

“Registered”  
at the National Bank of Georgia  
Registration No. 86  
December, 1994

“Approved”  
by the Resolution of the Extraordinary  
General Meeting of Shareholders  
of JSC “Bank of Georgia”  
Minutes No. 23, December 22, 2005

**Registered**  
**by Krtsanisi District Court**  
**Registration No. 06/5-07**  
November 29 1995  
August 29 1996  
February 06 1997  
July 03 1997  
May 28 1998  
July 13 1998  
June 29 1999  
May 17 2001  
May 08 2002  
May 06 2003  
August 02 2004  
January 21 2005  
April 11 2005

**Amendments are registered**  
**by Tbilisi Tax Inspection**

# **Charter of Joint Stock Company Bank of Georgia**

Tbilisi

## TABLE OF CONTENTS

Article 1	
<b>General Provisions</b> .....	<b>3</b>
Article 2	
<b>Activities of the Bank</b> .....	<b>3</b>
Article 3	
<b>Charter Capital, Shares and Other Securities</b> .....	<b>4</b>
Article 4	
<b>The Bank’s Shareholders</b> .....	<b>5</b>
Article 5	
<b>Distribution of Profit and Compensation of Loss</b> .....	<b>6</b>
Article 6	
<b>Management of the Bank</b> .....	<b>7</b>
Article 7	
<b>General Meeting of Shareholders</b> .....	<b>7</b>
Article 8	
<b>Supervisory Board</b> .....	<b>9</b>
Article 9	
<b>Management Board</b> .....	<b>11</b>
Article 10	
<b>Audit Committee and Internal Controls</b> .....	<b>13</b>
Article 11	
<b>Confidentiality</b> .....	<b>13</b>
Article 12	
<b>Termination of the Bank’s Activities</b> .....	<b>14</b>
Article 13	
<b>Branches</b> .....	<b>14</b>
Article 14	
<b>Conclusive Provisions</b> .....	<b>14</b>

## **Article 1**

### **General Provisions**

- 1.1. Joint Stock Company Bank of Georgia (hereinafter referred to as the “Bank”), as an universal commercial bank, was established on the basis of resolution #288 of the Cabinet of Ministers of the Republic of Georgia "on State-owned organizations, organizational measures for the merger of state-owned organizations and transformation of state-owned organizations into the joint stock companies” dated April 14, 1993, decree # 178 of the Head of the State of the Republic of Georgia on “Regulating the process of privatization and accelerating some of the measures” dated May 29, 1994 and the law of Georgia on “Activities of banks in the Republic of Georgia” dated August 2, 1994.
- 1.2. The Bank is a legal entity. The rights and obligations of the Bank are determined by the present Charter, the Law of Georgia on “Entrepreneurship”, Law of Georgia on “Activities of Commercial Banks”, instructions of National Bank of Georgia and all other applicable laws of Georgia.
- 1.3. The Bank has its corporate name, the stamp and logotype, as well as other relevant requisites thereof:
  - Full name in Georgian: სააქციო საზოგადოება `საქართველოს ბანკი`
  - Full name in English: Joint Stock Company Bank of Georgia
- 1.4. The Bank’s registered office is located at 3 Pushkin Street, Tbilisi, 0105, Georgia
- 1.5. Time-period of the Bank’s activities is unlimited.
- 1.6. The fiscal year of the Bank coincides with the calendar year. It consists of twelve months, starting from January 1 and ending on December 31.
- 1.7. The Bank is established for the purpose of generating profits by long-term, permanent and independent entrepreneurial activities.
- 1.8. The Bank has its own property and it can appear in legal transactions under its own name, acquire property and non-property rights, undertake obligations, and be a claimant or defendant in the Court, Arbitration Court and Mediation Court.
- 1.9. The Bank has its independent balance sheet, is entitled to open settlement and other types of accounts (including foreign currency accounts) in Georgia and foreign countries.
- 1.10. The Bank is not liable for its Shareholders’ obligations and the Shareholders are liable for the Bank’s obligations up to the amount of their respective contributions to the Bank’s Charter Capital.

## **Article 2**

### **Activities of the Bank**

- 2.1. The Bank carries out its activities in accordance with the Law of Georgia on “Entrepreneurship” dated October 28, 1994 (as amended from time to time), Law of Georgia on the “Activities of Commercial Banks” dated February 23, 1996 (as amended from time to time), decrees, resolutions and other regulations of National Bank of Georgia, documented administrative and accounting procedures, terms, conditions and limitations attached to the banking licenses, other laws of Georgia and the present Charter. If there is no regulation or decree of the National Bank of Georgia for specific banking activity, the Bank will act in accordance with international banking practices.
- 2.2. In accordance with the license issued by the National Bank of Georgia, the Bank provides lending, financial, settlement, cash and other banking services, including:
  - 2.2.1. Attracting interest bearing and non-interest bearing (callable, time and other) deposits and other repayable payment instruments;
  - 2.2.2. Issuance of loans, including, without limitation, consumer, mortgage, unsecured and other types of loans, factoring operations with the right of recourse and without such rights, financing commercial transactions, issuance of guarantees, letters of credit and acceptance bills, including forfeits.

