

Approved by

General Meeting of Shareholders of  
HSBC Bank Armenia cjsc on  
19 September 1995

Amended by

sole shareholder of HSBC Bank Armenia  
cjsc on 30 September 2021

Registered at

The Central Bank of Armenia

\_\_\_\_\_  
*Signature*

Shacke Manukyan  
Company Secretary

\_\_\_\_\_  
*Digitally signed by Martin Galstyan  
Date: 12.11.2021  
Registered on 05.11.2021*

Martin Galstyan  
Central Bank Chairman

**C H A R T E R**  
**of**  
**HSBC Bank Armenia**  
**Closed Joint Stock Company**  
**(new edition)**

*Digitally signed by HSBC Bank Armenia cjsc Chief Executive Officer Irina Seylanyan on 09.11.2021*

**Yerevan 2021**

## Article 1: General Provisions

- 1.1 HSBC Bank Armenia Closed Joint Stock Company, hereinafter referred to as the “Bank”, is a legal entity which in accordance with the legislation of the Republic of Armenia and the license granted by the Central Bank of the Republic of Armenia is authorized to carry out banking activity in and outside the territory of the Republic of Armenia.
- 1.2. The Bank was established as a closed joint stock company under the name Midland Armenia Bank J.S.C. based on the decision of the Constitutive Meeting dated September 19, 1995 (Minutes N 001) and has been renamed into HSBC Bank Armenia cjsc on March 24, 1999. The Bank is incorporated and shall operate under the Laws of the Republic of Armenia on Banks and Banking and Joint Stock Companies.
- 1.3. Full official name of the Bank is:  
  
in Armenian – «Էյչ-Էս-Բի-Սի Բանկ Հայաստան» փակ բաժնետիրական ընկերություն  
  
in English – “HSBC Bank Armenia” Closed Joint Stock Company  
  
The official abbreviated name of the Bank is:  
In Armenian – «Էյչ-Էս-Բի-Սի Բանկ Հայաստան» ՓԲԸ  
  
In English:  
“HSBC Bank Armenia” CJSC
- 1.4. Registered office:  
66 Teryan street  
Yerevan, 0009  
Republic of Armenia
- 1.5. The Bank is established for an unlimited period of time.
- 1.6. The Bank has the status of a legal entity, and its property is separated from the property of its sole shareholder. The Bank shall have the right to acquire and exercise on its behalf property and personal non-property rights, assume obligations and act as a plaintiff and defendant in the court.
- 1.7. The Bank shall not be liable for the obligations of its sole shareholder and the latter shall not be liable for the obligations of the Bank. The liability of the sole shareholder is limited to the nominal value of its shares.

## **Article 2: Operations of the Bank**

The Bank is authorized to carry out in the Republic of Armenia or elsewhere banking and financial transactions, as well as carry out other related activities, including:

- (a) attracting funds in the form of deposits, loans, current accounts, with or without security, and allocate them by providing loans, deposits and/or making investments;
- (b) lending money, with or without security, and carrying out leasing transactions, conducting financing against assignment of monetary claims (factoring);
- (c) drawing, purchasing, selling or in any other way servicing securities and other instruments, effecting transactions with securities and derivative financial instruments on its behalf and account, as well as making investments in securities;
- (d) carrying out investment and non-principal services in accordance with the RA Law “On Securities Market”;
- (e) in case of satisfying the requirements established by law to carry out custody activity of investment fund (including pension fund);
- (f) providing, redeeming and paying letters of credit;
- (g) buying and selling foreign exchange and precious metals (bullion);
- (h) holding property on trust, taking funds, securities, documents, precious stones, metals and other valuables under custody;
- (i) providing payment/clearing services; including opening, maintenance, servicing of bank accounts (including correspondent accounts of banks);
- (j) issuing bank guarantees;
- (k) conducting investment and subscription activities, rendering services of a financial agent;
- (l) rendering services on evaluation of the creditworthiness of clients;
- (m) carry out activities for the purpose of debt collection;
- (n) sell insurance certificates and (or) contracts, conduct transactions of insurance agent in accordance with the procedure stipulated in the Law;
- (o) carry out account operator activities as stipulated by RA law “On cumulative pensions”;
- (p) conduct other operations not forbidden by the legislation of the Republic of Armenia.

