisory Board, if the work of the Management Board is the subject of audit;
5. perform internal audit activities in accordance with the law, international accounting standards, international financial reporting standards and international standards on auditing, other regulations and general acts.

2. External Audit**Article 40.**

Pursuant to the Regulation, the Supervisory Board shall appoint an Independent External Auditor to:

1. tender advise to the Bank regarding the application of accounting standards;
2. prepare and submit to the Bank's managing bodies an annual report accompanied by an auditor's opinion as to whether the financial reports present a full, accurate and credible overview of the Bank's financial situation, in accordance with the law, the Regulation and other regulations;
3. inform the Supervisory Board, the Audit Board and the Management Board of any illegal acts of employees of the Bank or of any irregularity or deficiency in the administration or operations of the Bank, of which he/she has become aware and which could lead to a material loss for the Bank;
4. tender comments in the annual report for the Assembly, the Supervisory Board, the Audit Board and the Management Board regarding the efficiency of the Internal Auditor and regarding the internal control system;
5. prepare a report on economic and financial auditing of the Bank;
6. prepare a report on the implementation of the Bank's anti-money laundering and counter-terrorism financing activities.



The Auditor's economic and financial audit report shall contain:

1. report and opinion of the Auditor,
2. analyses supporting financial reports,
3. overview and evaluation of the quality of the Bank's business operations,
4. overview of the ownership and organizational structure of the Bank,
5. summary report on the economic and financial audit, and
6. annexes to the report on economic and financial audit.

Pursuant to the Regulation, the drafting and presentation of financial reports shall be the primary responsibility of the Management Board of the Bank.

The primary responsibility of the External Auditor shall be to give an opinion on financial reports and conformity of the Bank's operations with regulations.

XI. RULES OF BUSINESS OPERATIONS, GENERAL ACTS AND BUSINESS POLICIES OF THE BANK

1. Rules of Business Operations

Article 41.

Within the framework of the established development goals and the development-related terms of financing the Bank shall apply the fundamental principles of profitability, liquidity and security of loans and investments.

Guided by the principles of banking operations, the Bank must reduce the operations-related risks to the lowest possible level.

The Bank shall not be liable to corporate income tax.

The Bank may make donations in accordance with law. The Supervisory Board shall be in charge of the implementation of the donations granting procedures in accordance with the law.

Article 42

The Bank shall conduct its business operations in accordance with the Law and other laws, if they are not in contravention of the Law, the Regulation, other regulations and internal acts, as well as in accordance with relevant business and accounting principles and standards set forth in a separate law.

The Bank shall observe levels of limitations and risks concerning its balance sheet and off-balance sheet items, assets and weighted assets, capital and its structure, as set forth in the Law and the Regulation.



2. General acts

Article 43

The Supervisory Board shall adopt general acts on a proposal from the Management Board.

General acts shall regulate internal organization and systematization of jobs and work-related tasks, duties and responsibilities of Bank employees, labor relations as well as other issues of relevance to the work of the Bank which are not regulated under these Articles of Association.

3. Business policies

Article 44

Business policies of the Bank shall ensure complete application of international accounting standards and international financial reporting standards, as well as application of the banking standards in business operations.

Business policies shall be adopted by the Supervisory Board.

As a minimum the Bank shall ensure adoption of the following business policies:

1. capital management and capital value preservation policies
2. policies on lending and issue of guarantees
3. policies on receiving deposits
4. policies on manner of doing business on one's own behalf and for the account of another party, as well as on behalf and for the account of another party
5. policies on defining, evaluating and treatment of claims recovery instruments
6. policies for risk identification, measure and evaluation (credit risk, liquidity risk, interest rate risk, foreign currency risk, risk of exposure of the Bank to one person or a group of related persons, operative risk, etc)
7. risk management policies, and ensuring consistent application of all internal regulations related to risk management
8. policies on forming credit loss and other loss-related reserves
9. policies on take-over (purchase) of assets on grounds of unrecovered loans-related claims and their further sale to settle monetary claims
10. interest rate and bank fees policies
11. policies on management of the Bank's assets
12. policies on money laundering and terrorism financing risk management
13. policies on the establishment and efficient operation of the internal control system
14. policies on the Internal Audit's manner of operation and the engagement of the External Auditor
15. accounting and other policies necessary for the work of the Bank.

