

Translated from Armenian into English

APPROVED BY  
Protocol decision (Minutes № 1) of the  
Constituent General Assembly  
of the « INVESTBANK » COMMERCIAL  
BANK dated 10.09.1991

REGISTERED IN THE  
Central Bank  
of the Republic of Armenia

Digitally signed by Arthur Javadyan  
Date : 2016.10.20 15 :19 :22 GMT+04 :00  
Reason : registered on 19.10.2016  
(Seal of the Central Bank of Armenia)

AMENDED BY  
Protocol Decision (Minutes № 1) of the  
General Meeting of Shareholders of the  
« ARMBUSINESSBANK » CJSC on  
29.04.2016

President of the Central Bank  
Arthur Javadyan (signed and sealed)

Chairman of the Board  
Vitali Grigoryants (signed and sealed)

**CHARTER**  
**of**  
**“ ARMBUSINESSBANK ”**

**Closed Joint-Stock Company**

**Arsen Mikayelyan**  
Digital signature  
Digitally signed by  
Arsen Mikayelyan  
DN : c=AM, st=Yerevan,  
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18 :19 :50 +04'00'

## 1. General Provisions

1.1. The “ARMBUSINESSBANK” Closed Joint-Stock Company, hereinafter – the Bank, is a legal entity which is a commercial organization, established with profit objectives.

1.2. The Bank was created as a commercial bank named « INVESTBANK », according to Minutes № 1 dated September 10,1991 on the Constituent Assembly and General Meeting of the Bank Incorporators as of 10.09.1991).

The « INVESTBANK » commercial bank renamed into “ARMINVESTBANK” commercial bank with shares, according to Minutes № 4 as of 24.09.1993 of the General Meeting of the «INVESTBANK» commercial bank Shareholders.

The “ARMINVESTBANK” commercial bank with shares was reorganized via reformation into “HAYINVESTBANK” joint-stock Bank as a Closed Joint-Stock Company, in accordance with Minutes № 10 as of 14 December 1994 of the General Meeting of shareholders of the “ARMINVESTBANK” commercial bank with shares.

The “HAYINVESTBANK” Closed Joint-Stock Company was renamed into the “ARMBUSINESSBANK” Closed Joint-Stock Company, in accordance with Minutes № 3 as of 10.08.2006 of the General Meeting of Shareholders of the “HAYINVESTBANK” Closed Joint-Stock Company.

The “ARMBUSINESSBANK” Closed Joint-Stock Company is the legal successor of the «INVESTBANK» commercial bank.

1.3. The constituent document of the Bank is its Charter the requirements of which is binding for the Bank’s shareholders and governing bodies.

1.4. The Bank is considered as established and obtains the status of a legal entity upon its registration in the Central Bank of the Republic of Armenia and is entitled to carry out Banking activities and statutory financial operations under the Banking and Banking activity Law upon being granted the license on the Banking activities issued by the Central Bank of RA.

1.5. The Bank secures the safekeeping of information to be the Banking secret of its clients as provided by the RA Banking Secret Law.

1.6. The Bank shall not be liable for the damages the clients bear for the ban, confiscation, recover and lien put by the state authorities under the Law.

1.7. For its obligations the Bank is liable for the whole property, funds it owns, unless otherwise is provided by the RA regulation.

1.8. The Bank has its own property which belongs to it on the base of property right, round seal with its name and symbol, triangle stamp and corresponding seals for the branches and representations of the Bank.

1.9. The Bank shall not be liable for the obligations of its shareholders. The Bank shareholders shall not be liable for the obligations of the Bank, and bear the risk of damages in regard to the Bank activity within the value of the shares they own.

The Bank shareholders, directors and other persons in cases provided by the Law may bear responsibility for their activities or inactivity.

1.10. The Bank may in its name acquire and execute property and personal non-property rights, bear responsibility, appear in the court as a plaintiff or respondent.

1.11. In its activity the Bank is governed by the Republic of Armenia legislation, normative acts of the Central Bank Board, other official acts, likewise other legal acts, this Charter and the Bank internal legal acts.

1.12. It is prohibited to any way influence the Head of the Bank during the process of implementing the official duties thereof or to interfere with the Bank activity except for the cases provided by the Law.

The damage caused in the result of illegal influence on the Head of the Bank or illegal interference with the Bank activity is subject to reimbursement as provided by the Laws and other legal acts.

The Republic of Armenia government and the Bank are not liable for obligations of each other, unless the Bank or the Republic of Armenia undertook such. The Central Bank and the Bank are not liable for obligations of each other.

The Bank itself possesses, uses and manages its fixed assets including the property re-valuation.

1.13. The location of the Bank is 48 Nalbandyan, Yerevan, RA.

The Bank postal address is: 48 Nalbandyan, Yerevan, RA 0010.

1.14. The full name of the Bank:

- in Armenian – “ՀԱՅԲԻԶՆԵՍԲԱՆԿ” Փակ Բաժնետիրական Ընկերություն
- in English – Closed Joint Stock Company “ARMBUSINESSBANK”
- in Russian – Закрытое Акционерное Общество “АРМБИЗНЕСБАНК”

1.15. The brief name of the Bank:

- in Armenian – “ՀԱՅԲԻԶՆԵՍԲԱՆԿ” ՓԲԸ
- in English – “ARMBUSINESSBANK” CJSC
- in Russian – “АРМБИЗНЕСБАНК” ЗАО

## **2. The Bank shares**

2.1. The Bank shares are allocated between the shareholders via closed subscription. The price of the allocation of the issued shares is the nominal value thereof or the market value defined by the Board. The market value is defined in a statutory manner.

The Bank shares are documentary.

2.2. For acquisition of shareholders as a means of payment only Armenian drams are used.

2.3. One ordinary (common) share of the Bank grants one voting right to the shareholder (holder) in the General Meeting.

2.4. The Bank may in a statutory manner issue and allocate preferred shares, the specific weight thereof in the Chartered capital may not exceed 25%.

When issuing preferred shares the present Charter would stipulate the information in regard to the types and classes thereof, as well as the rules stipulating the rights and duties of the holders thereof.

2.5. The register of the Bank shareholders is kept by the Central Depository.

## **3. The Bank bonds and other securities**

3.1. The Bank may issue bonds and other securities provided by the Law and other legal acts.

3.2. The issuance of the Bank bonds and other securities is made by the Board decision. The said decision shall stipulate the form, terms and conditions of redemption thereof. The bonds shall have nominal value. The amount of the nominal value of all the Bank secured bonds shall not exceed the Chartered capital, or the amount for secure thereof given with the view of Bank bonds issuance.

Under the Republic of Armenia Law “On Banks and Banking activities” the acquisition of the bonds and other securities may have indirect significant interest with the relevant legal consequences.

3.3. Bonds may be issued only if the Bank Chartered capital is paid up. The Bank may issue convertible bonds and other securities granting right to convert the Bank bonds and other securities into shares or the preference right to acquire shares. Provided that the Bank is not entitled to allocate the convertible bonds and other securities, if the quantity of the shares declared according to the types and classes is less than the quantity of the said bond types and

classes, which are required to secure the converting of the Bank bonds and other securities into the Bank bonds. The Bank bonds and other securities are converted taking into consideration the restrictions on acquiring interest in the Chartered capital provided by the Republic of Armenia Law “On Banks and Banking activities” and this Charter.

3.4. The Bank may issue bonds with the same time to run, as well as with different times to run (succession defined by the Bank). The decision to issue bonds and other securities shall define the types and classes of the bonds and other securities, the rights and duties of the holders thereof, including other information required by the Law.

3.5. As provided by the Republic of Armenia Law shall have the right to issue other securities to be the instrument of the money market or stock exchange.

3.6. The register of the owners of the Bank registered bonds and other securities is kept by the Bank as provided by the Law and other legal acts.

#### **4. Bank's shareholders**

4.1. Natural persons and legal entities, who are Republic of Armenia residents and non-residents can be shareholders of the Bank.

4.2. Each ordinary (common) share of the Bank vests its holder with the same rights.

4.3. The Bank shall not be liable for the shareholders' obligations unless such are undertaken as third persons or guarantee.

4.4. The shareholder not fully paid for the Bank allocated shares shall bear subsidiary obligation for the Bank obligations also within the unpaid contributions thereof.

4.5. If the reason for Bank insolvency (Bankruptcy) is the activities (inaction) of shareholders or other persons that have either the right to give compelling instructions to the Bank or an opportunity to determine the activities of the Bank in advance, then these shareholders or other persons may be exposed to additional/subsidiary liability for the Bank's obligations in an amount that cannot be covered sufficiently by the Bank's property.

4.6. The right to vote in the General Meeting may be enjoyed only by the shareholders having paid the complete price for the ordinary (common) shares.

4.7. The holder of an ordinary share of the Bank is entitled:

- a. to personally or via proxy take part in the General Meeting of shareholders enjoying the voting right on any issue under its competence;
- b. to personally or via proxy take part in the management of the Bank;
- c. to get dividends earned from the Bank's activities;
- d. to get any information concerning the activities of the Bank except for confidential documents;
- e. since the 5th day of each following month under his personal written application to get familiarized with the Bank financial and other reports and other statutory information;
- f. to submit proposals to the General Meeting of Bank's shareholders, as provided by the Law and this Charter;
- g. to vote at the General Meetings by the votes of the shares he/she owns;
- h. to bring a suit against the decisions taken by the General Meeting of shareholders which contradict to the Laws in force and other legal acts with purpose of protesting those decisions;
- i. in case of the Bank's winding up to receive his part of the property;
- j. in a priority manner to purchase the shares and other securities to be issued by the Bank, unless otherwise is provided by the Law,
- k. to enjoy other rights provided by the Law and this Charter.

4.8. The shareholders of the Bank are obliged:

- to pay up the due amounts within the terms provided by the shareholder's decision on issuance;

- not to publish confidential information about the clients of the Bank and the commercial activities of the Bank, or otherwise make other persons be notified;
- to carry out the decisions of the Bank's management bodies;
- to observe the requirements of the Laws, other legal acts and this Charter.

The Bank shareholders may bear other obligations provided by the Republic of Armenia and this Charter.

4.9. The quantity of the ordinary (common) shares belonging to one shareholder in the Bank Chartered capital is not limited.

4.10. Bank's sole shareholder is VITALI GRIGORYANTS son of SARGIS (RA citizen Passport AK 0688592, issued on 19.01.2011, by 001, address: apartment 43, 1st block, 45 building, Chertanov street, Moscow city, RF)

## **5. Chartered capital of the Bank and other funds. The manner, restrictions of acquiring interest in the Bank Charter capital. Reduction of the Bank Chartered capital.**

### **5.1. The Bank Chartered capital:**

5.1.1. The Bank Chartered capital is minimum size of the Bank property securing the interests of its creditors, which is refilled in Armenian drams.

5.1.2. The Chartered capital of the Bank makes 31,374,560,000 (thirty-one billion three hundred seventy-four million five hundred and sixty thousand) AMD, comprising 41,120 (forty-one thousand one hundred and twenty) ordinary shares with 763,000 (seven hundred sixty-three thousand) AMD of nominal value each.