- 2.2.3. Purchase and sale of cash documents (including, without limitation, cheques, promissory notes and depositary certificates), securities, futures and options with debt instruments or interest, currency and interest instruments, debt documents, foreign currencies, precious metals and gems by the Bank's own or clients' financial means;
  - 2.2.4. Carrying out cash and non-cash transactions, providing cash collection services;
  - 2.2.5. Issuance and circulation of payment tools (payment notes, cheques and bills of exchange);
  - 2.2.6. Intermediary services on financial markets;
  - 2.2.7. Carrying out operations, attracting and placement of funds on behalf of clients (trust operations);
  - 2.2.8. Keeping and record maintenance for valuables, including the securities;
  - 2.2.9. Credit-information services;
  - 2.2.10. Services related to any of the activities provided above;
  - 2.2.11. Any other type of banking activity carrying out of which is permitted for the Bank under the laws of Georgia.
- 2.3. When carrying out its activities the Bank is obliged to comply with the economic limits and economic standards set by the National Bank of Georgia.
  - 2.4. The Bank shall adhere to the rules and regulations set forth by the banking legislation of Georgia regarding holding the equity interests by the Bank in other legal entities.

### **Article 3**

#### **Charter Capital, Shares and Other Securities**

- 3.1. The total Declared Charter Capital of the Bank amounts to GEL 19,783,409 (nineteen million seven hundred eighty-three thousand four hundred nine).
- 3.2. The Bank's total declared Charter Capital is divided into 19,783,409 (nineteen million seven hundred eighty-three thousand four hundred nine) common shares. Par value per share is GEL 1.00 (one). Each common share entitles one vote to its owner at the General Meeting of Shareholders. The Bank will issue the shares only in case of full payment of their par value.
- 3.3. The Bank has the right to issue preferred shares in accordance with the laws of Georgia. Such preferred shares shall form part of the Charter Capital and entitle their owners to a specific rate of dividend. The amount and rules of preferred dividend payout will be defined under the relevant share issue prospectus (if any) in accordance with the applicable laws. Preferred shares will not be entitled to voting rights at the General Meeting of Shareholders.
- 3.4. Holders of the Bank's shares shall have a preemptive right to acquire additional shares issued by the Bank, in the same proportion which the par value of such holder's shares bears to the total par value of all shares outstanding immediately prior to the issuance of such additional shares; except that such right shall not exist with respect to the shares issued out of the part of Authorized Capital designated by the General Meeting of the Shareholders for employee stock ownership purposes in accordance with section 3.10 below. In all other cases, cancellation / waiver of preemptive rights to the newly issued shares shall be approved by the General Meeting of the Shareholders in accordance with sub-section 7.3.3 and section 7.5.
- 3.5. Maintenance of the register of the Bank's shares shall be carried out by an independent registrar in accordance with the established procedures.
- 3.6. General Meeting of Shareholders is authorized to make decisions on increasing or decreasing the Bank's Charter Capital via issuing new or canceling the existing shares (in the cases envisaged by the applicable laws). Acquisition price of newly issued shares shall not be less than nominal value per share.
- 3.7. Charter Capital can be increased by means of the conversion of reserve funds into the Charter Capital. In such case, the cancellation of the Shareholders' preemptive rights to subscribe for any newly issued share is forbidden.
- 3.8. For the purposes of increasing the Charter Capital, the Bank may issue other securities convertible into common and/or preferred shares.

- 3.9. When increasing the Bank's Charter Capital via Authorized Capital, the Bank's management is entitled, with the approval of the Supervisory Board, to fully or partially increase the Charter Capital up to the amount indicated in the relevant resolution by means of issuing new shares. The resolution of the General Meeting of Shareholders regarding the increase of Charter Capital via Authorized Capital shall include whether or not and in what amount the increase affects the preferred and common shares, as well as the term of the authorization (such term shall not exceed five (5) years).
- 3.10. If and when so decided by the General Meeting of the Shareholders, part / all of the Authorized Capital may be allotted for employee share ownership plan as approved by the Supervisory Board. In such case, issuance of the new shares for any other purposes out of such (part of) Authorized Capital so designated for the employee share ownership plan shall be forbidden. For avoidance of any doubt, if and when the General Meeting of the Shareholders votes for approval of part / all of the Authorized Capital for the employee share ownership plan, the shares issued out of such Authorized Capital (respective part thereof) shall be free of any preemptive rights.
- 3.11. The Bank may redeem its shares in accordance with the rules and in the amount defined by the relevant laws. Except for the mandatory redemption of the shares envisaged by the applicable laws, the Bank has the right to purchase and subsequently sell its own shares (the "Treasury Shares"). The maximum amount of the Treasury Shares shall be ten percent (10%) of the total number of shares outstanding. The Bank's Treasury Shares are not accounted for during the vote count, dividend distribution, liquidation and enforcement of other rights with respect to the shares. The same rule applies to the shares owned by the subsidiaries, save that the shares held by the subsidiaries on behalf of their clients / customers (i.e. where the subsidiary acts as a nominee holder of the shares) shall have the voting, dividend and other similar rights.
- 3.12. The Bank has the right to issue bonds and other securities on the basis of the resolution by the Supervisory Board.