## **Article 3: Share Capital of the Bank**

- 3.1. The share capital of the Bank is 18,434,350,000 (eighteen billion four hundred thirty four million three hundred fifty thousand) Armenian Drams, which actually is fully paid up in Armenian Drams.
- 3.2. The share capital of the Bank is divided into 609,400 (six hundred nine thousand four hundred) ordinary shares with a nominal value of 30,250 (thirty thousand

- two hundred fifty) Armenian Drams (AMD) each, which are actually fully paid in AMD.
- 3.3. All shares are allocated and belong to HSBC Europe B.V. - the sole shareholder of the Bank.
  - 3.4. The Bank shall be entitled to issue preference shares, with or without voting rights, as well as issue additional ordinary shares. The Bank shall be entitled to consolidate the allocated shares by increasing their nominal value or to split them into shares with lower nominal value.
  - 3.5. The actual paid up capital of the Bank may be increased by way of increasing the nominal value of the shares or by way of allotting additional shares.
  - 3.6. Reduction of the actual paid up capital of the Bank is not allowed, except for the cases stipulated by the Law.

#### **Article 4: Shareholder's Rights**

- 4.1. The sole shareholder of the Bank shall have the right to:
  - a) take part in the management of the Bank in accordance with the procedure stipulated by the Law and this Charter;
  - b) solely approve decisions on issues within the competence of the General Meeting of Shareholders as stipulated in the legislation of the Republic of Armenia, as well as this Charter- making consultations with the Bank's other management bodies or third parties if necessary;
  - c) get information on the activities of the Bank and get familiarized with the accounting books, balance sheet, financial statements and other documents of the Bank in accordance with procedure stipulated by the Law. The sole shareholder shall undertake not to divulge the information comprising bank, trade or other secrets which become known to it as a result of management or audit of the Bank;
  - d) take part in the allocation of profit and receive dividends from the profit generated by the Bank;
  - e) obtain on a pre-emptive basis shares allocated by the Bank in accordance with the procedure stipulated by the Law or this Charter;
  - f) dispose the shares under its ownership in accordance with the procedure stipulated by the Law or this Charter;
  - g) in case of liquidation of the Bank, receive the part of property belonging to it or its price in accordance with the procedure stipulated by the Law;
  - h) file claims to the court for the purpose of appealing decisions passed by the other management bodies of the Bank, which contradict the laws and other legal acts effective at the moment;

- i) exercise other rights stipulated by the Laws of the Republic of Armenia and this Charter.
- 4.2. The sole shareholder of the Bank shall have the right to receive copies of the Bank's latest annual report and external audit report free of charge. The Bank shall upon the request of the sole shareholder of the Bank provide free of charge information stipulated by the Law. The information shall be provided to the shareholder upon written request within 5 days.

### **Article 5: Pre-emptive Rights of Shareholder**

- 5.1. In case of additional allocation of shares, the sole shareholder of the Bank shall have a pre-emptive right to acquire the allocated shares.
- 5.2. If the additionally allocated shares have not been purchased by the sole shareholder of the Bank within the period of 60 calendar days in accordance with Clause 5.1 of this Charter, the Board of the Bank may offer them to third parties on the conditions stipulated by the Board (which conditions shall not be more favorable than those offered to the sole shareholder of the Bank).

### **Article 6: Management of the Bank**

The management bodies of the Bank are:

- the sole shareholder of the Bank;
- the Board;
- the Chief Executive Officer.

### **Article 7: Sole Shareholder of the Bank**

- 7.1. The supreme management body of the Bank is the sole shareholder of the Bank.
- 7.2. The sole shareholder of the Bank shall make decisions regarding the issues to be discussed exclusively during the Annual General Meeting of shareholders in accordance with the legislation of the Republic of Armenia within the period of six months after the end of the financial year (annual decision).  
All decisions of the sole shareholder of the Bank other than the annual decision shall be considered as extraordinary decisions.
- 7.3. In cases where a report or an opinion must be presented by any management body of the Bank or third party, or the sole shareholder of the Bank wants to have a meeting/consultation with any management body of the Bank or third party, the sole shareholder may convene a meeting for such purpose prior to making a decision in accordance with the legislation of the Republic of Armenia. Such

meeting may be convened not only through joint physical presence of the invitees, but also via telephone, telecommunication, electronic or other means of communication in real time operation mode.