5.1.3. The Bank may allocate 28 880 (twenty-eight thousand eight hundred and eighty) additional ordinary shares (declared shares), with 763,000 (seven hundred sixty-three thousand) AMD of nominal value each.

### **5.2. Increase of the Bank Chartered capital**

5.2.1. The Bank is entitled to increase its Chartered capital increasing the nominal value of the Bank's shares or placing an additional number of shares.

The Bank shall have no right to make the open subscription for the shares it issued or to offer to an unlimited number of persons to purchase thereof.

If the previously allocated shares are not paid up, the Bank shall have no right to increase the Chartered capital at the expense of the fundraising.

The decision on additional allocation of shares shall set forth:

- a) The quantity of the additionally allocated ordinary (common) shares within the quantity declared by the Charter;
- b) conditions and terms, including the value for the additionally allocated shares;
- c) other data provided by the Law and the present Charter.

5.2.2. After summing up the financial results of its activity the Bank by the decision of the General Meeting may increase the chartered capital by means of increasing the nominal value of the allocated shares:

- a) Via transferring a part of the profit to the Chartered capital;
- b) Via transferring the property (net assets) or a part of it exceeding the total amount of the chartered capital, reserve capital and of difference of the liquidation and nominal values of preference shares.

5.2.3. Via increasing the nominal value of shares the Bank cannot increase the Chartered capital more than is the value of the net assets in the latest balance sheet approved by the meeting or in the latest audit results.

5.2.4. The decision for increasing the Chartered capital is made by the Board.

5.2.5. If one does not apply to replace a share certificate or to make an appropriate record within a period of no less than one year, then the share certificate shall be deemed invalid.

5.2.6. The Bank may not issue shares to cover the losses emanating out of its business activity.

### **5.3. The reduction of the Bank Chartered capital**

5.3.1. The reduction of the Bank actually filled Chartered capital during the activity is prohibited via distributing dividends at the expense thereof or otherwise, except for cases provided by the Republic of Armenia Law on “Banks and Banking activity” and p. 5.3.2 herein.

5.3.2. The holders of the shares granting voting rights shall have the right to claim from the Bank to define the redemption price of the interest and redemption of the shares they own or a part of it, if

a) a decision on the Bank reorganization or signing a big transaction is made (in cases, when the decision on signing a transaction is made by the General Meeting) and the said shareholders have voted against the Bank reorganization or signing a big transaction or have not participated in the voting,

b) amendments or supplements have been made in the Charter, or the Charter was approved in new edition, in which result the rights of the said shareholders have been restricted, and they have voted against or have not voted at all.

The list of shareholders having right to claim from the Bank the redemption of their interest is made based on the information in regard to the shareholders register on the day of elaborating the list of the shareholders entitled to participate in the General Meeting, the agenda of which contains issues which after being accepted have resulted in the restriction mentioned herein.

5.3.3. The redemption of interest by the Bank is made in the market value thereof which is defined without taking into consideration the estimation of the interest and the changes appearing in the result of the Bank activities conferring the right for claiming redemption.

5.3.4. The Bank shall notify the shareholders about the manner of the right to claim redemption of the shares they own and the execution thereof. The notice about the General Meeting the agenda of which comprises issues with voting resulting in arising the right to claim as provided herein (p. 5.3.2), shall comprise the information mentioned herein. The notice shall also comprise information on the redemption right of shares.

Within 7 days upon making the said decisions the Bank shall notify the shareholders having right to claim the redemption of shares about the manner of appearing their right to claim redemption of shares and the manner of redemption. The shareholder’s written claim on the redemption, containing information on the quantity of shares in question and the place of location (residence) of the shareholder, shall be submitted to the Bank no later than within 45 days after the adoption of the Meeting decisions.

After the deadline mentioned in paragraph above expires, the Bank shall, within 30 days, buy back the shares from the shareholders claiming exercise of the redemption. Buyback of shares shall be implemented at the price specified in the notice mentioned in paragraph herein.

The funds spent on buying back shares may not exceed 10 percent of the Bank’s net assets. The worth of net assets is determined as of the moment of adopting the decisions referred to in subparagraphs (a) and (b) of p. 5.3.2 hereof.

If the total worth of the shares put back to the Bank exceeds the amount the Bank may spend on buying back shares, then proportionate quantities of the shares shall be bought back.

If a shareholder is not in agreement with the buyback price, he/she may, within three months of the date the Bank was due to pay the shareholders, go to court claiming to re-valuate the shares.

Shares bought back on the grounds specified in paragraph p. 5.3.2 hereof shall be handled by Bank management. These shares do not grant a voting right;

they are not accounted for when counting votes, and they do not gain accrual of dividends. They shall be outstanding within one year. Otherwise, the Meeting shall adopt a decision on redeeming these shares and reducing Bank Chartered capital.

5.3.5. The reduction of the Chartered capital is allowed in case of provided as provided by the Republic of Armenia Law “On Banks and credit organizations Bankruptcy”.

5.3.6. For buying back the interest the consent of the Central Bank is required. The Central Bank may reject giving such consent in cases provided by the Republic of Armenia Law “On Banks and Banking activity”.

5.3.7. The decision on reduction of the Chartered capital and execution of such shares in case of pay back of the shares by the Bank is made by the General Meeting with  $\frac{3}{4}$  of the votes of the holders of the shares present, however not less than the  $\frac{2}{3}$  of all voting shares.

#### **5.4. Acquisition of interest in the Bank Chartered capital and the restrictions:**

5.4.1. The Bank shareholders may any time alienate their shares as provided by the Law and the present paragraph.

The shareholders may alienate their shares taking into consideration the restrictions acquired in the Chartered capital of the Bank under the Republic of Armenia Law “On Banks and Banking activity”.

The Company shareholders have the priority right of acquiring new shares pro rata to their shareholding within the terms defined by the Bank. In the event no one enjoys his/her priority right under herein, the share may be alienated to third persons.

About his/her intent to alienate shares the shareholder notifies the Chairman of the Bank Board in written. The Board Chairman shall, within 5 days upon registering the letter in the Bank, notify the rest of the shareholders as provided for notification about the convocation of the General Meeting. The term for the priority right of purchasing the shares is 40 days.

People who are not participants of the Bank may also purchase the shares to be allocated in via closed subscription.

The Bank shareholders (holders of ordinary (common) shares) have the priority right to buy the shares and securities to be convertible into shares to be allocated by the Bank except for cases provided by the Bank. The said priority right is executed by the shareholders within 10 days upon their notification.

Notice shall be given to the owners of voting shares of the Bank, under the procedure of assembling a Meeting as described in the Law, at least 30 days before the allocation of voting shares and securities convertible into voting shares of the Bank.

The notice shall contain information on:

- a) the quantity of voting shares and securities convertible into voting shares to be outstanding;
- b) the price of voting shares and securities convertible into voting shares to be outstanding (including the price of allocation for Bank shareholders that have the priority right in relation to voting shares and securities convertible into voting shares of the Bank); and
- c) the procedure of determining the quantity of voting shares and securities convertible into voting shares to be outstanding to shareholders who have the priority right, as well as the procedure and time period for exercising such rights.

The shareholder may exercise his/her priority right in part or in full, by means of sending written notice to the Bank about acquirement of voting shares or securities convertible into voting shares. Such notice shall contain:

- a) the full business name of the shareholder (for individuals, the name), state registration information (for individuals, passport number), and place of location (residence);
- b) quantity of shares and/or securities to be acquired; and/or a document on payment for shares and/or securities.

The notice shall be submitted to the Bank no later than one day before the beginning of the allocation of voting shares and securities convertible into voting shares of the Bank.

5.4.2. A person or affiliated person may acquire a significant interest in the Bank in the result of one or more transactions only with the prior written consent of the Central Bank.

For obtaining prior written consent for acquiring a significant interest in the Bank Chartered capital the person, by the Central Bank motion, submits to the Bank an application that he/she

has no status of a person having indirect significant interest in the Bank, otherwise such person shall submit also the documents provided by the Central Bank for persons having indirect significant interest. For acquiring a status of a person having indirect significant interest the prior consent of the Central Bank is required under herein.

To receive the Central Bank's consent for acquisition of the significant interest in the Bank's statutory fund the person through the request of the Bank shall submit to the Central Bank a notification that no other person obtains the status of an indirect significant participant of the establishing Bank via his (her) interest, otherwise the person shall submit also the documents specified by the Central Bank about the parties acquiring the indirect significant interest.

To receive the Central Bank's consent for acquisition of the significant interest in the Bank's statutory fund the person through the request of the Bank shall submit to the Central Bank also sufficient and complete grounds of legality of the sources of funds to be invested (documents, data, etc.), as well as shall submit data in the form specified by the Central Bank about those legal entities (including name, location, financial statements, data about the managers, data about parties holding the significant interest) in statutory fund of which the person, who is acquiring significant interest in the statutory fund of the Bank, holds the significant interest.

The list, forms of the documents and all data specified hereinabove and procedure and conditions of their submission to the Central Bank by the party or related parties in order to receive the preliminary consent for acquisition of significant interest shall be determined by the Central Bank.

The Central Bank shall examine all the documents in accordance with this Article within one month after receiving them. The Board of the Central Bank may suspend the one-month period if the need arises to receive clarifications for problems of concern for the Central Bank. The agreement shall be considered received if the request is not denied within one month or the person is not informed of suspension of the one-month period.

5.4.3. The Central Bank shall waive the request as provided by the Republic of Armenia Law "On Banks and Banking activities".

5.4.4. Acquisition of significant participation in the Bank's statutory capital without preliminary consent of the Central Bank shall be void and null.

5.4.5. Physical entities permanently residing or acting in offshore zones, as well as legal entities or entities with no legal status determined or incorporated there and parties related with them may acquire participation in the statutory capital of the Bank (regardless of the extent of the participation) through one or a number of transactions only through the procedure outlined in this Article, after securing preliminary consent of the Central Bank. The Board of the Central Bank shall prescribe the list of offshore zones.

The legal entities determined with participation of parties listed in this article or parties related with them may acquire participation in the statutory capital of the Bank (regardless of the extent of the participation) only through the procedure outlined in this Article, after securing preliminary consent of the Central Bank.

5.4.6. As determined herewith the Central Bank's preliminary consent is required for each new transaction or transactions, if the person's or related parties' participation in the statutory capital of the Bank exceeds 10%, 20%, 50% and 75% as a result of transaction or transactions, correspondingly.



## **5.5. Bank's Reserve fund**

5.5.1. A reserve fund shall be created in a Company, in the amount of not less than in the equivalent of 15 percent of equity.

5.5.2. The Reserve fund is made of annual allocations from the Bank's profit. If the reserve fund is smaller than the 15 percent of the equity, then allocations to this Fund shall be made in the amount of at least 5 percent of profit.

5.5.3. The Reserve fund shall be used to cover Company losses, redeem Company bonds, and buy back Company shares, if the profits and other funds of the Company are insufficient for such purposes.