The Management Board of the Bank shall be responsible for business policy proposal and implementation.

The Supervisory Board of the Bank shall be responsible for business policy adoption and



implementation supervision.

Pursuant to the Regulation, the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: the Banking Agency) shall be authorized to exercise supervision of the Bank's business operations.

Business policies shall be based on the principles of cautious and sound business operations in accordance with banking principles, with a view to preserving the Bank's capital substance.

XII. MANNER OF TECHNICAL AND FINANCIAL CONTROL IN THE IMPLEMENTATION OF LENDING

Article 45

The Bank shall carry out regular technical and financial control of loans-related activities.

The technical control of loans-related activities shall include:

1. control of documentation and contents of the loan file
2. control of claims recovery instruments
3. control of the implementation of an investment project or other client project financed under the Bank's loans.

Article 46

The financial control of loans-related activities shall mean:

1. control of legitimate spending of the loan
2. control of the financial standing of the client that is using the loan.

The technical and financial control shall be carried out by the organizational units of the Bank, in accordance with provisions of the Articles of Association, established business policies and other general acts of the Bank, as well as in accordance with responsibilities and powers set forth in the Rulebook on Internal Organizations and in separate decisions.

To conduct technical and financial control the Bank may use the services of external associates, experts and audit firms.

Decision to commission the services of external associates, experts and audit firms shall be made by the Management Board.

XIII. BUSINESS SECRET

Article 47

The Supervisory Board, the Management Board, all employees as well as any person working in the Bank on any grounds shall keep the business secret related to any piece of information of which they learned in the course of their work for the Bank and may not use it



to their own advantage, nor may they proffer it to other persons or bodies barring the Management Board and the Supervisory Board, including controllers and auditors, the Banking Agency and other competent bodies in accordance with the law.

Persons referred to in the preceding paragraph shall keep the business secret also after their employment with the Bank, i.e. discharging duties, has terminated.

A more detailed definition of data, documentation and information considered to be a business secret, their protection, granting authorization for use, sanctions for business secrecy violation and accountability for detrimental effects of business secret disclosure shall be prescribed by the Supervisory Board on a proposal from the Management Board.

XIV. TERMINATION OF BUSINESS OPERATIONS

Article 48

The Bank may not be the subject of bankruptcy or liquidation proceedings.

The Bank may terminate its business operations only if the Law ceases to be in effect, i.e. on grounds of a separate law.

XV. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article 49

The initiative for amending the Articles of Association of the Bank may be given by:

- The Assembly of the Bank,
- The Supervisory Board,
- The Management Board.

Article 50

The Supervisory Board shall give its position on the initiative referred to in the preceding article within 30 days as of the day the initiative was received.

If the Supervisory Board accepts the initiative, it shall notify the sponsor thereof, make a proposal for amendments and submit the proposal to the Assembly for decision-making.

If the Supervisory Board rejects the initiative, it shall notify the sponsor thereof and shall forward the initiative to the Assembly for decision-making.

Amendments to the Articles of Association shall be adopted in accordance with the procedure for their adoption.



XVI. OTHER PROVISIONS**Article 51**

Employees of the Bank shall exercise their rights in accordance in the law, collective agreements, other regulations, these Articles of Association and other documents of the Bank.

XVII. FINAL PROVISIONS**Article 52**

These Articles of Association shall come into force on the day of their adoption.

The day of the adoption of these Articles of Association shall invalidate the Articles of Association of Investicijska banka Federacije Bosne i Hercegovine d.d. Sarajevo no. 03-4-635/2006 of 1 June 2006, which were taken over in accordance with the Decision of the Government of the Federation no. 534/08 ("Official Gazette of the Federation of BiH" 39/08) as the Articles of Association of the Development Bank of the Federation of Bosnia and Herzegovina.

PRESIDENT OF THE ASSEMBLY

Mustafa Mujezinović

/signature and stamp/

Number: 6981-1-I/09
Sarajevo, 8 July 2009

I hereby confirm that this document is a true translation of the original written in Bosnian/Serbian/Croatian language.

Transl. No. 6/2016

Sarajevo, 14 February 2016

Amela Kazazić

Certified Court Interpreter for English Language