#### **Article 4**

#### **The Bank's Shareholders**

- 4.1. The Bank's shareholders are those persons who hold the shares of the Bank under the established rules and regulations and are registered with the share registrar of the Bank. The Bank's shareholders may be the legal entities established in Georgia or in foreign countries, citizens of Georgia and of other countries.
- 4.2. The shareholders have the rights to the following:
  - 4.2.1. attend or be represented at the general meeting of shareholders and take part in the voting (holders of the common shares);
  - 4.2.2. participate in the distribution of profit and receive their pro rata share of dividends;
  - 4.2.3. dispose of their shares in accordance with the rules defined by laws;
  - 4.2.4. in case of the liquidation of the Bank, receive their pro rata share of the assets remaining after the payment of the claims of the creditors;
  - 4.2.5. holder(s) of five percent or more of the outstanding shares are entitled to request the special inspection of the business activities and the annual balance sheet if they believe in their reasonable judgment that material irregularities have taken place. Such request shall be submitted in writing to the Supervisory Board. Within fifteen (15) days from the date of acceptance of the written request the Supervisory Board may:
    - (a) instruct the Management Board to arrange for the carrying out at the Bank's expense special inspection if it shares the concern of the shareholder(s); or
    - (b) refuse to carry out special inspection at the expense of the Bank and allow such shareholder(s) to perform the inspection at its (their) own expense, if it believes in its reasonable judgment that no material irregularities have taken place. In such case, if the inspection reveals any material irregularities, the Bank shall compensate the shareholder(s) for any costs and expenses pertaining to such inspection; or
    - (c) refuse to carry out special inspection and not allow the shareholder(s) to perform the inspection at its (their) own expense, if it believes in its reasonable judgment that (i) no material irregularities have taken place, and (ii) performing the special inspection by the shareholder(s) may be against the interest of the Bank (e.g. due to competition, confidentiality

or other similar matters). In such case, the shareholder(s) is (are) authorized to appeal such decision of the Supervisory Board at the appropriate court.

- 4.2.6. holder(s) of five percent or more of the outstanding shares are entitled to request that an extraordinary general meeting of shareholders be called. A written request to this effect should be submitted to the Bank's Management Board. If the Bank's Management Board does not call the extraordinary general meeting of shareholders within twenty (20) days following receipt of such request, the requesting shareholder(s) can refer to court;
  - 4.2.7. any shareholder may request from the Management Board and the Supervisory Board clarifications and explanations with respect to any item included in the agenda of the General Meeting of the Shareholders. If such request is submitted in writing at least ten (10) days prior to the date of the General Meeting of the Shareholders, the request must be fulfilled or it must be discussed at the meeting as one of the items in the agenda.
  - 4.2.8. the shareholders can use their voting rights for their own interests except in cases when the voting matter concerns a potential transaction between them and the Bank.
- 4.3. The shareholders of the Bank shall:
- 4.3.1. ensure the payment of their respective contributions to the Bank's Charter Capital so that the appropriate amounts of shares are registered in their names;
  - 4.3.2. act in accordance with the rules defined in the present Charter;

## **Article 5**

### **Distribution of Profit and Compensation of Loss**

- 5.1. Rules of profit distribution:
- 5.1.1. Within one (1) month from the completion of annual audit (but in any case, at least one (1) month prior to the annual General Meeting of the Shareholders), the Management Board of the Bank shall prepare a proposal on the distribution of profit and submit to the Supervisory Board for approval. If the proposal on the distribution of profit is agreed upon, the Supervisory Board and the Management Board shall submit a joint proposal to the General Meeting of Shareholders. If the Management Board and the Supervisory Board fail to reach an agreement on distribution of profit, each of them shall submit separate proposals to the General Meeting of Shareholders. The issue of distribution of profit should be resolved/approved by the General Meeting of Shareholders.
  - 5.1.2. Upon decision of the General Meeting of the Shareholders, net profit, used for dividend payout, shall be distributed among the shareholders in accordance with the rules and procedures set out in section 5.2 below. For the avoidance of doubt, the shareholders are not entitled to any other payments or compensation.
- 5.2. Dividend payout
- 5.2.1. The General Meeting of the Shareholders shall fix the record date ("Dividend Record Date") which shall be at least fifteen (15) days after the date of the General Meeting of the Shareholders, provided that such date shall be a business day. Only the shareholders holding the Bank's shares as of the closing of the Dividend Record Date will be eligible to dividends proportionally to the shares held by them.
  - 5.2.2. The same General Meeting of the Shareholders shall also fix the dividend payout start date ("Dividend Payout Start Date"). The Dividend Payout Start Date shall be at least fifteen (15) days after the Dividend Record Date, but any case, within two (2) months from the date of the relevant General Meeting of the Shareholders.
  - 5.2.3. The Dividend Record Date and Dividend Payout Start Date shall be published in printed media within five (5) days from the date of the relevant General Meeting of the Shareholders and the shareholders holding at least one percent (1%) of the shares shall (or such other smaller stake as might be envisaged by the applicable laws) must be notified via registered mail or in person.
- 5.3. If, according to the annual results, the annual earnings of the Bank are not sufficient to cover expenses, the Bank shall report a loss. Such loss shall be covered from the Bank's funds and retained earnings. If such funds and retained earnings are not sufficient, the loss shall be carried forward to the next fiscal year.