5.5.4. The reserve fund may not be used for other purposes.

## **6. Financial operations and other transactions implemented by the Bank**

6.1. The Bank implements the Banking activity under the license, may implement the following financial operations with residents and non-residents:

- a) accept demand and term deposits;
- b) provide commercial and consumer credits, including mortgage, financing of the debt and commercial transactions, factoring;
- c) provide Bank guarantees and letters of credit;
- d) open and run accounts, including correspondent accounts of other Banks;
- e) provide payment services and/or otherwise serve the customers' accounts;
- f) issue, purchase (discount), sell off and serve securities, perform other similar operations;
- g) implement investment and subscription activities;
- h) provide services of financial agent (representative), manage the securities and investments owned by other parties (trust management);
- i) purchase, sell off and manage Bank gold and standardized bullions and commemorative coins;
- j) purchase, sell off (exchange) foreign currency, including completion of dram to a foreign currency futures, options and other similar transactions;
- k) implement financial lease;
- l) take to safe custody precious metals, cards, jewelry, securities, documents, and other valuables;
- m) provide financial and investment-related consulting;
- n) establish and serve the information system of customers' creditworthiness and implement debt collection activities,
- o) develop and to serve a system concerning the creditability of the clients, to carry out the debts return activities.

6.2 The Central Bank may allow the Banks to implement activities or operations that are not directly provided for by the Republic of Armenia Law "On Banks and Banking activities", if those origin from or are closely related with Banking activities or operations provided for by p. 6.1 and if allowing for those does not contradict the objectives of the Republic of Armenia Law "On Banks and Banking activities", and does not substantially endanger the interests of the Bank's depositors and creditors.

6.3 The Bank, in cases and manner provided by the Republic of Armenia Law "On Banks and Banking activities", other Laws and legal acts of the Central Bank has the right to carry out specialized activity of stock exchange (brokerage, dealer's, trust management, depositary and others).

The Bank carries out specialized activity in the stock exchange by participating in the process of allocating the state bonds (dealer, agent, depositary activity).

6.4 Banks may sign any civil contract necessary or expedient to implementation of the activities provided for by the Law.

Banks shall be prohibited to implement industrial, trade and insurance activities if the Law does not provide otherwise.

6.5 The Bank carries out financial operations both in Armenian dram and foreign currency, except for cases provided by the Law.

6.6 The Bank itself fixes the interest rates of the attracted deposits, loans to be granted, the securities it issued, as well as the size of the commissions for the services it renders.

6.7 The relations between the Bank and the client are contract-basis.

The Bank establish rules of procedure excluding the possibility of conflict of interests, particularly:

a) the Bank's obligations towards one of the customers shall not contradict the obligations of the former towards another customer;

b) the interests of the Bank's management and employees shall not contradict the obligations undertaken by the Bank towards its customers.

6.8 The Banks shall be prohibited from implementing without preliminary consent of the Central Bank activities or transactions that would result in the Bank's participation as follows:

a) the participation in the statutory capital of another party that equals or is more than 4.99 percent;

b) the participation in the statutory capital of one party exceeds 15 percent of the total capital of the Bank;

c) the participation in the statutory capital of all parties exceeds 35 percent of the total capital of the Bank.

When acquiring participation in the other parties' capital as provided for by this paragraph the Bank shall consolidate the balance sheets of those parties within its own one as provided for by the Central Bank.

The preliminary consent provided for by this Article shall be receive at the time of each new transaction or transactions that will result in the Bank's participation in another or the same party's statutory fund exceeding 9 percents, 15 percents, 25 percents, 35 percents, 50 percents, 70 percents or constituting 100 percents.

6.9 The preliminary consent set forth in p. 6.8 herein shall not be necessary, if:

a) the participation in the statutory fund of another party has been transferred to the Bank against assumed and not performed obligations towards the Bank. The Bank shall dispose participation acquired in this manner in the shortest possible period that shall not exceed six months. The Central Bank, taking into consideration the situation in the stock exchange and the financial state of the Bank, may prolong the aforementioned period by a further six-months' period for the purpose of disposal of the mentioned shares at more favorable conditions;

b) the Bank has acquired the participation in another party's statutory fund on behalf and at the account of its customer or in the process of implementation of subscription activities at a commission if under the contract the Bank is bound to compensate the issuer only for the price of sold (allocated) securities.

## **7 Distribution of the Bank's profit**

7.1. The profit earned by the Bank during its activities is subject to taxation in accordance with the legislation of the Republic of Armenia.

7.2 The Bank net profit is defined as the positive difference between the gross income, all the deductions made and taxes paid.

7.3 Bank has the right to adopt a decision (to announce) about the payment of quarterly, half year and annual dividends to its participants, unless otherwise is determined by the Law and the charter.

7.4 The decision about the payment, size and the manner of payment of interim dividends (quarterly, half year) shall be adopted by the Board. The decision about the payment, size and the manner of payment of annual dividends shall be adopted by the General Meeting of the participants together with the Board. The size of interim dividends cannot exceed 50 percent of dividends distributed according to the results of the previous financial year. The size of annual dividends cannot be less than the size of already paid interim dividends.

7.5 If the General Meeting determines the size of annual dividends to be equal to the size of already paid interim dividends, the annual dividends shall not be paid.

If the General Meeting determines the size of annual dividends to be more than the size of already paid interim dividends, the annual dividends shall be paid in size of the difference between the amount of the determined annual dividends and the amount of already paid interim dividends.

7.6 The General Meeting has the right to decide not to pay dividends.

7.7 The term of payment of annual dividends shall be determined by the charter or the decision of General Meeting about dividends payment. The term of payment of interim dividends shall be determined by the decision of the Board about the payment of interim dividends and shall be determined not earlier than 30 days after the adoption of the given decision.

7.8 For each payment of dividends the Board shall draw up the list of the participant holding the right to receive dividends, including parties as follows:

a) in case of interim dividends, the participants inscribed in the registry of Bank participants at least 10 days before the day of adoption of the Board decision about the payment of interim dividends;

b) in case of annual dividends, the participants of the Bank inscribed in the registry as of the day of drawing up the list of the participants holding the right to participate in the annual General Meeting.

7.9 It is prohibited to distribute dividends among the Bank's participants if the losses of the Bank as of that moment are equal to or exceed the undistributed amount of net profit of the Bank.

## **8 The Branches, representative offices and institutions of the Bank**

8.1. The Bank, as provided by the Republic of Armenia may establish branches and representative offices having no status of a legal entity.

8.2 The decision on establishing branches and representative offices is taken by the Bank Board. The Bank branches and representative offices act under the Charters approved by the Bank.

8.3 The establishment, registration and liquidation of the Bank branches and representative offices is implemented under the Republic of Armenia Law "On Banks and Banking activities", other Laws, legal acts of the Central Bank and other legal acts.

8.4 The branch of the Bank is a separated department that has no legal entity of the Bank and is located away from the premises of the Bank that functions within authorities given to it by the Bank and implements Banking functions under the branch Charter both in the Republic of Armenia dram and in foreign currency, except for cases, provided by the Law.

A branch may also implement a representation function.

8.5 A representation of the Bank is a separated department that has no legal entity of the Bank and is located away from the premises of the Bank, represents the Bank, studies the financial market, signs contracts on behalf of the Bank, implements other similar activities. The

representation shall not implement Banking and financial functions provided for by the Republic of Armenia Law “On Banks and Banking activity”.

8.6 The Bank may also establish institutions. The Bank institution is an organization established by the Bank to implement managerial, social-cultural, educational, or other non-commercial activity.

8.7 Decisions on founding Bank institutions shall be adopted by the Bank’s Board.

## **9 The Bank managing bodies**

The managing bodies of the Bank are:

- a) the General Meeting of the participants of the Bank,
- b) the Board of the Bank;
- c) the Chairman of the Bank Directorate;
- d) the Bank Directorate.

Besides the above mentioned bodies the Bank also has a chief accountant and a department of internal department.

### **9.1. The General Meeting of the Bank shareholders**

9.1.1 The General Meeting of the Bank shareholders is the supreme body of Bank management.

9.1.2 Every year the Bank is obliged to convene General Meeting of shareholders – annual General Meeting of shareholders. The annual General Meeting of the Bank’s shareholders shall be convened after the end of each financial year, within six months.

9.1.3 The General Meeting is convened by the common sitting of the shareholders or by poll (absentee voting).

The date, month, year, and procedure of the Meeting, as well as a notice on the procedure of the Meeting and a list of materials provided to shareholders shall be defined by the Board according to the requirements of the Law and the present Charter.

9.1.4 The following shareholders shall have the right to be present in the Meeting:

- a) owners of ordinary (common) shares of the Bank within the amount of the shares they own, as well as the holders, if they represent the names of the Bank shareholders they represent and the documents proving the amount of the shares they own,
- b) the shareholders of preferred shares of the Bank with the votes according to the number and nominal value of preferred shares they hold in cases determined by the Law and the charter of the Bank, as well as the nominee names, if they represent the documents certifying the names of the shareholders they represent and the number of the shares owned by them;
- c) non-participants of the Bank – the members of the Board or executive body of the Bank with deliberative vote;
- d) the members of internal audit of the Bank - as observers;
- e) the person carrying out the external audit of the Bank - as an observer (if his conclusion is on the agenda of General Meeting);
- f) the representatives of the Central Bank - as observers;
- g) Head of territorial and structural departments- as observers;
- h) other employees of the Bank in case of reporting issues involved by them in agenda of general meeting;
- i) persons mastering professional knowledge about issues involved by them in agenda of general meeting;

9.1.5 The list of the Bank participants with the right to participate in the General Meeting shall be drawn up as of the year, month and the day set by the Board on the ground of the data of the registry of Bank’s participants.

The year, month and the day of drawing up of the list of participants with the right to participate in the General Meeting shall not be set earlier than the day of decision making about the convening the General Meeting, neither it can be later than 45 days prior to the day of convening the General Meeting.

If the General Meeting is convened by correspondence, the year, month and the date of drawing up the list of the participants with the right to participate in it shall be set at least 35 days prior to the day of convening the General Meeting.

9.1.6 For the purpose of drawing up the list of Bank participants with the right to participate in the General Meeting the nominee name shall present data about those parties in the interests of which he is disposing the shares.

9.1.7 The list of the Bank participants with the right to participate in the General Meeting shall comprise the name of each participant, location (address) and the share of his (her) participation in the statutory fund of the Bank.

9.1.8 The list of the Bank participants with the right to participate in the General Meeting shall be available for examination by the other participants of the Bank, registered in the registry of the participants of the Bank.

The said list is given to the shareholder having the right to participate in the General Meeting together with the notice under p. 9.1.11 herein.

Upon request of the Bank's participant Bank shall give a reference about inscribing his (her) name in the list of the participants with the right to participate in the General Meeting.

The said certificate is given to the shareholder having right to participate in the General Meeting upon the written application of the latter within two days.

9.1.9 The changes in the list of the Bank's participants with the right to participate in the General Meeting can be made only with the purpose of correction the mistakes that have been done while drawing up the list or to rehabilitate the infringed rights and Lawful interests of the Bank's participants that have not been inscribed in the list.

9.1.10 The notice on holding a meeting is forwarded to the shareholder having the right to vote via registered letter, or delivery in person, or via electronic mail taking into consideration the notification form and communication type preferred by each shareholder.