7.4. The following persons shall have the right to participate at the meetings stipulated in clause 7.3. of this Charter:

- a) the sole shareholder of the Bank;
- b) Board members and the Chief Executive Officer of the Bank;
- c) the Bank's Internal Audit Members;
- d) the External Auditor of the Bank (if the report of the External Auditor is included in the agenda of the meeting);
- e) the representatives of the Central Bank of Armenia;
- f) other persons envisaged by the Law.

7.5. The notice on convening a meeting stipulated in clause 7.3. of this Charter shall be dispatched at least 1 (one) working day prior to the meeting if the notice is dispatched via e-mail or any software/application platform (including mobile application); and at least 5 (five) working days prior to the meeting, if the notice is dispatched by post. The Company Secretary of the Bank shall be responsible for dispatching notices and convening the meeting and shall be accountable to the sole shareholder of the Bank for these processes.

7.6. The meetings stipulated in clause 7.3. of this Charter shall be recorded by the Company Secretary. Minutes of these meetings shall be signed (including via electronic signature or electronic approval in the form of one consolidated or separate documents) by the sole shareholder of the Bank and the Company Secretary. The extracts from the Minutes shall be provided and signed by the Company Secretary.

7.7. Decisions of the sole shareholder of the Bank shall be signed only by the latter (including via electronic signature or electronic approval), The Company Secretary shall be responsible for preparing draft decisions of the sole shareholder of the Bank, and for timely submission to the sole shareholder of the Bank of the package with the draft and respective documents enclosed thereto.

7.8. The sole shareholder of the Bank shall:

- a) approve the Bank Charter, as well as amendments to the Charter, approve the new edition of the Charter;
- b) change the Bank's share capital and its structure;
- c) restructure and liquidate the Bank, appoint a liquidation committee, approve the interim and final liquidation balance-sheets;

- d) define the maximum number of authorized shares of the Bank;
  - e) appoint Board members within the numeric composition stipulated in the decision of the sole shareholder and this Charter , terminate their authorities, determine the compensation of Board members;
  - f) appoint the independent auditor of the Bank at the recommendation of the Board;
  - g) approve the annual reports, balance sheet, profit and loss accounts, as well as the audit statements and reports;
  - h) approve the amount of provisioning to reserves to provide reimbursement for losses or otherwise mitigate the risk of losses being incurred;
  - i) approve the payment of annual dividends, amount of annual dividends and terms of payment of annual dividends;
  - j) make decisions on major transactions related to the sale and purchase of Bank property in cases stipulated by the Law, except for transactions effected within the scope of regular commercial activity of the Bank. For the purposes of this Charter any transaction on acquisition of property, pledged in favour of the Bank as security for debtor's obligations within the scope of financial transactions effected by the Bank and foreclosed by the Bank for satisfaction of its claims in accordance with the procedure stipulated by the legislation of the Republic of Armenia, as well as its further alienation by the Bank shall also be considered as a transaction effected within the scope of regular economic activity of the Bank;
  - ja) make decisions on transactions with interested parties in cases stipulated by the Law;
  - jb) establish subsidiaries and affiliated companies of the bank, acquire equity interest in such companies, establish unions of commercial companies;
  - jc) implement other authorities envisaged by this Charter and the Law.
- 7.9. The authorities stated above are within the exclusive competence of the sole shareholder of the Bank, except for the authorities stated under sub-clause (jb) above.