- 5.4. The General Meeting of Shareholders shall annually elect the auditor, which shall be economically and legally independent from the Bank. The obligatory annual audit review conducted by such auditor shall include accounting procedures, balance sheet and business practice of the Bank and its subsidiaries. Immediately upon the completion of the annual audit, the full report shall be presented to the National Bank of Georgia; the Bank's financial statements and auditor's report shall also be published in accordance with the rules set by the National Bank of Georgia.

## **Article 6**

### **Management of the Bank**

- 6.1. The highest governance body of the Bank is the General Meeting of Shareholders.
- 6.2. The Supervisory Board oversees the activities of the Bank. Members of the Supervisory Board are elected by the General Meeting of Shareholders.
- 6.3. The Bank's day-to-day management and administration is carried out by the Management Board (Directors) appointed by the Supervisory Board. The Management Board is led by the Chief Executive Officer (General Director).

## **Article 7**

### **General Meeting of Shareholders**

- 7.1. Convening of the General Meeting of Shareholders:
- 7.1.1. Ordinary General Meeting of Shareholders shall be convened by the Supervisory Board annually, not later than two (2) months following the completion of external audit of the Bank's books and in no case later than six months from the end of the prior fiscal year. Extraordinary General Meeting of Shareholders may be called from time to time by the Supervisory Board, the Management Board, or on the basis of a written request of the shareholder(s) holding at least five percent (5%) of the Bank's shares.
- 7.1.2. Convening of the General Meeting of Shareholders will not be necessary if the shareholder holding more than seventy-five (75%) percent of the Bank's voting shares makes the decision regarding the issue on the agenda. Such decision shall be equivalent of the minutes of the General Meeting of Shareholders and shall be considered as a resolution of the General Meeting of Shareholders. In such cases the remaining shareholders shall be notified about such resolution. If more than one shareholder owns more than seventy-five (75%) percent of shares of the Bank, convening of the General Meeting of Shareholders is mandatory.
- 7.1.3. Time, place and the agenda of the General Meeting of Shareholders shall be published in printed media at least twenty (20) days prior to the date of such General Meeting of Shareholders. Shareholders holding at least one (1%) percent of the Bank's shares should be notified about the General Meeting of Shareholders via registered mail or in person. In certain cases envisaged by the applicable laws, the shareholders holding smaller stakes in the Bank's equity shall also receive notifications.
- 7.1.4. The Supervisory Board determines the record date for the General Meeting of Shareholders in accordance with the applicable laws.
- 7.1.5. The General Meeting of Shareholders is capable of decision-making and the quorum is established, if attended or represented by the holders of at least half of the voting shares. If the General Meeting of Shareholders is incapable of decision-making, a new General Meeting of the Shareholders shall be convened with the same agenda and within the period determined by the Supervisory Board in accordance with the procedures set forth in section 7.1.3 above. The new General Meeting of Shareholders shall be capable of decision-making if attended or represented by the holders of at least twenty-five percent (25%) of the voting shares. If the General Meeting of Shareholders is still incapable of decision-making, a new General Meeting of Shareholders shall be convened with the same agenda and within the period determined by the Supervisory Board in accordance with the procedures set forth in section 7.1.3 above. Such General Meeting of

Shareholders shall be capable of decision-making despite the number of attending voting shareholders or their representatives.

- 7.1.6. The General Meeting of Shareholders shall be presided by the Chairman of the Supervisory Board; in case of his absence – by the Deputy Chairman of the Supervisory Board or any other member of the Supervisory Board; in case of the absence of the members of the Supervisory Board, the General Meeting of Shareholders shall be presided by the Chief Executive Officer. In case an agenda item arises at a General Meeting whereby the person presiding faces a conflict of interest, that item shall be presided by an independent Supervisory Board member.
- 7.1.7. The minutes of the meeting shall be drawn by the secretary of the General Meeting of Shareholders and shall be certified by the notary. The minutes shall be available to any shareholder, members of the Supervisory Board and their representatives.
- 7.2. Representation at the General Meeting of Shareholders
  - 7.2.1. All shareholders registered at the share registrar as of the record date of the General Meeting of the Shareholders shall have the right to attend and vote at the meeting
  - 7.2.2. A shareholder can assign his/her/its rights to other shareholder, or any third party on the basis of power-of-attorney certified by the notary. If the trustee of the shareholder fails to present such power-of-attorney, he/she/it will be deprived of the right to attend and vote at the meeting. Representation by the nominee shareholders (including without limitation the brokers and dealers) shall be regulated in accordance with the applicable laws and regulations. Representation of the shareholders at the General Meeting of the Shareholders may also be carried out in any other manner unless prohibited by the applicable laws.
- 7.3. General Meeting of Shareholders reviews and makes resolutions on the following issues:
  - 7.3.1. Approval and amendment of the Bank's Charter (including Charter Capital, change of the corporate name, etc.), making of a decision on the Bank's liquidation;
  - 7.3.2. Making decisions on the mergers, divisions or transformations;
  - 7.3.3. Full or partial cancellation of the preemptive rights during the increase of Charter Capital;
  - 7.3.4. Approval or rejection of the proposal of the Supervisory Board or the Management Board regarding the utilization of profit, or if these bodies cannot provide a joint proposal, making a decision about the utilization of net profit;
  - 7.3.5. Election or dismissal of shareholders' representatives to/from the Supervisory Board and working out Code of Conduct for the Supervisory Board members;
  - 7.3.6. Approval of the reports of the Supervisory Board and Management Board;
  - 7.3.7. Making decision about the compensation of the members of the Supervisory Board;
  - 7.3.8. Election and dismissal of the members of the Audit Committee (including the Chairman of the Audit Committee) and making decision regarding their compensation;
  - 7.3.9. Election of the auditor and the special controller;
  - 7.3.10. Making decisions on participation in litigation against the members of the Supervisory Board and the Management Board, including the appointment of the representative in such litigation;
  - 7.3.11. Making decisions on the acquisition, sale, transfer, exchange (or such related transactions) or other encumbrance of the Bank's properties, value of which is more than fifteen percent (15%) of the equity value of the Bank;
  - 7.3.12. Approval of annual accounts;
  - 7.3.13. Making decisions in other cases provided by the law.
- 7.4. Decisions on all other issues shall be made by the Supervisory Board and the Management Board within their respective capacities.
- 7.5. The issues enumerated in Article 7.3 require the votes of the holders of more than fifty percent (50%) of the attended/represented voting shares, except for the issues listed in points 7.3.1. and 7.3.4. which require the votes of holders of more than two thirds (2/3) of the attended/represented voting shares, and issues listed in points 7.3.2. and 7.3.3. which require the votes of the holders of more than seventy-five percent (75%) of the attended/represented voting shares.