Provided that the shareholders would give to the Bank the form and communication type he/she prefers prior. If the form and type of the notification is changed the shareholder shall notify the Bank prior. Otherwise the Bank notifies the shareholder according to the information it has.

The Bank certifies that the shareholder was properly notified as provided herein.

9.1.11 The notice on the Meeting shall specify.

- a) the business name and the place of location of the Bank;
- b) date, month, year, time and place of the Meeting;
- c) the date, month, and year of elaborating a list of eligible shareholders;
- d) the agenda of the Meeting;
- e) the procedure of shareholders reviewing information on the matters to be discussed in the Meeting, which shall be provided to the shareholders over the course of preparation for the Meeting.

9.1.12 If the person registered in the Bank's shareholder registry is a nominal holder of securities, then the notice on holding a Meeting shall be sent out to him/her. The latter shall, in the time period stipulated by Laws, legal acts, or an agreement between him/her and the persons, forward the notice to the persons whose interests he/she represents.

9.1.13 The Bank shareholder (shareholders) who owns (own) at least 2 percent of the Bank's voting shares may, within 30-60 days after the end of the financial year or in a longer period foreseen by the Charter, submit a maximum of two suggestions on the annual Meeting agenda.

Suggestions on the annual Meeting agenda shall be presented in writing, specifying the

- a) grounds for the suggestion,
- b) the name of the shareholder suggesting incorporation of the issue in the agenda,
- c) the quantity of his/her shares,

d) the signature (or its facsimile copy) of the shareholder (-s) making the suggestion.

9.1.14 The Board shall discuss the suggestions/proposals and determine whether they will or will not be incorporated in the agenda or the list of candidates. In case of a refusal, the latter shall be provided within 15 days after the expiration of the deadline referred to in paragraph 9.1.4 herein. The Board may decide to refuse the suggestions/proposals only if:

- a) the suggesting/proposing shareholder (-s) have breached the deadline referred to in paragraph 9.1.4 herein;
- b) the suggesting/proposing shareholder (-s) do not own the quantity of voting shares required by paragraph 9.1.4 herein;
- c) the information required under paragraph 9.1.4 herein is incomplete or has not been provided;
- d) the suggestion/proposal is not consistent with the requirements of the Law and other legal acts.

9.1.15 A justified Board decision on refusal shall be sent to the suggesting/proposing shareholder (s) within 3 days after its adoption.

The Board decision on refusal to discuss the suggestion in the General Meeting may be protested in court.

9.1.16 During Meeting preparation, the Board shall determine:

- a) the date, month, year, time and place of the Meeting;
- b) the agenda of the Meeting;
- c) the date, month, and year of elaborating a list of eligible shareholders;
- d) the procedure of notifying shareholders of the Meeting;
- e) the list of information and materials to be provided during Meeting preparation;
- f) the format and contents of the voting ballots, if the latter are going to be used.

9.1.17 The meeting convened, besides the annual General Meeting is a Special Meetings. The special General Meetings are convened for discussion urgent issues.

The special General Meetings are convened by the Board decision. The Board decision on the special General Meetings stipulates the agenda, form of special General Meetings via voting by the presence of the shareholders or voting by absentee.

9.1.18 The exclusive competency of the General Meeting are as follows:

- a) the approval of the charter of the Bank, of making changes and amendments thereto;
- b) reorganization of the Bank;
- c) liquidation of the Bank;
- d) approval of summary, interim and liquidation balance sheets, assignment of liquidation commission;
- e) the approval of the numerical strength of the Board, election of Board members and pre-term termination of their authorities. The approval of the numerical strength and election of Board members shall be submitted to the annual General Meeting exclusively. The question of the election of Board members can be submitted to the special General Meeting, if the latter has adopted a decision of pre-term termination of the authorities of the Board or of separate members of the Board;
- f) the determination of the maximum size of the announced shares,
- g) the approval of the external audit firm submitted by the Board;
- h) the approval of Bank's annual financial reports, distribution of profit and loss. The adoption of the decision on payment of annual dividends and approval of their size:
- i) the approval of the procedure of holding the General Meeting;
- j) the formation of the returning Board;
- k) consolidation and division of the shares;
- l) other matters envisaged by the Law in the scope of approved agenda.

9.1.19 A Meeting is eligible (has quorum) if, at the time of completing registration of Meeting participants, the owners (or representatives of owners) of an aggregate of more than 50 percent of the Bank's outstanding voting shares have registered.

In the absence of a quorum, the date of a new Meeting shall be announced. In this case, the agenda may not be changed.

A net Meeting in lieu of one that did not happen shall be eligible if, at the time of completing registration of Meeting participants, the owners (or representatives of owners) of an aggregate of more than 30 percent of the Bank's outstanding voting shares have registered.

9.1.20 The General Meeting is hold as follows:

- a) Prior to opening of the General Meeting the secretary reports to the Chairman in regard to the shareholders are present;
- b) the Chairman of the General Meeting greets the present and declares the meeting open;
- c) the Chairman of the General Meeting presents the agenda of the General Meeting, following which the issues in the agenda are put to discussion in turn;
- d) the Chairman of the General Meeting offers to the present to express their opinion in that regard;
- e) after the phase of expressing opinions in regard to the issue is finished, the issue under discussion was put to vote.
- f) The voting during the General Meeting is carried out on the basis of a "Bank's one voting share-one vote" principle.

9.1.21 Meeting decisions are adopted by a simple majority vote of all the owners of voting shares participating in the Meeting, unless a greater vote is required under the Law.

Decisions on matters referred to in subparagraph (b) of the p. 9.1.19 are adopted by the Meeting only upon presentation of the Board.

Decisions on matters referred to in subparagraphs (a), (b), (d) and (f) of p. 9.1.19 are adopted by the Meeting by means of a 3/4s vote of the owners of voting shares participating in the Meeting.

Decisions on matters referred to in subparagraph (c) of p. 9.1.19 are adopted by the Meeting by means of a 3/4s vote of the owners of voting shares participating in the Meeting, which (the vote) cannot be smaller than 2/3s of all the votes of all the owners of voting shares.

In regard to adoption of the issues within the competence of the General Meeting under the Joint-Stock Company Law the General Meeting is governed by the order stipulated by the same Law taking into consideration the provisions of the Republic of Armenia Law "On Banks and Banking activity".

The General Meeting may not change the Meeting agenda or pass decisions matters that have not been incorporated in its agenda.

Information on the decisions passed by the Meeting, as well as the results of the vote shall be presented to the Bank shareholders in the manner and the time period stipulated by the Law and the Charter, within 45 days after such decisions are passed.

9.1.22 The Meeting decisions may be adopted by means of assembling the Meeting in a remote manner and holding a remote vote (survey), except for issues under subp. (b), (c) and (g) of p.9.1.19. The annual Meeting may not be held in a remote manner (by means of a survey).

The notice for the General Meeting by a remote vote is implemented as provided for the notice for the General Meeting.

When convening the General Meeting by a remote vote the information and material are forwarded to all the shareholders having the right to be present at the Meeting together with the ballots.

A decision adopted by a remote Meeting shall have legal force if more than half of the owners of voting shares of the Bank have participated in the vote.

A remote vote is carried out using voting ballots consistent with the requirements of the Republic of Armenia Law "On Joint-Stock Companies".

In a remote vote, the voting ballots shall be provided to the shareholders at least 30 days in advance of when the Bank will complete receipt of filled ballots.

9.1.23 The decisions of the General Meeting can be made in a session during which the participants of the General Meeting can communicate with each other through telephone, visual or other types of communications in real time. Such session shall not be considered a session held by correspondence.

The notification of the meetings by call, teletype and other means of communication is made as provided by the manner for the General Meetings.

9.1.24 The minute shall be recorded within 5 days after the meeting in two copies to be signed by the Chairman and secretary.

The Chairman of the General Meeting is responsible for the reliability of the information availability in the General Meeting.

The minute shall include as follows:

- a) the year, month, day, hour and the place of convening of general meeting;
- b) the parties participated at the meeting;
- c) the items for voting, as well as the results of voting by each directorate member participated in the meeting;
- d) the Chairman and secretary of the General Meeting, and the agenda of the meeting.

The minutes shall contain the main points made in the speeches delivered during the Meeting, the questions voted on, the results of the respective votes, and the decisions adopted by the Meeting.

Bank shareholders are entitled to familiarizing themselves with Meeting minutes.

## **9.2 The Bank Board**

9.2.1 The Board of the Bank shall carry out the general management of the activities of the Bank in the scope of the matters entrusted by the Law with competence of the Board.

9.2.2 Any capable person who is a Republic of Armenia citizen or foreign citizen may be members of the Board, which meets the requirements of the acting Republic of Armenia Law and legal acts of the Central Bank.

9.2.3 The Board shall include minimum 5 members and not more than 15 members.

9.2.4 The members of the Board shall be elected at the annual General Meeting of the Bank by the present participants. The pre-term termination of the authorities of a Board member shall be carried out at the special General Meeting by the present participants in accordance with the Law and the charter.

The candidate Board member can be nominated at the General Meeting by Bank's participants, as well as the Board (except for the first case of formation of the Board).

9.2.5 When nominating candidates for the member of the Board shareholder (shareholders) report in written to the Chairman of the Bank Board within 10 days upon receiving the notice in regard to the Special meeting (if the early termination of the powers of the members is included in the agenda).

9.2.6 Suggestions on the annual Meeting agenda shall be presented in writing, specifying the grounds, the name of the shareholder suggesting incorporation of the issue in the agenda, the quantity of his/her shares (by type and class), and the signature (or its facsimile copy) of the shareholder (-s) making the suggestion.

The Board shall discuss the suggestions/proposals and determine whether they will or will not be incorporated in the agenda or the list of candidates. In case of a refusal, the latter shall be provided within 5 days after the expiration of the deadline referred to in paragraph 9.2.5 herein. The Board may decide to refuse the suggestions/proposals for enrolment in the candidate lists only if:

- a) the suggesting/proposing shareholder(-s) have breached the deadline referred to in paragraph 9.2.5 herein;



- b) the information required under this Article is incomplete or has not been provided;
- c) the suggestion/proposal is not consistent with the requirements of the Law and other legal acts.

9.2.7 The Board offers a candidate for the member of the Board under p. 9.2.4 via including the General Meeting agenda.

9.2.8 The Bank's participants, holding 10 and more percent of the allocated by the Bank voting shares (equity, stake) of the Bank as of the day of drawing up the list of participants with the right to participate in the General Meeting, shall have the right to be included in the Board or to appoint their representative a Board member.

9.2.9 The Bank's participants, holding less than 10 percent of the allocated by the Bank voting shares (equity, stake) of the Bank as of the day of drawing up the list of participants with the right to participate in the General Meeting, can join and if the allocated by the Bank voting shares (equity, stake) of the Bank make 10 and more percent they can include their representative in the Board without elections of the General Meeting.

To include the participant into the Board as specified hereinabove shall be possible only in case if there is a relevant contract about the creation of the group of Bank's participants and if the General Meeting is informed about it.