## **Article 8: Board**

- 8.1. The Board shall implement the general management of the activity of the Bank within the scope of issues reserved to the authority of the Board.
- 8.2. Members of the Board shall be appointed by the annual decision of the sole shareholder for a period of one year. The numeric composition of the Board is defined 5 (five) members.
- 8.3. The Board shall be entitled to nominate candidates for Board members to the sole shareholder of the Bank.  
The Board shall nominate candidates for the Board members by convening a meeting as stipulated in clause 7.3. of this Charter with assistance of the Company Secretary and providing detailed information related to the candidates to the sole shareholder of the Bank during the meeting.
- 8.4. The Chairman of the Board shall be elected from among the Board members based on recommendation of the sole shareholder of the Bank and by simple majority of votes of the Board members. In case of absence of the Board Chairman, present Board members of the Meeting shall elect acting Chairman of the Board from participating Board members for the purpose of chairing that Meeting by simple majority of votes. The Board members may not occupy any other position in the Bank.
- 8.5. The Chairman of the Board shall;
  - a) organize the works of the Board;
  - b) convene and preside at the Board meetings;
  - c) organize the keeping of Board meetings' minutes;
  - d) preside the meetings stipulated in clause 7.3. of this Charter (in case of participation);
  - e) organize the works of committees of the Board.
- 8.6. The authorities of the Board members may be terminated before their term of office expires in cases stipulated by the Law. In cases of termination of a Board member's authorities the sole shareholder of the Bank shall approve an extraordinary decision on appointment of a new Board member.
- 8.7. The Board shall be responsible for all management issues of the Bank, including:
  - a) making decisions on the main directions of activity of the Bank, including approval of the strategic development plan;
  - b) preparing proposals to the sole shareholder of the Bank on any issue within the scope of competence of the latter,
  - c) making decision on the market price of Bank property in cases stipulated by the Law. The Board shall have a right to approve objective criteria/formula, for the purpose of defining the market value of low valued/immaterial



property of the Bank, which if applied, shall automatically result in calculation of the market value of the respective property and such calculated value will be considered as approved by the Board without a separate Board decision related to that property. For the purposes of this Charter any property item, the residual book value of which does not exceed AMD 50,000,000 (fifty million) threshold, shall be considered as low valued/immaterial property at the moment of deciding its market value;

- d) approval of internal control standards in the Bank, formation of internal audit subdivision and approval of its annual working plan, early termination of the authorities of Internal Audit members and defining their remuneration;
- e) approval of actual versus planned performance;
- f) presenting for the approval of the sole shareholder of the Bank the candidacy of the External Auditor of the Bank and determining the amount of remuneration of the External Auditor;
- g) preparing suggestions for the sole shareholder of the Bank on the size and procedure of payment of annual dividends of the Bank and making decisions on payment of interim dividends;
- h) utilizing the reserve fund and other funds;
- i) adopting a decision on allocation of bank bonds and other securities;
- j) conclusion of major transactions (except of transactions effected within the scope of regular economic activity of the Bank) and transactions with interested parties in cases stipulated by the Law;
- ja) approval of the Bank's internal administrative structure and list of staff positions, as well as determining the human resources policy, except of approvals of staff positions related to the employees not reporting directly to the Chief Executive Officer;
- jb) preliminary approval of the annual financials of the Bank and their submission to the sole shareholder of the Bank for approval;
- jc) approval of the by-laws of territorial and independent structural subdivisions of the Bank and allocation of operational duties among the structural subdivisions;
- jd) defining the principles, standards, methods and procedures of accounting in the Bank;
- je) approving the internal documents regulating the activity of the management bodies of the Bank, including approval of policies on financial operations and control;
- jf) establishing, restructuring and liquidating branches, representative offices of the Bank;
- kg) appointing the Chief Executive Officer, as well as Deputy Chief Executive Officer and Chief Accountant at the recommendation of the Chief Executive Officer, early termination of their authorities and approval of the terms of their remuneration;
- jh) participation in unions of commercial companies;
- ji) other matters not within the exclusive competence of the Sole Shareholder of the Bank as the sole shareholder may resolve to delegate to the Board;
- jj) other matters as stipulated under the Law.