## **Article 8**

### **Supervisory Board**

- 8.1. The Supervisory Board consists of 7 (seven) members. Members of the Supervisory Board are elected and dismissed by the General Meeting of the Shareholders. The Supervisory Board and each voting shareholder shall have the right to nominate nominees for election to the Supervisory Board.
- 8.2. Method of vote accumulation shall be used for electing the remaining members at the General Meeting of Shareholders. The method of vote accumulation entails the following:
  - a. Each voting shareholder distributes his/her/its votes between any of the nominees so that the total amount of his/her/its votes does not exceed the total amount of the shares held by him/her/it;
  - b. With his/her/its vote the shareholder can only vote for the nominee to the Supervisory Board (it is forbidden to vote against any nominee);
  - c. If the number of the nominees equals or is less than the number of members to be elected to the Supervisory Board, then each nominee who received at least one vote shall become a member of the Supervisory Board; if the number of nominees is more than the number of members to be elected to the Supervisory Board, those nominees who receive the highest number(s) of the votes will become the members of the Supervisory Board.
- 8.3. Should any of the shareholders or the group of the shareholders obtain twenty percent (20%) or more of the Bank's shares after all the Supervisory Board members are elected, then upon the occurrence of vacancy at the Supervisory Board, such shareholder or the group of the shareholders shall have the right to nominate and elect their representative to the Supervisory Board. This provision shall not be applicable if such shareholder (group of the shareholders):
  - (a) already has at least one representative to the Supervisory Board; and/or
  - (b) can without distributing its votes elect one representative to the Supervisory Board through the method of vote accumulation.
- 8.4. Unless otherwise specified by the General Meeting of Shareholders, each member of the Supervisory Board shall be elected for the period of four years, however should this period end before a new election takes place, their authority shall be prolonged until the next General Meeting of Shareholders is convened.
- 8.5. Each member of the Supervisory Board may resign from the Supervisory Board upon submitting at least four weeks prior written application to the Chairman of the Supervisory Board. New member of the Supervisory Board shall be elected not later than three months after the retirement/withdrawal of the member. Dismissal of the member of the Supervisory Board is possible by the resolution of the General Meeting of Shareholders. Such decision requires the votes of the holders of the more than 50% (fifty percent) of attended/represented voting shares.
- 8.6. A member of the Supervisory Board may not serve as a the member of the Management Board at the same time.
- 8.7. An individual cannot be the members of the Supervisory Board or he/she shall be dismissed from the Supervisory Board, if he/she is:
  - a. a member of the Supervisory Board or Management Board of more than three companies registered in Georgia;
  - b. a member of the Supervisory Board, Management Board or the Audit Committee of the other commercial bank or non-banking deposit institution registered in Georgia;
  - c. an employee of the Bank;
  - d. not eligible for Supervisory Board in accordance with applicable laws;
  - e. bankrupt.
- 8.8. The Supervisory Board elects the Chairman and the Deputy Chairman from its members. Chairman (or in case of his/her absence Deputy Chairman) convenes the meetings of the Supervisory Board and determines the agenda. Any member may add items to the agenda or request a meeting of the Supervisory Board.