The above contract shall comprise conditions and data as follows:

- a) data about joining participants of the Bank, including number of allocated by the Bank voting shares (equity, stake) held by them;
- b) information in regard to the candidate of the Board member as provided by the Republic of Armenia Law "On Banks and Banking activity", Article 43, part 5;
- c) a clause to the effect that the contract is concluded for at least one year and till the end of that period the contract is not the subject of changes or termination;
- d) other provisions at discretion of joining participants.

The copies of the contract shall be available for all the participants of General Meeting at least 30 days before the day of holding it and at least 30 days before the last day of the period set by the Bank for submission of the voting papers if the meeting is held by correspondence.

9.2.10 The participants with minor participation in the statutory fund of the Bank have the right to include into the Board of the Bank their representative who represents their interests. For the purpose of this point minor participant is considered to be the participant who holds less than 10 percent of allocated by the Bank voting shares (equity, stake) and has not concluded the contract as specified in p. 9.2.9 of this Charter.

The authorized representative of minor participants shall be nominated by them and shall be included into the Board without elections of the General Meeting. The choice of the representative of minor participants shall be carried out only by minor participants who are present at the session of General Meeting or by their representatives, even if they are one in number. The participants concluded the contract as specified in p. 9.2.9 herein shall not take part in the election of the representative of participants with minor participation in the statutory fund of the Bank.

The minor participants of the Bank shall be notified by the Board about acquisition of a minor participant status by them, in the manner provided for the General Meeting notifications, within 5 days after receiving the contract specified in p. 9.2.9 herein. After notification the minor participants may communicate with each other on the issue of proposing a new candidate. If no consent is not reached, on the day of holding the General Meeting the minor participants by a close secret voting shall elect a candidate to a Board member among the those candidate they offered. The voting shall be organized and conducted by the Chairman of the Bank Board or the member specified by him.

Information, as required by the Law, about the nominated representative of the participants with minor participation in the statutory fund of the Bank shall be presented to all the participants of the General Meeting by the Board at least 30 days before the day of holding it and at least 30

days before the last day of the period set by the Bank for submission of the voting papers if the meeting is held by correspondence.

9.2.11 The members of the Board shall not be related parties. The members of the Board and the members of the executive body shall not be affiliated parties.

9.2.12 The members of the Board shall be remunerated. The General Meeting shall determine the period of the office of the Board members, which shall not be less than one year.

9.2.13 The Chairman of the Board is elected by the Board from the Board staff by the simple majority of votes.

The Chairman of the Bank Board shall:

- a) organize the works of the Board;
- b) convene the sessions of the Board and preside them;
- c) organize the keeping of protocols of the Board sessions;
- d) preside the General Meeting of the Bank;
- e) organize the work of commissions under the Board.

The Chairman of the Board distributes between the members the powers in regard to the Bank activity control.

The Chairman of the Board gives assignments to the commissions as the Board to be executed within 5-days term or other term provided by the Chairman of the Board.

In the absence of the Chairman of the Board, his/her duties shall be performed by a Board member, as decided by the Board.

9.2.14 The competencies of the Board are as follows:

- a) determination of core activities of the Bank, including the approval of the program of perspective development of the Bank;
- b) convening annual and special sessions of General Meetings, approval of agenda, ensuring the implementation of organizational works for convening and holding the meetings;
- c) appointment of the members of the executive body of the Bank, pre-term termination of their authorities and approval of terms and conditions of their remuneration;
- d) determination of standards of internal control in the Bank, formation of the internal audit of the Bank, approval of its annual performance plan, pre-term termination of the authorities of internal auditors and approval of terms and conditions of their remuneration;
- e) approval of the Bank's annual estimate of expenditures and of the performance;
- f) approval of administrative and organizational structure of the Bank and of the list of members of its staff;
- g) increase of statutory fund of the Bank, if the Board is entrusted with such competency by the charter or the decision of the General Meeting;
- h) proposals to the General Meeting about the payment of dividends, as well as for each payment of dividends - drawing up the list of the Bank participants with the right to receive dividends; the list shall comprise those participants, that are included in the Bank registry as of the day of drawing up the list of the participants having the right to participate in the annual General Meeting of the Bank;
- i) preliminary approval of Bank's annual financial reports and their submission to General Meeting;
- j) presentation of the external auditor of the Bank to the approval of General Meeting;
- k) determination of the amount of payment of the external auditor of the Bank;
- l) undertaking and implementation of the measures aimed at elimination of the shortcomings detected as a result of audit or other examinations carried out in the Bank;
- m) adoption of the regulations determining the procedure of carrying out financial operations of the Bank under the Law;
- n) approval of the charters of the Bank and its independent structural subdivisions, distribution of functions between them;
- o) submission of matters envisaged in subparagraph (b) of p. 9.1.19 to the General Meeting;

- p) decision making on allocation of bonds and other securities of the Bank;
- q) use of reserve and other funds of the Bank;
- r) establishment of branches of the Bank, representations and offices;
- s) determination of Bank's accounting policy, i.e. determination of the principles, grounds, means, rules, forms and procedures of bookkeeping and financial reporting;
- t) establishment of daughter and dependent companies ;
- u) participation in daughter and dependent companies ;
- v) establishment of commercial organization and unions ;
- w) participation in commercial organization and unions ;
- x) determination of the remuneration size for the Board members ;
- y) decision making on other matters under the Law.

9.2.15 At least once a year the Board of the Bank shall

- a) examine at the session the auditor's report (letter to manager),
- b) discuss and review, if needed, the core trends of activities of the Bank, its strategy, regulations.

In regard to the present paragraph the Heads of the Bank structural departments, head of all Bank commissions, are present at the Board meeting, who submit their proposals in regard to the improvement of the Bank strategy, customer service, as well as the matter in management.

The report of the Bank auditor is submitted by he representative of the auditor's office, the candidate thereof is previously included in the staff of the persons entitled to be present at the Board meeting. The auditor's report is heard first.

9.2.16 At least once a year the Board of the Bank shall examine at the session the auditor's report (letter to manager), as well as shall discuss and review, if needed, the core trends of activities of the Bank, its strategy, regulations and other normative regulations.

9.2.17 At least once in a quarter the Board of the Bank shall examine the reports of the internal audit department, of Chairman of the Directorate (directorate) and chief accountant according to procedure and form set by the Bank.

9.2.18 The meetings of the Board of the Bank shall be convened at least once in two month. The Chairman of the Board shall convene the meetings of the Board of the Bank upon his written request of him, upon request of a member of the Board, Chairman of the Directorate of the Bank (directorate), head of the internal audit subdivision, the party carrying out external audit of the Bank, the Board of the Central Bank, as well as upon written request of Bank participant (participants) holding 5 and more percent of voting shares (equity, stake) of the Bank.

Within 10 days upon receiving the written request on convening a meeting the Board replies to the applicants at the same time informing about the time and place of the convocation.

9.2.19 The notification of the Board members about the meeting convocation is made via forwarding registered mails or delivery in person, or by notification via electronic mail.

The Board members are notified about the meeting convocation at least 5 days prior.

The notice for meeting shall contain:

- a) The Bank name and address;
- b) year, month, date, time and place of the meeting convocation;
- c) matters in the agenda;
- d) manner of familiarizing by the Board members to the information and materials regarding the matters to be discussed.

9.2.20 The meeting of the Board of the Bank can be convened by correspondence according to procedure of convening and holding of the correspondence meetings envisaged by the charter of the Bank. The Board can make decisions at a meeting during which the participants of the Board meeting can communicate with each other through telephone, visual or other types of communications in real time. Such meeting shall not be considered a meeting held by correspondence. The matters specified in sub-points (c), d), (j) and (n) of p. 9.2.14 herein, as well as the approval of the program of annual perspective development of the Bank and the

question of election of the Chairman of the Board shall not be settled at the Board meetings held by correspondence.

9.2.21 The Board meetings are eligible, if more than half of the Board members participate in it. The decisions of the Board shall be made by a majority of Board members present at the meeting. Each Board member has only one vote. The devolution of the vote or of the voting right to another party (including to another member of the Board) is prohibited. In case of equality of votes the vote of the Chairman of the Board is decisive, save for case, envisaged by the RA legislation, this Charter and Board Regulation.

9.2.22 All the items of the agenda of Board meeting can be discussed only with the compulsory participation of the Chairman of the Directorate of the Bank, except for matters of pre-term termination of authorities of Chairman of the Directorate and terms and conditions of his (her) remuneration. The Chairman of the Directorate of the Bank shall participate in the meetings of the Board with deliberative vote.

9.2.23 The meetings of the Board shall be minuted. The minutes of the meeting shall be recorded within 10 days after the session. The minute shall include as follows:

- a) the year, month, day, hour and the place of convening of meeting;
- b) parties participated at the meeting;
- c) agenda of the meeting;
- d) items for voting, as well as the results of voting by each Board member participated in the meeting;
- e) opinions of Board members and other persons participated in Board session about items for voting
- f) decisions made at the meeting.

The minute of the Board meeting shall be signed by all the participants who become responsible for accuracy and authenticity of data in the minute.

The meetings of the Board are held by the Chairman of the Board. He shall sign the decisions. The Chairman of the Board is responsible for the authenticity of data in the decision.

9.2.24 The Board of the Bank can establish commissions to make work of Board effective. The commissions under the Board can include the Board members of the Bank and other managers of the Bank or employees. The commissions under the Board are deliberative.

The Bank Board accepts a manner for submission reports by the Chairman of the Bank Directorate, Chief Accountant, and the head of the Internal Audit, which is defined under the provisions of the present Charter. In the said manner the types of the reports, manner of submitting thereof to the Board members, if required prior to the Board sitting the manner of discussion in the presence of the Board members are mentioned, as well as the submission thereof at the Board meeting.

9.2.25 The authorities of Board member are pre-term terminated in accordance with his (her) application or in cases if:

- a) he (she) has been recognized incapable or partly capable by the court decision in force;
- b) during his office some facts have been detected in accordance with which he (she) is not allowed to be a member of the Board;
- c) was absent from at least 1/4 of the number of sessions held during one year by unreasonable excuse or from the half of the sessions in total (including both acceptable and unreasonable absences) (in real time mode and the participation by correspondence stipulated by this charter, the participaiton shall be condiseder a full participation).
- d) has been deprived of his (her) qualification or of the right to hold a definite position.

The authorities of a Board member can be pre-term terminated and he (she) shall be reimbursed the amount of the salary for the remaining months of his (her) term of authority, and if the period is more than one year he (she) shall be reimbursed the amount of salary set for one year.

The Bank shall have the right to reclaim judicially the reimbursed salary of the dismissed Board member by proving at court the fact of neglecting his duties.

### **9.3 The Chairman of the Bank Directorate**

9.3.1 Management of current operations of the Bank is carried out by the Chairman of the Directorate and the Directorate of the Bank. The Chairman of the Directorate can have deputies. The Chairman of the Directorate is (are) appointed by the Board, deputies – by the Board at the suggestion of Chairman of the Directorate.

