

Approved by

General Meeting of Shareholders

14.08.2012

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Vahagn Mikayelyan  
Company Secretary

Registered at

The Central Bank of Armenia

No.

\_\_\_\_\_ 2012

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A.Javadyan  
Central Bank Chairman

**CHARTER**  
**(new edition)**  
**of**  
**HSBC Bank Armenia**  
**Closed Joint Stock Company**

**Yerevan 2012**

## 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 – «Էլչ-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 – «Էլչ-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 shareholders. 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 the shareholders and the shareholders shall not be liable for the obligations of the Bank. The liability of each 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 financial leasing transactions;
- (c) drawing, purchasing, selling or in any other way servicing securities and other instruments, including making investments therein;
- (d) providing, redeeming and paying letters of credit;
- (e) buying and selling foreign exchange and precious metals (bullion);
- (f) holding property on trust, taking funds, securities, documents, precious stones, metals and other valuables under custody;
- (g) providing payment/clearing services;
- (h) issuing bank guarantees;
- (i) conducting investment and subscription activities, rendering services of a financial agent;
- (j) rendering services on evaluation of the creditworthiness of clients;
- (ja) conduct other operations not forbidden by the legislation of the Republic of Armenia.

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

- 3.1. The authorized share capital of the Bank is 18,434,350,000 (eighteen billion four hundred thirty four million three hundred fifty thousand) Armenian Drams.
- 3.2. The authorized 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.
- 3.3. The authorized share capital of the Bank shall be paid up in AMD.
- 3.4. The allocation of shares of the Bank shall be reflected in the Shareholders' Register in accordance with the procedure stipulated by the legislation.
- 3.5. At the moment of re-registration of the Charter the shares are fully paid by the shareholders and the actual paid up capital of the Bank is AMD 18,434,350,000 (eighteen billion four hundred thirty four million three hundred fifty thousand).

- 3.6. The shares are allocated among shareholders of the Bank as follows:
- HSBC Europe B.V, which has paid AMD 12,904,045,000 (twelve billion nine hundred four million forty five thousand) for 426,580 (four hundred twenty six thousand five hundred eighty) ordinary shares; and
  - Wings Establishment, which has paid AMD 5,530,305,000 (five billion five hundred thirty million three hundred five thousand) for 182,820 (one hundred eighty two thousand eight hundred twenty) ordinary shares.
- 3.7. 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.
- 3.8. 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.
- 3.9. Reduction of the actual paid up capital of the Bank is not allowed, except for the cases stipulated by the Law. The Bank upon the request of the shareholder (shareholders) shall be obliged to repurchase their shares or a part thereof in cases and in the manner stipulated by the Law.

#### **Article 4: Shareholders' Rights**

- 4.1. The shareholders 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) take part in the General Meeting of Shareholders, including by way of a proxy or in any other way stipulated by the Law via authorized persons and make suggestions on issues within the competence of the General Meeting of Shareholders, take part in discussions and vote in proportion to their shareholding;
  - 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 shareholders shall undertake not to divulge the information comprising bank or trade secrets which become known to them 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 belonging to other shareholders and obtain in the order of priority the 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 management bodies of the Bank including the General Meeting of Shareholders, which contradict the laws and other legal acts effective at the moment;
- i) exercise other rights stipulated by the Laws and/or this Charter.

4.2. Each of the Bank's shareholders 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 any shareholder holding more than 2 percent of the Bank's voting shares 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 Shareholders**

- 5.1. In case of additional allocation of shares, each of the shareholders shall have a pre-emptive right to subscribe for the same pro rata to its shareholding.
- 5.2. If the additionally allocated shares have not been purchased by shareholders within the period of 60 calendar days in accordance with Clause 5.1 of this Article, 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 shareholders).
- 5.3. If any shareholder sells its shares in the Bank, each of the other shareholders shall have the pre-emptive right of acquisition of such shares pro rata its shareholding within 60 calendar days upon filing a notice on the sale of shares. If the shares have not been purchased within 60 calendar days upon filing such a notice, they may be offered by the owner to third parties on the conditions stipulated by the owner (which conditions shall not be more favorable than those offered to shareholders).

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

The management bodies of the Bank are:

- the General Meeting of Shareholders
- the Board
- the Chief Executive Officer.