- 8.9. Meetings of the Supervisory Board shall be held at least once in a quarter at the address of the Bank or any other location. A written notification with the respective agenda shall be sent at least eight days prior to the anticipated date of the meeting. With the agreement of other members, the Chairman (himself or at the request of any member) may call the meeting verbally or otherwise. The members of the Supervisory Board may be represented by other members. Each member may represent only one other member of the Supervisory Board.
- 8.10. Subject to Article 8.18 below, the Supervisory Board has the right to make decisions if more than half of the members attend or are represented at the meeting. If the Supervisory Board is not authorized to make decisions, a new meeting may be convened after three (3) working days. The new meeting will be authorized to make decisions regardless of the number of members attending or being represented at the meeting. Subject to Article 8.18 below, the decisions shall be taken by the simple majority of the votes of the Supervisory Board members, attending or represented at the meeting.
- 8.11. If agreed by the Supervisory Board members, a meeting may be held via telephone or video conference calls.
- 8.12. The minutes of the meeting and on resolutions of the Supervisory Board are drawn up by the secretary of the Supervisory Board. The minutes will be sent to all members of the Supervisory Board and approved at the earlier of (i) written agreement by all members or (ii) approval at a subsequent meeting. The minutes then are signed by the Chairman of the Supervisory Board (in case of his/her absence, Deputy Chairman of the Supervisory Board, and in case of the absence of the Deputy Chairman – by any member of the Supervisory Board). The minutes shall state the place and time of the meeting, list of the attendants, agenda, brief contents of the discussions held at the meeting and the relevant resolutions.
- 8.13. Each member of the Supervisory Board has one vote. Any member shall not participate or vote in Supervisory Board discussions regarding any agenda item where the member has a conflict of interest. Should the Chairman be so excluded, then the Supervisory Board shall select a new chairman of the meeting for the consideration of that item.
- 8.14. The Supervisory Board may decide, by simple majority, to create committees. The composition of such committees and their tasks shall be determined by the Supervisory Board. Committees shall report their conclusions and recommendations to the Supervisory Board.
- 8.15. Tasks and competence of the Supervisory Board include the following:
  - 8.15.1. Supervising the activities of the Management Board;
  - 8.15.2. Appointing and discharging the Chief Executive Officer and other Directors, concluding and terminating service contracts with them, as well as working out Code of Conduct for the Management Board members;
  - 8.15.3. Approving and amending the Bank's policy and other regulatory documents;
  - 8.15.4. Inspecting the Bank's books and property, including, inspecting the conditions of the Bank's cash, securities and goods personally, or through its members or invited experts;
  - 8.15.5. Requesting reports on the Bank's activities from the Management Board (including the dealings with the associated companies and subsidiaries) and reviewing the information provided by Internal Audit or external inspections;
  - 8.15.6. Convening an extraordinary General Meeting of the Shareholders, if necessary, for the Bank's benefit;
  - 8.15.7. Reviewing annual reports and the proposals of the Management Board on profit distribution;
  - 8.15.8. Representing the Bank in proceedings against the Bank's Chief Executive Officer and other Directors. If the matter of the responsibility of the Supervisory Board member is concerned, the Supervisory Board may submit a claim against the Chief Executive Officer (or any other Director) without the resolution by the General Meeting of the Shareholders or contrary to the decision of the General Meeting of the Shareholders;
  - 8.15.9. Approving annual budget and profit and loss plan, as well as the investments plan, assessing the obligations arising from long-term legal relations which shall be prepared and submitted by the Chief Executive Officer;
  - 8.15.10. Making decisions in other cases provided by applicable laws.
- 8.16. The responsibilities of the Management Board may not be delegated to the Supervisory Board.
- 8.17. The following activities may be carried out only with the approval of the Supervisory Board:

- 8.17.1. Acquisition and disposal of stake in other companies if the amount of such stake/shares exceeds 50% of the total equity of such company or the volume of the transaction exceeds two and a half percent (2.5%) of the Bank's equity value as at the end of the previous calendar month;
  - 8.17.2. Acquisition, transfer and encumbrance of the real estate and ownership rights, if such transaction falls outside the scope of routine economic activity of the Bank and the volume of such transaction exceeds two and a half percent (2.5%) of the Bank's equity value as at the end of the previous calendar month;
  - 8.17.3. Establishment and liquidation of branches;
  - 8.17.4. Investments, partial or total amount of which exceeds two and a half percent (2.5%) of the Bank's equity value as at the end of the previous calendar month;
  - 8.17.5. Borrowing funds in excess of two and a half percent (2.5%) of the Bank's equity value as at the end of the previous calendar month;
  - 8.17.6. Securing loans, if they fall outside the scope of routine economic activity;
  - 8.17.7. Launching new type(s) of banking activity(ies) or terminating or suspending the existing type(s) of the banking activity(ies);
  - 8.17.8. Determination of general principles of economic policy, business plan and strategy for the Bank's development, acceptance of annual budget and long-term liabilities;
  - 8.17.9. Determination of the remuneration and/or additional benefits for the Bank's top management (Chief Executive Officer and other Management Board members, and any other top managers so selected by the Supervisory Board);
  - 8.17.10. Appointment and discharge of trade representatives (procurists);
  - 8.17.11. Approval of agreement(s) or contract(s) as a result of which non-recurring expense or several-tranche expenditure of the Bank exceeds one percent (1%) of the Bank's equity value as at the end of the previous calendar month;
  - 8.17.12. Determination and approval of internal policies and procedures for lending, investing, foreign exchange, assets and liabilities management, their classification and adequate provisioning;
  - 8.17.13. Redemption of the Bank's shares in cases envisaged by the applicable laws or effected through share buy backs (including without limitation the Treasury Shares referred to in section 3.11 above);
  - 8.17.14. Other activities that may be defined by the applicable laws.
- 8.18. During the period of being of the European Bank of Reconstruction and Development (EBRD) the shareholders of the Bank the representatives of EBRD to the Supervisory Board shall attend the sittings of the Supervisory Board for making any decision concerning the following:
- 8.18.1. authorization of the Bank to involve in any material transaction except its regular business, with its branches, subsidiaries or shareholders, or with the branches, subsidiaries and/or affiliates of the members of the Management Board, Supervisory Board and shareholders;
  - 8.18.2. the annual business plan and the Bank budget.
  - 8.18.3. election of the Management Board;
  - 8.18.4. any action, decision or recommendation which may effect the activity of the Management Board, or investments EBRD in the Bank.