9.3.2 The directorate shall act on the ground of the charter, as well as the Bank's internal documents (regulations, order of business and other documents) that determine the procedure and terms of convening and holding the meetings of directorate and the procedure of decision making by directorate.

9.3.3 The directorate shall include the Chairman of the Directorate of the Bank, his (her) deputy (deputies), and the chief accountant.

9.3.4 The meetings of the Directorate shall be convened at least twice in each month.

The Meeting is eligible (has quorum) if, more than half of the Directorate members are present. The decisions of the Directorate are made by the majority of the members. Each Directorate member has one vote. No delegation of the voting right to another person (including another member of the Directorate) is permitted. If votes are equal, the vote of the Chairman of the Directorate is decisive.

9.3.5 The meetings of the directorate shall be minuted. The minutes of meetings shall be available for the Board, internal auditor, and the external auditor upon their request. The minute shall be recorded within 10days after the meeting. The minute shall include as follows:

- a) the year, month, day, hour and the place of convening of meeting;
- b) the parties participated at the meeting;
- c) the agenda of the meeting;
- d) the items for voting, as well as the results of voting by each directorate member participated in the meeting;
- e) opinions on matters for voting by the directorate members and other persons participated in the session ;
- f) the decisions made at the meeting.

The minute of the directorate meeting shall be signed by all the participants who become responsible for accuracy and authenticity of data in the minute. The meetings of the Board are held by the Chairman of the Directorate. He shall sign the decisions of the meeting. The Chairman of the Directorate is responsible for the authenticity of data in the decision.

9.3.6 The Chairman of the Directorate or directorate:

- a) manages the Bank property, including cash means, within his powers gives orders, instructions, directions obligatory for execution and supervises their execution ;
- b) represents the Bank in the Republic of Armenia and abroad;
- c) acts without a power of attorney;
- d) issues powers of attorney;
- e) enters into contracts, as designated, including labor contracts;
- f) apply encouragement and discipline-related liability in regards to employees opens Bank Banking accounts (including forex accounts);
- g) employs and dismisses Bank employees, except for cases provided by the Charter and the Law;
- h) submits to the Board for approval the internal labor regulation of the Bank, the by-Laws of separated subdivisions, the organizational structure of the Bank, and the staff/payroll lists;
- i) implements other powers in regard to the Bank current activity as provided by the legislation and the present Charter.

The decision making on matters that are not defined as belonging to the competence of the General Meeting, Board or internal audit, are within the competence of the Directorate.

9.3.7 The Directorate:

- a) organizes and carries out the management of the Bank operational activity and secures the fulfillment of the decisions made by the General Meeting and the Board,
- b) defines the sizes of the fees for the services rendered by the Bank and the rates for the involved deposits and loans given,
- c) considers the materials of inspection, re-inspection, reports of the territorial and structural subdivisions.

9.3.8 The Chairman of the Directorate of the Bank shall timely submit reports about his work according to procedure determined by the Board not less than once in a quarter.

9.3.9 The decision making on matters that are in the competence of Chairman of the Directorate shall not be deputed to other bodies of Bank management, Bank internal audit, chief accountant of the Bank or other party, except for the case when the authorities of the Chairman of the Directorate are duly deputed to a substituting person. The authorities of the Chairman of the Directorate can be duly deputed to a substituting person if the qualification and the professional integrity of the latter comply with the requirements determined by the Central Bank.

9.3.10 The authorities of an Chairman of the Directorate are pre-term terminated by the Board in accordance with his (her) application or in cases if:

- a) he (she) has been recognized incapable or partly capable by the court decision in force,
- b) during his office some facts have been detected in accordance with which he (she) is not allowed to be an Chairman of the Directorate (head of the Bank);
- c) he (she) has been deprived of his (her) qualification or of the right to hold a definite position.

The authorities of an Chairman of the Directorate can be pre-term terminated and he (she) shall be reimbursed the amount of the salary for the remaining months of his (her) term of authority, and if the period is more than one year he (she) shall be reimbursed the amount of salary set for one year.

The Bank shall have the right to reclaim judicially the reimbursed salary of the dismissed Chairman of the Directorate by proving at court the fact of neglecting his duties.

#### **9.4 The Chief accountant of the Bank**

9.4.1 The chief accountant performs the rights and duties determined for the chief accountant by the RA Law «On Accounting».

9.4.2 The chief accountant of the Bank is appointed by the Board of the Bank at the suggestion of the Chairman of the Directorate .

9.4.3 The rights and duties of the chief accountant shall not be deputed to General Meeting, Board, members of executive body, subdivision of internal audit or to other party.

9.4.4 The chief accountant shall submit a financial statement to the Board of the Bank and the Chairman of the Directorate at least once in a quarter in accordance with the form and content set forth by the Board.

9.4.5 The chief accountant shall be responsible for keeping the accounts of the Bank, for the state and authenticity of accounting, for timely submitting the annual report, financial and statistical reports set forth by the Law and other regulations to the public management bodies, as well as for the authenticity of financial information about the Bank provided to Bank participants, creditors, press and other means of mass media in accordance with the Law, other regulations and the charter of the Bank. If unreliable information be discovered in the said statements the Chief accountant submits the premises for the appearance thereof, refers to the Bank employees immediately working in making the statements and offers means for not repeating such problems in future and eliminating the defects. If such cases become often, the Board discusses the matter of professional competence of the Chief accountant.

The Chief accountant, as provided by the Republic of Armenia Law “On Banks and Banking activities”, other Laws and the contract he signed “On full material liability”, is responsible for the damages caused to the Bank in the result of the activities (inactivity) thereof.

## **9.5 Internal audit of the Bank**

9.5.1 The Head and members of the Internal Audit are appointed by the Bank Board. Members of the Internal Audit may not be members of the Bank Management Body, other directors and employees, as well as persons affiliated with Bank Directorate members.

The Head and members of the Internal Audit are liable to keep the discipline stipulated for the Bank workers.

9.5.2 The Bank Internal Audit pursuant to the Regulation determined by the Bank Board:

- a) controls the Bank current activity and operational risks;
- b) controls the implementation of assignments of the Bank Directorate Chairman, the Directorate given by the Chairman of the Directorate Bank Board, the Directorate, Bank territorial and structural subdivisions pursuant to the Laws, other legal acts and Bank internal legal acts;
- c) gives conclusions and suggestions on matters presented by the Bank Board, as well as offered at own initiative.

Matters related to the internal audit may not be transferred to the solution by the Bank management bodies or other persons.

9.5.3 The Internal Audit Director submits the following statements to the Bank Board and Executive Body:

- a) regular – about results of the inspection stipulated by annual program;
- b) special – in the event essential violations have been detected based on the Internal Audit opinion, whereas if the violations are the result of the actions or inactions of the Executive Board Chairman, Directorate or the Board, the statement is submitted immediately to the Board Chairman.

In cases provided herein the statements (reports) are submitted within two working days after the violation disclosure.

9.5.4 In the event the Internal Audit discovers violations of Laws and other legal acts, it is liable to submit thereof to the Bank Board with suggesting measures for eliminating such violations and not repeating them in future.

## **10 Major (large) transactions related to the acquisition and alienation of the Bank property. Interest in the Bank transactions.**

10.1 Major transactions are:

- a) one or more interconnected transactions (except for transactions carried out in the framework of normal economic activities of the Bank) that relate directly or indirectly to the acquisition of property, disposal of property carried out by the Bank, or the possibility of acquisition of property, disposal of property, and their value makes 25 and over percent of Bank assets' book value as of the day of adopting the decision on signing the transaction;
- b) one or more interconnected transactions subject of allocation of ordinary shares or of convertible preference shares that make 25 and over percent of already allocated ordinary shares of the Bank.

The value of the property as subject of major transaction is established according to the present Charter.

10.2 The decision about signing a major transaction subject of property and costing from 25 to 50 percent of Bank assets' book value as of the day of making decision about signing the transaction be adopted by the Board unanimously.

If the Board does not adopt the decision about signing the transaction it has the right to make a decision about submitting the matter at the General Meeting.

In case set forth herein as well as if the cost of the property that is the subject of the transaction is over 50 percent of the Bank assets' book value as of the day of making decision about signing

the transaction, the decision about signing the transaction shall be adopted by the General Meeting by the 3/4 of votes of voting shareholders (participants) participating in the meeting. Disregard of this Charter shall result in nullity of the transaction.

Signing a major transaction disregarding this Article shall not result in nullity of the transaction if the party signing the transaction with the Bank has been bona fide, i.e. did not know or could not know about the disregarding of the mentioned requirements by the Bank.

10.3 Concerned parties in Bank's transactions are the member of the Board, parties holding other positions in the Bank's management or the participant of the Bank that together with interrelated parties holds 10 and more percent of the Bank's voting shares (equity, stakes), if these parties or interrelated parties:

- a) are the party of the transaction or are agents or the representatives of the transaction;
- b) hold 20 and more percent of voting shares (equity, stakes) of the legal entity that is the party, agent or representative of the transaction;
- c) hold positions in the management of the legal entity that is the party, agent or representative of the transaction.

10.4 The parties set forth in p. 10.3 herein shall inform the Board, internal audit and the party performing external audit about:

- a) the legal entities where they are self-holders of or they hold together with interrelated party (parties) 20 and over more percent of voting shares;
- b) the legal entities in management of which they hold positions;
- c) certain transactions signed or subject to be signed in which they can be considered concerned party.

10.5 The decision of Bank to sign a concerned party's transaction shall be adopted by the Board by a majority of Board members that do not have concern in signing it.

10.6 For adoption of a decision about signing a concerned party's transaction the Board shall come to the conclusions as follows:

- the amount that the Bank shall get by the transaction is not less than the market value of the Bank's property transferred to other party by the transaction, of provided services to that party or of work executed for the latter calculated according to p. 10.12 of the Law;
- the amount that the Bank shall pay by the transaction for the acquired property, received services or work executed for Bank does not exceed the market value of that property, provided services or executed work calculated according to p. 10.12 herein.

10.7 The decision about signing the concerned party's transaction shall be adopted at the General Meeting by a majority of holders of voting shares (equity, stakes) that do not have concern in the transaction, if the transaction and/or interconnected transactions are signed in the purpose of allocation of Bank's voting shares or Bank's other convertible securities the amount of which is 2 percent more than the amount of Bank's already allocated voting shares.

10.8 The concerned party's transaction that comply with the requirements of point 10.7 herein may be signed without the decision of General Meeting, if:

- a) the transaction is a borrowing to the Bank from the concerned party;
- b) the transaction is a result of normal economic activity between the Bank and the other party signed before the acknowledgement of concern specified in p. 10.3 (decision is not required till the convening of next General Meeting).

If it is impossible to foresee the possibility of concern in the normal economic activities of the Bank and the other party of the transaction as of the day of holding the General Meeting, the requirements of p. 10.7 shall be considered fulfilled if the General Meeting decides on establishing relations between the Bank and the other party of the transaction on contractual basis which will determine the type of the transactions and their maximum value.

10.9 If all the members of the Board have been recognized as concerned parties the decision about signing the transaction shall be adopted by the General Meeting by a majority of participants having no concern in this transaction.