- 8.8. Adoption of decisions specified under sub-clauses a) – jh) above are within the exclusive competence of the Board.
- 8.9. The Board shall have a quorum if the majority of Board members are present at the meeting.
- 8.10. The decisions shall be adopted by the majority of votes of the Board members participating at the meeting, if more quorum is not stipulated in the legislation of the Republic of Armenia, except for the decisions on major transactions under sub-clause j) of Clause 8.7. which shall be adopted unanimously.
- 8.11. Board meetings shall be convened at least once every two months.
- 8.12. Notices of Board meeting must be sent to Board members in electronic manner (via e-mail or any software/application platform (including mobile application) or post 7 days before the meeting. In case there is a necessity to make decisions on urgent issues the notice on convening a meeting may be filed in a shorter period.
- 8.13. Board resolutions may be passed by remote voting (enquiry).  
The remote voting will be conducted by sending to board members enquiries via e-mails and receiving their responses.  
The Board decisions adopted via remote voting shall be deemed accepted, if the majority of the Board members votes “for” the decision, if more quorum is not stipulated in the legislation of the Republic of Armenia. Board member is considered to have participated in voting, if his/her response is received by the Company Secretary by the deadline mentioned in the enquiry Responses received after the deadline shall not be considered by the Company Secretary for summing up the results of remote voting. The remote voting results shall be summed up by the Company Secretary on the final day mentioned in enquiry, which shall be considered as respective decision date. The minutes on summing up of the results of remote voting shall be prepared and signed by the Company Secretary. The Company Secretary shall also prepare a documentary form of the Board decision, which shall be signed by the Board Chairman (including via electronic signature or electronic approval),
- 8.14. The Board may adopt decisions at a meeting during which all the participants of a Board meeting are able to communicate with each other via telephone, telecommunication, electronic or other communication means in real time operation mode. Such a meeting shall not be considered as a meeting held in remote manner. The notification of a Board Meeting to be held via telephone, telecommunication, electronic or other means of communication in real time operation mode shall be sent in the manner and within the period stipulated in clause 8.12 of this Charter.
- 8.15. Any member of the Board may present suggestions on the agenda of the Board meeting, participate in the discussions and vote in accordance with the stipulated procedure.

- 8.16. Voting at the Board meetings shall be conducted according to “one member – one vote” principle.
- 8.17 At least once a year the Board at its meeting shall discuss the report (management letter) of the External Auditor, as well as discuss and if necessary revise the main directions of activity, strategy, regulations and other internal legal acts of the Bank. The report (management letter) of the External Auditor shall be discussed at the Board Meeting following submission of the Report to the Bank. The representatives of the External Audit shall be invited to the Board Meeting in order to participate at the discussion of the said issue.
- 8.18. At least once a quarter or on other frequency stipulated in the legislation of the Republic of Armenia the Board at its meeting shall discuss the reports of the Bank’s Internal Audit, Chief Executive Officer, Chief Accountant, as well as the reports on effected transactions, established business relationships, the activities of the Bank’s territorial, structural divisions and employees related to compliance with the anti-money laundering and combatting terrorism financing legislation of the Republic of Armenia (hereinafter AMLCTF reports) The head of the Internal Audit, Chief Executive Officer and Chief Accountant shall submit their reports to the Board at least 7 days before the respective Board meeting. The head of the Internal Audit, Chief Executive Officer, Chief Financial Officer and Chief Accountant, a person responsible for AMLCTF reports and/or other persons invited by the Board participate in the discussion of the reports. In the result of the reports’ discussion the Board may give respective instructions to the Bank’s Internal Audit Head, Chief Executive Officer, Chief Financial Officer and/or Chief Accountant.
- 8.19. Minutes of Board meetings shall be compiled by the Company Secretary, who shall be responsible for organizing and holding the Meetings in accordance with the corporate governance standards of the Bank. Minutes of the Meeting shall be signed by Board members and Company Secretary (including via electronic signature or electronic approval), The extracts from the Board decisions or from Minutes of the Meetings shall be provided and signed by the Company Secretary.
- 8.20. The Board can establish committees attached to the Board. The committees attached to the Board can include the Board members, as well as other managers and employees of the Bank designated by the Board. The committees attached to the Board shall have consultative functions. The head or other members of Internal Audit of the Bank shall be invited to the Committees’ meetings.