In addition, any decision of the Supervisory Board on the issues given under this Article 8.18 requires 2/3 (two thirds) of votes of the Supervisory Board members, including the member of the Supervisory Board nominated by EBRD.

## **Article 9 Management Board**

- 9.1. The Bank's day-to-day activities are carried out by the Management Board, whose members are appointed by the Supervisory Board.
- 9.2. The Management Board comprises of the Chief Executive Officer and up to four (4) Directors. The Chief Executive Officer and each Management Board Director shall be appointed by the Supervisory Board of the Bank.
- 9.3. No one can be appointed as a member of the Management Board or he/she shall be discharged, if he/she:

- a. does not comply with the criteria for the bank management as set by the National Bank of Georgia;
  - b. is a member of the Bank's Supervisory Board, or the member of the management board of another commercial bank, non-banking deposit institution and/or other enterprise;
  - c. is not eligible to hold the position of a Director in accordance with the applicable laws;
  - d. is bankrupt;
  - e. has been convicted for economic crime and the charges have not be annulled with regard to such crime;
  - f. is a spouse, child or close relative of another Management Board member.
- 9.4. Obligations of the Bank's Management Board include the follows:
- 9.4.1. Conduct and carry out the Bank's current activities;
  - 9.4.2. Review all items prior to putting them on the agenda of the General Meeting of the Shareholders or Supervisory Board meetings, obtain all the necessary information, prepare proposals and draft resolutions;
  - 9.4.3. One month prior to the end of the fiscal year draft and present to the Supervisory Board for approval the business plan for the following year. Such business plan shall include the budget, profit & loss forecast and the Bank's investments plan;
  - 9.4.4. Review the issues of lending, settlement, financing, cash services, protection, accounting and reporting of cash and valuables of the Bank, internal controls, ensure fulfillment of the customers' interests and other major activities of the Bank;
  - 9.4.5. Decide the issues on functioning of the Bank's branches and service centers, ensuring that the managers fulfill their tasks and functions;
  - 9.4.6. Review the information provided by Internal Audit or external inspections, also the reports submitted by the branch managers and heads of the service centers, making appropriate decisions;
  - 9.4.7. Ensure the fulfillment of resolutions made by the General Meeting of the Shareholders and the Supervisory Board;
  - 9.4.8. Develop policies, office rules and any other regulatory documents, which are approved by the Supervisory Board and ensure the compliance with such policies, rules and regulatory documents;
  - 9.4.9. Decide the issues of selection, dismissal, training and remuneration of the staff (provided that the Management Board shall consider the recommendations of the Supervisory Board regarding the certain top managers);
  - 9.4.10. Deal with any other issues which may be assigned to the Management Board (or its individual members) by the Supervisory Board and/or the General Meeting of the Shareholders;
  - 9.4.11. Fulfill the requirements set forth in this Charter and the applicable laws.
- 9.5. Activities of the Management Board are led by the Chief Executive Officer. For this purpose, Chief Executive Officer delegates the tasks to the Directors with the consent of the Supervisory Board.
- 9.6. Chief Executive Officer is entitled to act on the Bank's behalf without a power of attorney. In case of the absence of the Chief Executive Officer one of the Directors shall act on the Bank's behalf on the basis of power-of-attorney issued by the Chief Executive Officer.
- 9.7. Notwithstanding the provisions in sections 9.5 and 9.6 above, any transaction imposing on the Bank an obligation in excess of one (1%) of the Bank's equity value as at the end of the previous calendar month shall be authorized by the signatures of any two members of the Management Board.
- 9.8. Chief Executive Officer is responsible to the following:
- 9.8.1. Chair meetings of the Management Board, supervise implementation of decisions of the Management Board, Supervisory Board and the General Meeting of the Shareholders, organize tasks among the Management Board members and other managers of the Bank, and issue relevant orders, instructions and other directives for these purposes;
  - 9.8.2. act independently on the Bank's behalf, subject to any possible consents and approvals of the Supervisory Board;
  - 9.8.3. submit for approval by the Supervisory Board, recommendations on the remuneration and bonuses of the Bank's employees;
  - 9.8.4. appoint and dismiss the employees in accordance with the employee recruitment plan approved by the Management Board;

- 9.8.5. carry out any other activity required for attaining the Bank's goals, except of the functions imposed on to the General Meeting of the Shareholders or the Supervisory Board.
- 9.9. Chief Executive Officer of the Bank is entitled to delegate his direct tasks to the Management Board members or the heads of the relevant departments.
- 9.10. Any member of the Management Board shall have the right to request from any Supervisory Board member that a meeting of the Supervisory Board be called and may address such meeting.
- 9.11. Rights and obligations of the members of the Management Board are defined by this Charter, resolutions of the Bank's Supervisory Board and Chief Executive Officer.