10.10 If a concerned party's transaction is a major transaction for disposal or acquisition of



Bank's property, it shall be signed taking into account also the provisions of the p. 10.1 and 10.2. 10.11 The concerned party's transaction that has been signed with infringement of requirements set forth herein shall not result in nullity of the transaction if the party signing the transaction with the Bank has been bona fide, i.e. did not know or could not know about the disregarding of the mentioned requirements by the Bank.

The party recognized as a concerned party shall bear responsibility in the amount of losses inflicted to the Bank. If more parties are responsible they shall bear joint responsibility.

The party shall be released from responsibility set forth herewith if it has been bona fide, i.e. did not know or could not know that the Bank would bear losses by the signing of the transaction.

The requirements for signing the concerned party's transactions where there is an interest shall not be applied if:

- a) all shareholders have the preemption right;
- b) there is conversion of other convertible securities to shares;
- c) Bank acquires participation in the statutory fund if all holders of the given type of shares (equity, stakes) have equal rights to sell their shares (equity, stakes) of the given type pro rata.

Disregard of this Article shall result in nullity of the transaction.

10.12 The property market value (including the value of shares and other securities) is considered the price at which the seller, that has necessary information about the property value and has no obligation to sell it, would agree to sell it and the buyer, that has all necessary information about the property value and has no obligation to buy it, would agree to acquire this property.

The property market value shall be determined by the decision of the Board, except for cases envisaged by the Law when the market value is determined by court, other body or party.

If a Board member is a concerned party of one or more transactions, which require the determination of property market value, the property market value shall be determined by the decision of other Board members holding no concern in the given transaction.

The Bank may apply to an independent valuator for determination of property market value by the decision of the Board.

The determination of property market value is obligatory if the Bank participants repurchase their participation in the statutory fund of the Bank.

If it is necessary to determine the market value of Bank's shares or other securities, the information about the prices for acquisition of such shares, about the prices for their demand and supply published timely in mass media shall be taken into consideration.

If the market value of ordinary shares of the Bank is determined, it is necessary to take into consideration net assets value of the Bank (core capital value), as well as the price which the buyer that has all information about Bank's property is ready to pay for all allocated ordinary shares of the Bank, as well as the factors that will be considered important by the body (party) that is determining the Bank's property market value.

The determined herewith market value of ordinary shares cannot be smaller than the price calculated on the basis of net assets value (core capital value) of the Bank.

## **11 Information and publication thereof**

11.1 Banks shall publish constantly on their home page on Internet the information, as follows:

- a) the financial statements of the Bank (at least the last annual report and the last quarterly statement) and the copy of internal audit report on their statements. Furthermore, the Banks also publish their financial statements in press within 4 months after the end of the report year, as well as publish the quarterly financial statement until the 15th day of the month following the report quarter.

The Bank shall also publish in leaflets or in other available forms for general public (in head office, branches and representations).

b) within the term stipulated by the law, the announcement of convening the annual General Meeting.

c) the copies of decisions about payment of dividends, as well as copies of normative regulations determining the Bank's dividend policy if available;

d) the information about participants holding significant participation in the Bank, i.e. their name, the size of their participation (except for those participants holding indirect significant participation in the Bank that do not hold participation in the Bank's statutory fund, i.e. shares, equity or stakes), data on loans and other borrowings provided to them and to the related parties (including the repaid) during the previous year, including the amount, interest rate and maturity;

e) the list of Board members, members of executive body and their personal data, i.e. name, date of birth, biography, amount of remuneration paid to Bank's Board members, Chairman of the Directorate and chief accountant for the previous year by the Bank (including bonuses, payment for certain work executed for the Bank, salary equal payments), data on loans and other borrowings provided to them and to the related parties (including the repaid), including the amount, interest rate and maturity.

Except for data specified in sub-points (a)-(e) of this point the Central Bank can require of the Bank to publish on the Bank's home page on Internet, in press or other mass media other information according to periodicity and the procedure determined by the Board of the Central Bank, except for commercial, Banking or other secret information.

Banks shall publish changes in data specified in sub-point (a)-(e) of this point within 10 days after their origination.

Banks shall also publish on their home page on Internet their financial statements, in leaflets or in other available forms for general public (in head office, branches and representations) updated on daily basis information about acceptance of deposits, provision of loans, as well as about rendering of other services and carrying out financial operation for their customers, including interest rates, commissions, maturity and other essential terms.

11.2 Upon request of any party the Bank shall be bound to provide also:

a) copy of state registration certificate and copy of the Bank's charter;

b) data according to the rules and procedure determined by the Armenian Law on Regulation of the Securities Market and other normative regulations based on it - in case of public allocation of shares and other securities issued by Bank, as well as in volume and manner, stipulated by normative legal acts adopted on such basis ;

c) information indicated in p. 10.1. of this Charter or copies of the documents.

The fee to be levied for provision of data hereinabove shall not be more than the actual expenses for data origination and/or posting.

In the head office of the Bank, branch or representations the Bank shall duly display the announcement about availability of information set forth herewith, and about the procedure, place and time of receiving of information.

11.3 Each participant of the Bank has the right to receive the latest annual report of the Bank and the copy of auditor's report free of charge.

On request of any participant (participants) holding 2 and more percent of the Bank allocated voting shares (equity, stakes) the Bank provide the information free of charge (even if it comprises Bank, commercial or other secret) as follows:

a) information about the Board of the Bank, Chairman of the Directorate and chief accountant as set forth in p. 10.4 herein;

b) the amount of remuneration paid to Bank's Board members, Chairman of the Directorate and chief accountant for the previous year by the Bank (including bonuses, payment for certain work executed for the Bank, salary equal payments); data on loans and other borrowings provided to them and to the related parties (including the repaid), including the amount, interest rate and maturity; information about participants holding significant participation in the Bank,

i.e. their name, the size of their participation (except for those participants holding indirect significant participation in the Bank that do not hold participation in the Bank's statutory fund, i.e. shares, equity or stakes), data on loans and other borrowings provided to them and to the related parties (including the repaid) during the previous year, including the amount, interest rate and maturity;

c) information about major transactions signed between the Bank and Bank related parties, as well as about those transactions that have been signed within two years before presenting the request for getting that information and are related to execution of any of the operations set forth in sub-points (a)-(c), (i), (j) and (k) of point 1 of Article 34 of the Law "On Banks and Banking activities";

d) obligations assumed by the Bank to its related party;

e) information about availability of contracts aimed at creation of groups of Bank participants executing the same policy, as well as the names of Bank participants as the party of those contracts;

f) copies of documents certifying the Bank's rights of property reflected in the Bank's balance sheet, internal acts adopted by General Meeting and other management bodies, charters of separated subdivisions and offices, financial and statistical reports that Bank renders to public management bodies, minutes of sessions of General Meeting, Board and directorate, copies of inspections reports carried out by the Central Bank, copies of decisions of the Central Bank about sanctions to the Bank and/or Bank's manager imposed by the Central Bank, copies of internal audit reports presented to the Board and Chairman of the Directorate (directorate);

g) list of legal entities in statutory fund of which the Bank managers or related parties hold 20 and more percent of participation or have probability to influence their decisions.

The minutes of the returning Board shall be provided to all Bank participants.

According to this Article information received by the participant cannot be transferred to other parties, as well as it cannot be used for the purpose of discrediting Bank's business reputation, for infringement of rights and legal interests of Bank participants and customers, or for other similar purposes. Otherwise they bear responsibility according to Armenian Laws and other normative regulations.

Information mentioned in this point is issued within 5 days on the base of latter's written application.

11.4 Information about Board members, Chairman of the Directorate, chief accountant, as well as about candidates for Board members provided to Bank participants shall also include:

a) their surnames, names, year month, day of birth;

b) profession and education;

c) positions held during last 10 years;

d) year, month, day of designation (election) and year, month, day of relieve of his position;

e) number of reelections in the same position;

f) number of voting shares (equity, stakes) held by as Board member, executive director, chief accountant or candidate for Board member that are Bank participants;

g) information about legal entities where the given person holds executive position;

h) type of interrelations between the given Bank and Bank related parties;

i) other data envisaged by Bank charter.

11.5 Banks have no rights to use disorienting data in their advertisements, public offers, or in any announcement on their behalf, or use the announcements of other parties about the Bank that can cause misunderstanding of the financial state of the given Bank, its position in the financial market, business reputation and its real status.

11.6 Information published or provided by Bank according to this Article shall be complete and accurate.

## **12 The Bank external audit**

12.1 Each year for the control of the financial activity the Bank shall invite an independent auditing firm holding the right to implement audit (hereinafter – external audit) according to Law and other regulations by concluding a relevant contract. The Bank General Meeting shall appoint the independent auditing firm according to the procedure determined by the Central Bank. The Board of the Bank shall set the amount of payment for the external auditor’s service.

The auditing firm may implement the audit of the financial activity of the Bank also upon request of the of Bank participants holding at least 5 percent of Bank’s voting shares (equity, stakes). In this case the requesting participants shall choose the auditing firm, sign a contract with him, and pay for rendered services. The requesting participants may claim a refund from the Bank if by the decision of the General Meeting this audit has been defensive for the Bank.

The external audit may also be invited by the Bank Board at the Bank expenses.

12.2 The contract with the external auditor shall envisage the drawing up auditor’s opinion as well as the auditor’s report (letter to manager). In the contract with the auditing firm the Bank shall also envisage the control of accuracy of Bank’s statement submitted to the Central Bank.

## **13 The Bank financial statements and the Supervision over the Banking activities**

13.1 The Banks and shall prepare, publish and present to the Central Bank annual and quarterly financial and other statements.

13.2 Not rare than once a year each Bank shall submit to the Central Bank statements in forms, cases, procedure and on term set by the Central Bank, as follows:

a) financial statements of legal entities, holding significant participation in Bank’s statutory fund, data on the managers of these legal entities and the parties holding significant participation;

b) financial statements of legal entities related with parties holding significant participation in Bank’s statutory fund, data on the managers of these related legal entities and parties holding significant participation;

c) statements of parties holding significant participation in Bank’s statutory fund that no other party has acquired the indirect status of a significant participant of the Bank through their participation. Otherwise in order to receive the preliminary consent of the Central Bank the Bank shall, within 10 day-period upon the day of acquisition of indirect significant participation by that party, submit to the Central Bank the required documents concerning the parties holding indirect significant participation, as well as documents concerning those legal entities (including their name, location, financial statements, data on the manager, data on parties holding significant participation), where the party that holds significant participation in the Bank is holding a significant participation.

The parties holding significant participation in the statutory fund of the Bank are responsible for submission of the statements and data defined by this point to the Central Bank.

13.3 The statements and data subject to submission to the Central Bank shall be complete and accurate.

13.4 The financial year of the Bank is from 1 January until 31 December.

13.5 The Central Bank shall possess the exclusive rights of supervision over the Banking activities. The Central Bank shall implement that supervision as determined in chapter 51 of the Armenian Law on the Central Bank of the Republic of Armenia.

The Bank shall receive and assist the employees of the Central Bank. It is prohibited to impede or interfere with Lawful deeds of employees while executing supervision and inspection.