## **Article 9: Chief Executive Officer of the Bank**

- 9.1. The ongoing activity of the Bank shall be managed by the Chief Executive Officer. No Administration shall be established at the Bank. The Chief Executive

- Officer is appointed by the Board. All other executives of the Bank are appointed by the Chief Executive Officer, except for the cases as stipulated by the Law.
- 9.2. Within the competence of the Chief Executive Officer shall be all powers other than those vested by the Law and this Charter in the exclusive authority of the sole shareholder of the Bank, the Board, Internal Audit or Chief Accountant.
- 9.3. The Chief Executive Officer shall:
- a) represent the Bank before third parties, state agencies, the court and other authorities;
  - b) dispose the property and funds of the Bank, sign agreements and transactions on behalf of the Bank;
  - c) hire and dismiss Bank employees, sign employment contracts;
  - d) act without a power of attorney and issue powers of attorney;
  - e) implement other authorities envisaged by the Law and this Charter.
- 9.4. In the absence of the Chief Executive Officer the authorities of the Chief Executive Officer shall be implemented by the Deputy Chief Executive Officer (in case of his/her absence –other Bank executive, in accordance with the procedure stipulated by the legislation) based on a properly completed takeover certificate/power of attorney.

## **Article 10: Internal Audit**

- 10.1 The head and members of the Bank’s internal audit division (“Internal Audit”) are appointed by the Board of the Bank.
- 10.2. The Internal Audit shall:
- a) provide independent assessment regarding the internal control system of the Bank, including risk management system, the quality, adequacy and efficiency of the Bank’s management framework and processes;
  - b) give opinion and make suggestions on matters raised by the Board or identified at its own initiative.
- 10.3. The members of Internal Audit may participate at Board meetings and shall be provided with a copy of the Board meetings’ minutes.
- 10.4. The head of Internal Audit shall submit to the Board and the Chief Executive Officer regular and special reports in the manner stipulated by the Law.
- 10.5. In case of detecting breaches of laws and other legal acts Internal Audit shall submit a report to the Board with the suggestion of measures for elimination of those breaches and prevention of such breaches in future. The Board may discuss the

report of Internal Audit at a Board meeting and give respective instructions to the managers of the Bank.

### **Article 11: The branches and representative offices of the Bank**

- 11.1. The Bank may establish branches and representative offices within and outside the territory of the Republic of Armenia in accordance with the procedure stipulated by the legislation of the Republic of Armenia.
- 11.2. Branches and representative offices of the Bank do not have the status of a legal entity and act on behalf of the Bank within the authorities granted and in accordance with the By-laws approved by it.

### **Article 12: Financial Provisions**

- 12.1. The Bank shall keep accounting records in accordance with the legislation of the Republic of Armenia
- 12.2. The financial year of the Bank shall be the same as the calendar year.
- 12.3. The Bank's financial activities shall be audited by independent auditors appointed by the sole shareholder of the Bank.
- 12.4. The Bank shall maintain such reserves as may be mandatory under the legislation of the Republic of Armenia.
- 12.5. Net profit of the Bank may be used for payment of dividends to the shareholder, activities of the Bank and provisions made to the reserve fund of the Bank.
- 12.6. The Chief Accountant of the Bank shall have the rights and bear obligations stipulated by legislation and other legal acts of the Republic of Armenia for the chief accountant.  
The Chief Accountant of the Bank shall be responsible for keeping the accounting records, their state and reliability, preparing the annual or other required reports on other frequency, timely submission of financial and statistic reports to state bodies, as well as for the reliability of financial information submitted to the sole shareholder of the Bank, creditors and mass media in the manner stipulated by the legislation of the Republic of Armenia.

### **Article 13: Liquidation of the Bank**

- 13.1. The Bank may be liquidated in cases and in accordance with the procedure set forth in the Law.

- 13.2. The voluntary liquidation of the Bank may be implemented at the decision of the sole shareholder of the Bank in accordance with the Law.
- 13.3. The voluntarily liquidation of the Bank is implemented in accordance with the procedure stipulated by the Law.
- 13.4. Liquidation Committee comprising of at least three persons shall be elected by the sole shareholder of the Bank.
- 13.5. Any assets remaining after the payment to the creditors and other persons defined in the legislation of the Republic of Armenia (if available) shall be provided to the sole shareholder of the Bank.

#### **Article 14: Final Provisions**

- 14.1. This Charter is drawn up in Armenian.
- 14.2. The Charter comes into effect from the moment of its registration.