## **Article 10**

### **Audit Committee and Internal Controls**

- 10.1. The Bank's Audit Committee comprises of three members, who are appointed by the General Meeting of Shareholders for the term of 4 (four) years. Individual cannot be elected as a member of the Audit Committee, if he/she is a member of the Supervisory Board and the Management Board, or if he/she is not eligible for the membership of the Audit Committee according to the law.
- 10.2. Rights and obligations of the Audit Committee are as follows:
- 10.2.1. Set the accounting and reporting rules for the Bank, supervise the compliance with such rules and inspect the Bank's books and journals through the internal audit service of the Bank;
  - 10.2.2. Supervise the compliance by the Bank with the applicable laws;
  - 10.2.3. Approve the regulations for the Bank's internal audit service and ensure the functioning of internal audit service in the Bank;
  - 10.2.4. Ensure the independence of the internal audit service from the Bank's Supervisory Board and the Management Board;
  - 10.2.5. Approve the operation plan of the internal audit service for the following fiscal year;
  - 10.2.6. Review the quarterly reports of the internal audit service, approve and present to the Supervisory Board and the Management Board audit inspections and recommendations;
  - 10.2.7. Supervise the activities of the internal audit service, ensure its compliance with quarterly and annual operation plans;
  - 10.2.8. Assess the activities carried out by the director of the internal audit service and individual auditors;
  - 10.2.9. Quarterly review and approve annual operation plan prepared by the internal audit service;
  - 10.2.10. Assess the activities of each of the employee of the internal audit service with consideration of professional skills and work attitude and make appropriate decisions;
  - 10.2.11. Together with the Bank's Supervisory Board and Management Board ensure the cooperation of internal audit service with other structural units of the Bank;
  - 10.2.12. Make recommendation to the Supervisory Board on employing / dismissal of the head and deputy head for Bank's internal audit service, as well as on remuneration of such staff;
  - 10.2.13. make recommendations (with agreement of the head of the internal audit service) to the Management Board on employing / dismissal of the other staff of internal audit service, as well as on remuneration of such staff.
- 10.3. Meetings of the Audit Committee shall be held at least once in a quarter. In the extraordinary cases, the meeting may be convened upon the request of the Supervisory Board. Audit Committee makes resolutions by the majority of votes. The attending members do not have the right to abstain from voting. Audit Committee is presided by the Chairman who is elected by the General Meeting of Shareholders.

## **Article 11**

### **Confidentiality**

- 11.1. Unless otherwise approved by the Supervisory Board, the members of the Supervisory Board and Management Board, other managers of the Bank shall not to use, publish, disseminate or disclose to any party, except of the managers or employees of the Bank whose province it is to know the same, any confidential information about the activities, expenses, financial or contractual arrangements or other agreements, transactions or other affairs of the Bank, which may come to their knowledge. They shall use

- all reasonable effort to prevent the publication or disclosure of any confidential information concerning such matters.
- 11.2. In case if the Supervisory Board approves any merger, acquisition or other similar transaction of the Bank, the Management Board shall be authorized to disclose any confidential information (reasonably required for successful completion of such transaction) to the relevant counterparty(ies), its advisors, consultants or agents, who are required in the course of their duties and therefore have a legitimate need to know the confidential information and who shall be informed of the confidential nature of the information.
- 11.2. The above provisions of confidentiality shall not apply to: (a) any information which is considered as public and is required to be disclosed under the applicable laws; (b) information which became a part of public domain through other sources (not related to the Bank).
- 11.4. Any material information disclosed to any of the shareholders of the Bank which in the reasonable opinion of the Supervisory Board, may effect the investment decision(s) of the shareholders, shall also be disclosed to other shareholders to the same extend.

## **Article 12**

### **Termination of the Bank's Activities**

- 12.1. The Bank's activities shall be terminated in accordance with the applicable laws.
- 12.2. In case of terminating the Bank's activities or suspending the banking license, the Bank is liquidated. A person appointed by the National Bank of Georgia shall act as a liquidator in accordance with the rules set by the National Bank of Georgia and the applicable laws. Appointment of party related to the Bank as a liquidator is restricted.
- 12.3. The Bank's activities are terminated through reorganization (merger, acquisition, division, transformation) or liquidation. In case of reorganization of the Bank, all of its rights and obligations shall be transferred to its successor.

## **Article 13**

### **Branches**

On the basis of resolution of the Supervisory Board, the Bank may establish branches in Georgia or abroad. Such branches shall not constitute legal entities. The branches should be established in accordance with the applicable legislation and in consideration of the rules and terms set by the National Bank of Georgia.

## **Article 14**

### **Conclusive Provisions**

- 14.1. This Charter comes into effect on the day of its registration at the relevant registering body.
- 14.2. If any of the provisions of this Charter becomes invalid, it shall not effect the validity of the whole Charter. Invalid provision shall be substituted with a rule which is in force and alleviates the achievement of the Bank's goals.
- 14.3. In case of any inconsistency between this Charter and the Georgian legislation, the rules laid down by the existing legislation shall prevail over the provisions of this Charter.
- 14.4. In case of any dispute between the Bank's shareholders and its bodies in connection with the rights and obligations under this Charter or with regards to the interpretation of any of its provisions, the relevant party may refer to the court of relevant jurisdiction.
- 14.6. This Charter is made in six copies having equal legal force.

DEPUTY GENERAL DIRECTOR OF JSC BANK OF GEORGIA

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Mr. Irakli Gilauri