### **Article 7: General Meeting of Shareholders**

- 7.1. The supreme management body of the Bank is the General Meeting of Shareholders (General Meeting).
- 7.2. The Annual General Meeting shall be convened within the period of six months after the end of the financial year.
- 7.3. For the discussion of urgent issues an Extraordinary General Meeting may be convened. The Extraordinary General Meeting may be held by remote voting (enquiry).  
The remote voting shall be carried out through the ballots compiled in accordance with the Law. The ballots shall be sent to shareholders electronically or via post, which also shall be deemed as a notice of General Meeting, except for the cases, when an election of a Board member is included on the agenda of the General Meeting. In such cases shareholders shall be notified about the General Meeting at least 7 days prior to sending the ballots to shareholders.  
The decisions adopted at the General Meeting via remote voting shall be deemed to have legal force, if shareholders holding more than half of the Bank's voting shares have participated to the voting.  
In case of remote voting the ballots shall be provided to the shareholders at least 30 days prior to the date of acceptance of filled in ballots by the Bank.  
The shareholders shall dispatch the filled in ballots to the Bank electronically or via post.
- 7.4. The decisions of the General Meeting may be adopted at a meeting during which the participants of the General Meeting may communicate with each other via telephone, telecommunication, other means of communication in real time operation mode. Such a meeting shall not be deemed to be held via remote voting. The notice on a General Meeting to be held via telephone, telecommunication or other means of communication in real time operation mode shall be filed in the manner and within the period stipulated in clause 7.11 of this Charter.
- 7.5. The following persons shall have the right to participate at the General Meeting of Shareholders:
- a) shareholders of the Bank;
  - b) non shareholder Board members and the Chief Executive Officer of the Bank with a right of advisory vote;
  - c) the Bank's Internal Audit Members – as observers;
  - d) the External Auditor of the bank- as observer (if the report of an External Auditor is included in the agenda of the General Meeting);
  - e) the representatives of the Central Bank of Armenia – as observers;
  - f) other persons envisaged by the Law.
- 7.6. The list of shareholders having right to participate at the General Meeting shall be drawn up as at the year, month and date stipulated by the Board based on the data of Bank's Shareholders' Register. The list of shareholders having right to participate at

the General Meeting shall be provided to the Bank's shareholders, registered in the Bank's Shareholders' Register upon their request. The Bank shall also provide a reference to a Bank shareholder on its inclusion in the list of shareholders having right to participate at the General Meeting upon the request of the shareholder.

7.7. The General Meeting 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) approve the number of Board members, elect Board members and 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;
- 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 and participate therein;
- jc) implement other authorities envisaged by this Charter and the Law.

7.8. The authorities stated above are within the exclusive competence of the General Meeting, except for the authorities stated under sub-clause (jb) above.

- 7.9. General Meeting shall be deemed to have a quorum when shareholders (or their proxies), representing more than half of the voting shares, are present.
- 7.10. Resolutions of the General Meeting may be passed by a simple majority of votes, except for the resolutions on matters specified below, which shall be passed by 3/4 of votes.
- a) amendments to the Charter, approval of the new edition of the Charter
  - b) passing resolutions on the reorganization or liquidation of the Bank, as well as appointment of a liquidation committee, approval of interim and final liquidation balance sheets;
  - c) election of members of the Board and termination of their authorities;
  - d) establishment, reorganization and liquidation of any subsidiary or affiliated company;
  - e) passing resolutions on conclusion of major transactions related to the sale or purchase of Bank property, in cases stipulated by the Law;
  - f) passing resolutions on conclusion of transactions with interested parties, in cases stipulated by the Law;
  - g) decision on the maximum number of authorized shares of the Bank;
  - h) decision on reduction of the Share Capital of the Bank in cases stipulated by the Law.
- 7.11. The notice on convening a General Meeting shall be dispatched at least 7 days prior to the meeting via e-mail or post. A shorter notice period may be stipulated for extraordinary meetings, if such an agreement has been reached between the shareholders.
- 7.12. Each shareholder shall have the right to submit proposals on the agenda of the meeting. The issues proposed by shareholders shall be included in the agenda. The General Meeting shall not be obliged to discuss issues not included in the agenda.
- 7.13. Voting at General Meetings shall be conducted according to the principle of one vote for one share.
- 7.14. Shareholders of the Bank may exercise their right to participate in the meeting personally or via proxy authorized by a valid power of attorney. A shareholder may also authorize other shareholders to act at the General Meeting on its behalf.



- 7.15. General Meetings of Shareholders shall be recorded. Minutes of the General Meeting shall be signed by the Chairman and the Secretary of the General Meeting or by the shareholders or their representatives, participating at the General Meeting. In cases of a General Meeting held in remote manner the Minutes shall be signed by the shareholders or their representatives, participating at the voting or by the Chairman and the Secretary of the General Meeting.