## **14 Responsibility of the Bank managers**

14.1 The Bank managers shall perform their duties resting upon Bank's interests, they shall perform their rights and obligations towards the Bank bona fide and sensibly (fiduciary responsibility).

The managers of the Bank shall bear responsibility for losses that have been inflicted to the Bank due to their premeditated action (inaction) according to the Armenian legislation. If more than one manager has inflicted losses to the Bank they shall bear joint responsibility. The managers who have voted against the decision that inflicted losses or have not participated in that session shall be released from responsibility for inflicted losses.

14.2 If statements submitted to the Bank Board reveals violations of laws, other normative legal and Bank's internal legal acts, then the Board is obliged to take measures for eliminating violations and not repeating in future.

14.3 The responsibility of managers comprises but does not limit the possible cases, as follows:

a) the Chairman of the Directorate shall bear the responsibility to cover of real losses on provision of loans provided with infringement of standards for one borrower, for major borrowers, for Bank related parties or losses originated from other transactions, and if the Law requires a decision of the Board for such transaction –the responsibility shall bear the members of the Board and the Chairman of the Directorate;

b) the members of executive body shall cover the Bank real losses on the transactions that have been signed with the infringement of internal regulations determined by the Board;

c) if there were detected infringements of Law, of normative regulations and internal regulations of the Bank in the statements submitted to the Bank Board, and the Bank have borne losses due to it later on, the Board members bear joint responsibility, except for the member of the Board who has taken efficient and sensible measures within his competency to prevent the infringements;

d) if information about the infringement of the Law, regulations revealed by the inspections of the internal audit were not submitted to the Board of the Bank and the Bank have borne losses due to it later on, the head of internal audit shall cover those real losses;

e) if the transaction with the Bank related party has been signed based on positive opinion submitted to the Board of the Bank with infringement of internal procedure of the Bank, the Chairman of the Directorate shall bear responsibility and cover the real losses originated from that transaction.

14.4 The party shall be released from responsibility to cover losses of the Bank if he has acted bona fide with firm conviction that his actions rested upon the interests of the Bank. In particular:

a) if decisions have been made resting upon sober-minded logic, even if later on these decisions inflicted losses that have been considered as business risk while adopting those decisions;

b) if the manager has adopted wrong or imperfect decisions being bona fide without intention to inflict losses and if the adoption of such decisions has not infringed the Law or other regulations.

The release of Bank managers from their duties shall not release them from the responsibility for losses inflicted through their fault.

## **15 Reorganization of the Bank**

15.1 The Bank may be reorganized in the form of a merger of the Bank with another Bank or through restructuring.

Restructuring of the Bank (change in the organizational-legal form) shall be implemented as provided for by the Civil Code of the Republic of Armenia or in the form provided for by other Laws.

15.2 The merger of the Bank shall be implemented as provided by the Republic of Armenia Law "On Banks and Banking activities".

## **16 Liquidation of the Bank**

16.1 The Bank shall be liquidated:

- a) in case of invalidation of the license;
- b) in case of nullification of the license;
- c) in cases provided for by the Armenian Law « On Bankruptcy of Banks and Credit Organizations’’;
- d) by the decision of General Meeting of the Bank;
- e) in other cases provided for by Law.

In cases provided for by sub-point (c) of point one of this Charter the Bank shall be liquidated under the procedure provided for by the Armenian Law « On Bankruptcy of Banks and Credit Organizations’’;

16.2 The General Meeting is entitled to adopt the decision about liquidation of the Bank if Bank does not have any liabilities to its depositors, holders of Bank accounts, as well as to the parties that are creditors in money transfer operation.

In order to receive the preliminary consent of the Central Bank for liquidation of the Bank by the decision of its General Meeting, the Bank shall submit the Central Bank the application for receiving the preliminary consent of the Central Bank based on the along with the documents substantiating liquidation. The list of documents herewith shall be determined by the Central Bank.

The Board of the Central Bank shall consider the application within three months and may waive it if by the reasonable opinion of the Board of the Central Bank the liquidation may lead to destabilization of the Banking system of the Republic of Armenia. In such case the Board of the Central Bank may prolong the term of Bank’s activity for two years.

If the Bank receives the preliminary consent of the Central Bank it may take measures aimed at termination of the liabilities of the Bank to its depositors, holders of Bank accounts, as well as to the parties that are creditors in money transfer operation.

Only after termination of liabilities the General Meeting shall adopt a decision about liquidation. Upon adoption of the decision herewith the Bank shall submit to the Central Bank application for receiving consent to liquidation along with the documents substantiating liquidation. The list of documents herewith shall be determined by the Central Bank.

The Board of the Central Bank may waive the application for receiving consent to liquidation if the Bank has liabilities to its depositors, holders of Bank accounts, as well as to the parties that are creditors in money transfer operation, or the Bank is not in the position to satisfy the claims of its creditors.

The Central Bank may implement inspections in the Bank that has adopted a decision about liquidation according to the Armenian Law ‘On The Central Bank of the Republic of Armenia’ in order to check the lack of grounds for waiving the submitted applications.

If the Central Bank provides the consent to liquidation it shall also adopt the decision about nullification of the Bank’s license.

16.3 The liquidation committee of the Bank shall be established within five days upon adoption of the relevant decision of the court or of the Board of the Central Bank provided for in Article 72 of the Law for the purpose of liquidation of the Bank, selling its equity (assets) and satisfaction of Lawful claims of the creditors according to the procedure set forth in the charter of the Bank. It shall be composed of at least three members. Only parties that possess relevant qualification of the Central Bank shall hold the position of the Chairman of the liquidation committee or of its member. The Chairman of the Directorate or the party with similar management authorities shall implement the functions of the liquidation committee till the liquidation committee is established, unless otherwise specified by the charter of the Bank.

The liquidation committee shall assume the management authorities in the Bank under liquidation upon its establishment. Within three days upon its establishment the liquidation

committee shall publish an announcement in the media and notify the Central Bank on the procedure and the term (not less than two months) of liquidation of the Bank and submission of claims by creditors.

If the liquidation committee has not been established, the liquidation committee of the Bank shall be established by decision of the Board of the Central Bank.

16.4 Within three days upon the adoption of the decision about the establishment of liquidation committee the managers of the Bank shall hand over to the committee the seal of the Bank, the marks, documents, tangibles and other values.

Within three days upon the appointment of the liquidation committee its Chairman shall apply to the authorized public body to insert in the brand name of the Bank under liquidation the phrase (Bank under liquidation). The authorized public body shall make changes in the brand name of the Bank under liquidation inserting the phrase “Bank under liquidation” within three days upon receiving the application.

The Liquidation committee shall, after the changes in the brand name of the Bank under liquidation have been made as set forth hereinabove, change the seal, mark, stamp, and letterheads of the Bank under liquidation inserting the phrase “Bank under liquidation” within reasonable period.

During the period scheduled for presenting the claims of creditors as set forth herein the liquidation committee shall:

- a) take necessary measures to return the property in custody to its holders and to carry out the relevant final payment. The liquidation committee sends notifications to the property holders. Within one month upon receiving the notification the property holder shall take back property in custody. If the holder fails to apply to the Bank within the period herewith, the liquidation committee shall deposit the property by signing a contract according to the Law;
- b) accrue and assess the assets and liabilities of the Bank under liquidation;
- c) take necessary measures to discover the creditors of the Bank and get the receivables, to establish the procedure for premature collection of loans provided by the Bank;
- d) take measures to dispose the assets of the Bank under liquidation most efficiently;
- e) take measures to ensure the execution of obligations of the Bank under liquidation;
- f) determine the procedure of assets distribution among Bank participants after fulfillment of obligations.

Within one week upon the completion of the period scheduled for presenting the claims of creditors the liquidation committee shall draw up, approve and publish in the press with at least 2000 copies the liquidation balance sheet that shall include information, as follows:

- a) about property of the Bank under liquidation;
- b) concerning the list of creditors’ claims, including the total amount in the balance sheet or the total amount of the presented claims, the amount of sum due to each depositor, lender or other creditor and the sequence of satisfaction of claims, as well as the list of claims that are waived by the liquidation committee;
- c) about the results of the claims discussion;
- d) other information set forth by the Central Bank.

The liquidation committee shall submit to the Central Bank a copy of the newspaper with the published liquidation balance sheet on the day of its issue according to procedure set forth in point 3 of this Article. The Board of the Central Bank shall be entitled to oblige the liquidation committee to publish the liquidation balance sheet in another newspaper with at least 2000 copies.

16.5 The liquidation committee shall satisfy the claims of the creditors in the sequence determined in the Republic of Armenia Law “On Banks and Banking activities” and in accordance with the liquidation balance sheet upon the day of its publication.

16.6 The Central Bank may implement inspections in the Bank in liquidation process aimed at implementation of supervision over the liquidation process of the Bank. The liquidation

committee shall be bound to submit reports to the Central Bank according to the procedure, form, frequency and term determined by the Central Bank.

The liquidation committee shall be bound to publish in the press information about its actions according to the procedure, schedule and form determined by the Central Bank and with the frequency that shall be not less than once a month.

The Central Bank shall be entitled to require any information from the liquidation committee about the actions of the latter.

16.7 After completing calculations with the creditors the liquidation committee shall draw up the liquidation balance sheet and submit it to the Central Bank within three days after the General Meeting of the Bank under liquidation approves it.

The Central Bank shall approve or reject the liquidation balance by its decision within ten days pointing out the reasons of rejection. The Central Bank shall reject or waive the approval of the liquidation balance sheet if the liquidation committee has infringed the requirements of the Law. If the Central Bank does not approve the liquidation balance sheet, the liquidation committee shall eliminate the reasons for its rejection by the Central Bank and shall submit to the Central Bank a new application for approval of the liquidation balance sheet after the General Meeting of the Bank under liquidation approves it.

Within three days upon the approval of the liquidation balance sheet by the Central Bank the Central Bank shall record in the registry of Banks about withdrawal from registration of the Bank under liquidation. After it the Bank shall be considered liquidated and its activities shall be considered terminated. The Central Bank shall inform the body exercising the state registration of legal entities about that.

Within three days upon approval of the liquidation balance sheet by the Central Bank the liquidation committee shall publish a notice about the liquidation of the Bank in the form determined by the Central Bank. After that the liquidation committee shall be released from responsibility concerning the liquidation of the Bank.

16.8 The members of the liquidation committee shall be reimbursed to the expense of the funds of the Bank under liquidation.

The members of the liquidation committee shall bear responsibility provided for by the Law and other regulations for infringements that have occurred in the period of their performance and for the losses caused by their actions.

The Board of the Central Bank may void the certificate of qualification of the Chairman of the liquidation committee and/or of its members if they do not perform their duties determined by the Law, other Laws and regulations or if they perform their duties not duly. In such case the General Meeting of the Bank shall appoint a new Chairman or a member (members) within one week, otherwise the Chairman of the liquidation committee or the member shall be appointed by the Board of the Central Bank.

The creditors, debtors of the Bank may appeal to court against the actions of the liquidation committee.

16.9 The claims of the creditors shall be satisfied from the Bank's property (funds) held by the Bank with the right of ownership.