## **Article 8: Board**

- 8.1. The Board of the Bank 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 elected at the Annual General Meeting for a period of one year. The number of Board members shall be stipulated by the General Meeting but shall not be less than five and more than 15 members.
- 8.3. The Bank shareholders, as well as the Board, except for the case of the formation of the Board for the first time, shall be entitled to nominate candidates for Board members to the General Meeting.  
In case of nominating a candidate for a Board member the Bank's shareholders shall submit a respective written proposal to the Board Chairman at least three days prior to convening the General Meeting or at least 30 days prior to the deadline for acceptance of filled in ballots by the Bank, in case of a remote voting General Meeting. The Board shall nominate candidates for the Board members by including the issue of candidates' in the agenda of the General Meeting.
- 8.4. Shareholders holding less than 10 percent of the Bank's voting shares can consolidate their shares and if the total number of their shares makes 10 or more percent of the Bank's voting shares include their representative to the Board without election by the General Meeting via signing a contract on formation of a group. The contract on formation of a group shall be signed in accordance with the Law at least 45 days before the day of convening the General Meeting. The copies of the contract shall be provided to all participants of the General Meeting in the manner stipulated by the Law. The shareholders holding less than 10 percent of the Bank's voting shares, who have not entered into a contract on formation of a group (minority shareholders) shall be entitled to include their representative to the Board. Representative of the minority shareholders shall be elected by unanimous decision of minority shareholders participating at the General Meeting.
- 8.5. The Chairman of the Board shall be elected from among the Board members by simple majority of their votes. The Board members may not occupy any other position in the Bank.
- 8.6. 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 at the General Meetings of Shareholders;
- e) organize the works of committees of the Board.

8.7. 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 an extraordinary General Meeting shall be convened in accordance with the Law and this Charter. The Extraordinary General Meeting shall approve the termination of a Board member's authorities and elect a new Board member by 3/4 of votes of shareholders participating at the Meeting.

8.8. 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) convening of Annual and Extraordinary General Meetings of the Bank, approving the agendas of the meetings convened, as well as arranging any preparatory work necessary for convening and conducting such meetings;
- c) making decision on the market price of Bank property in cases stipulated by the Law;
- 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 General Meeting of Shareholders the candidacy of the External Auditor of the Bank and determining the amount of remuneration of the External Auditor;
- g) preparing suggestions for the General Meeting 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 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;
- jb) preliminary approval of the annual financials of the Bank and their submission to the General Meeting 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 Financial Officer at the recommendation of the CEO, early termination of their authorities and approval of the terms of their remuneration;
  - kh) other matters not within the exclusive competence of the General Meeting as the shareholders may resolve to delegate to the Board;
  - ki) other matters as stipulated under the Law.
- 8.9. Adoption of decision specified under sub-clauses a) – kg) above are within the exclusive competence of the Board.
- 8.10. The Board shall have a quorum if the majority of Board members are present at the meeting.
- 8.11. The decisions shall be adopted by the majority of votes of the Board members participating at the meeting, except for the decisions on major transactions under sub-clause k) of Clause 8.8. which shall be adopted unanimously.
- 8.12. Board meetings shall be convened at least once every two months.
- 8.13. Notices of Board meeting must be sent to Board members, via e-mail 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.
- 8.14. 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.  
The results of the remote voting shall be documented, and the hard copy of the board decision shall be signed by Chief Executive Officer and/or Company Secretary.
- 8.15. 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 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 or other means of communication in real time operation mode shall be sent in the manner and within the period stipulated in clause 8.13 of this Charter.

- 8.16. 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.
- 8.17. Voting at the Board meetings shall be conducted according to “one member – one vote” principle.
- 8.18. 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.
- 8.19. At least once a quarter the Board at its meeting shall discuss the reports of the Bank’s Internal Audit, Chief Executive Officer and Chief Financial Officer. The head of the Internal Audit, Chief Executive Officer and Chief Financial Officer shall submit their reports to the Board at least 7 days before the respective Board meeting. In the result of the reports’ discussion the Board may give respective instructions to the Bank’s Internal Audit Head, Chief Executive Officer and Chief Financial Officer.
- 8.20. Minutes of Board meetings shall be compiled.
- 8.21. 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 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 General Meeting, the Board, Internal Audit or Chief Financial Officer.
- 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) carry out control over current activities of the Bank and its operational risks;
- b) carry out control over implementation of laws, other legal acts and internal acts of the Bank by the Chief Executive Officer of the Bank and territorial and structural subdivisions of the Bank, as well as control over the implementation of the instructions given to the Chief Executive Officer of the Bank;
- c) 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 discovering violations of laws and other legal acts Internal Audit shall submit a report to the Board with the suggestion of measures for elimination of those violations and prevention of such violations 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 General Meeting.
- 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 shareholders, activities of the Bank and provisions made to the reserve fund of the Bank.
- 12.6. The Chief Financial Officer 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 Financial Officer of the Bank shall be responsible for keeping the accounting records, their state and reliability, timely submission of financial and statistic reports to state bodies, as well as for the reliability of financial information submitted to the Bank's shareholders, 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 General Meeting 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 General Meeting of the Bank.
- 13.5. Any assets remaining after the payment to the creditors and preferred shareholders shall be distributed amongst the shareholders pro rata their shareholdings.

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

- 14.1. This Charter is drawn up in three Armenian copies. All copies are equally valid.
- 14.2. The Charter comes into effect from the moment of its registration.