

[Draft to be voted at the general meeting of shareholders to be held on 22/06/2007]

**Charter**

**of**

**Joint Stock Company**

**Bank of Georgia**

**(Amended)**

Tbilisi  
2007

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## **Article 1**

### **General Provisions**

- 1.1. Joint Stock Company Bank of Georgia (hereinafter referred to as the “Bank”), a 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 merger of state-owned organizations and transformation of state-owned organizations into 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 “Banks and activities of banks in the Republic of Georgia” dated August 2, 1991 (as amended).
- 1.2. The Bank is a legal entity. The rights and obligations of the Bank are determined by the present charter (the “Charter”), the Law of Georgia on “Entrepreneurship” (as amended), the Law of Georgia on “Activities of Commercial Banks” (as amended), instructions of the National Bank of Georgia and all other applicable Georgian laws.
- 1.3. The Bank has its corporate name, 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. The Bank’s corporate existence is not limited in time.
- 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 as an independent corporate entity through its recurring activities.
- 1.8. The Bank has its own property and it can appear in legal transactions under its own name, acquire property rights and non-property rights (*არაқონებრივი უფლებები*), undertake obligations, and be a claimant or defendant in a court, an arbitration court and/or a mediation forum.
- 1.9. The Bank has its own 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 the obligations of its shareholders and the Bank’s 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), the Law of Georgia on the “Activities of Commercial Banks” dated February 23, 1996 (as amended), decrees, resolutions and other regulations of the 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 licence issued by the National Bank of Georgia, the Bank provides lending, financial, settlement, cash and other banking services, including:
  - 2.2.1. Receiving interest bearing and non-interest bearing (demand, time and other) deposits and other refundable payment instruments;
  - 2.2.2. Issuance of loans, including, without limitation, consumer, mortgage, unsecured and other types of loans, engaging in factoring operations with and without the right of recourse, trade finance, issuance of guarantees, letters of credit and acceptance bills, including forfeits.

- 2.2.3. Purchase and sale of monetary instruments for the Bank's and the Bank's clients' accounts (including, without limitation, cheques, promissory notes and depositary certificates), securities, futures, options and swaps with debt instruments and/or interest rates, currencies, interest rate instruments, debt instruments, foreign exchange instruments, precious metals and gems;
  - 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. Safekeeping and registration of valuables, including 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 authorized charter capital (*gancxadebul i sawesdebo kapital i*) of the Bank amounts to GEL 30,335,619 (thirty million three hundred and thirty-five thousand six hundred and nineteen Georgian Lari).
- 3.2. The Bank's total authorized charter capital is divided into 30,335,619 (thirty million three hundred and thirty-five thousand six hundred and nineteen) common shares. Nominal value per share is GEL 1.00 (one Lari). 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 nominal 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 pre-emptive right to acquire additional shares issued by the Bank, in the same proportion which the nominal value of such holder's shares represents to the total nominal value of all shares outstanding immediately prior to the issuance of such additional shares.

Upon issuance of new shares, for which the pre-emptive right has not been cancelled, the Bank shall notify its existing shareholders of such share issuance and their respective pre-emptive rights by publishing such notice in printed media. The shareholders holding at least 1% (one percent) of the Bank's shares (or such other smaller stake as might be envisaged by the applicable laws) will also be served a written notification via registered mail. The shareholders willing to exercise their pre-emption rights shall acquire the shares within 20 (twenty) days from the date of the notification, after which the pre-emptive rights shall become null and void.

A pre-emptive right shall not exist with respect to the shares issued out of the part of authorized but un-issued capital (*nebadar-Tul i kapital i*) designated by the general meeting of shareholders for employee stock ownership purposes in accordance with section 3.10 below. In all other cases, cancellation / waiver of pre-emptive rights to the newly issued shares shall be approved by the general meeting of 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. The general meeting of shareholders is authorized to make decisions on increasing or decreasing the Bank's charter capital by issuing new or cancelling the existing shares (in cases envisaged by applicable laws). The acquisition price of the newly issued shares shall not be less than nominal value per share.
- 3.7. The charter capital can be increased by means of the conversion of reserve funds into charter capital. In such case, the cancellation of the shareholders' pre-emptive 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 but un-issued 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 of the general meeting of shareholders by means of issuing new shares. The resolution of the general meeting of shareholders regarding the increase of charter capital via authorized but un-issued 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 years).
- 3.10. If and when so decided by the general meeting of shareholders, part / all of the authorized but un-issued capital may be designated for an 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) the authorized but un-issued capital so designated for the employee share ownership plan shall be forbidden. For the avoidance of doubt, the pre-emptive rights shall not apply to the authorized but un-issued capital (or any part thereof) designated for the employee share ownership plan in accordance with the decision of the general meeting of shareholders.
- 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 Treasury Shares shall at no time exceed 10% (ten percent) 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 subsidiaries, save that shares held by subsidiaries on behalf of their clients / customers (i.e. where the subsidiary acts as a nominee holder of the shares) shall have voting, dividend and other similar rights.
- 3.12. The Bank has the right to issue bonds and other securities on the basis of a resolution of 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 legal entities established in Georgia and/or in foreign countries, citizens of Georgia and/or of other countries.
- 4.2. The shareholders are entitled to do the following:
  - 4.2.1. attend or be represented at the general meeting of shareholders and take part in the voting (holders of common shares only);
  - 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 law;
  - 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 5% (five percent) or more of the outstanding shares are entitled to request a 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 15 (fifteen) days from the date of acceptance of the written request the supervisory board may:

- (a) if it shares the concern of the shareholder(s), instruct the management board to arrange for the carrying out at the Bank's expense special inspection; or
  - (b) if it believes in its reasonable judgment that no material irregularities have taken place, 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. 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) 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), refuse to carry out special inspection and not allow the shareholder(s) to perform the inspection at its (their) own expense.. In such case, the shareholder(s) is (are) authorized to appeal such decision of the supervisory board to the appropriate court.
- 4.2.6. holder(s) of 5% (five percent) or more of the outstanding shares are entitled to request that an extraordinary general meeting of shareholders be convened. 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 20 (twenty) days following receipt of such request, the requesting shareholder(s) can apply to court;
- 4.2.7. any shareholder may request from the management board and the supervisory board clarification and explanation of any item included on the agenda of the general meeting of shareholders. If such request is submitted in writing at least ten days prior to the date of the general meeting of shareholders, the request must be complied with or it must be discussed at the meeting as one of the items on the agenda.
- 4.2.8. a shareholder can vote his/her/its shares in his/her/its interest except in cases when the agenda item being voted on concerns a potential transaction between he/she/it 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 Profits and Compensation of Loss**

- 5.1. Rules of profit distribution:
- 5.1.1. Within one month from the completion of the annual audit (but in any case, at least one month prior to the annual general meeting of shareholders), the management board of the Bank shall prepare a proposal on the distribution of profits and submit it to the supervisory board for approval. If the proposal on the distribution of profits 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 profits, 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. Following the decision of the general meeting of 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 shareholders shall fix the record date ("Dividend Record Date") which shall be at least 15 (fifteen) days after the date of the general meeting of 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 for dividends in proportion to the number of shares held by them.
  - 5.2.2. The same general meeting of shareholders shall also fix the dividend payout start date ("Dividend Payout Start Date"). The Dividend Payout Start Date shall be at least 15 (fifteen) days after the

Dividend Record Date, but any case, within two months from the date of the relevant general meeting of shareholders.

5.2.3. The Dividend Record Date and Dividend Payout Start Date shall be published in printed media within five days from the date of the relevant general meeting of shareholders and the shareholders holding at least 1% (one percent) of the shares (or such other smaller stake as might be envisaged by the applicable laws) must be notified via registered mail or in person.

5.3. 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 internal governing 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) (the "CEO").

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

7.1. Convening of the general meeting of shareholders:

7.1.1. A general meeting of shareholders shall be convened by the supervisory board annually, not later than two months following the completion of the external audit of the Bank's books and in no case later than six months from the end of the prior fiscal year. An extraordinary general meeting of shareholders may be called from time to time by the supervisory board, the management board, or by written request of the shareholder(s) holding at least 5 % (five percent) of the Bank's shares.

7.1.2. The convening of the general meeting of shareholders will not be necessary if a shareholder holding more than 75% (seventy-five percent) of the Bank's voting shares makes a decision regarding the issue on the agenda. Such decision shall be equivalent to 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 75% (seventy-five percent) of shares of the Bank, convening of the general meeting of shareholders is mandatory.

7.1.3. The time, place and the agenda of the general meeting of shareholders shall be published in printed media at least 20 (twenty) days prior to the date of such general meeting of shareholders. Shareholders holding at least 1% (one 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 authorised to take decisions if a quorum is established. A quorum is established if the meeting is attended by the holders (or their authorised representatives) of at least half of the voting shares. If the general meeting of shareholders is inquorate, 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. The new general meeting of shareholders shall be quorate if attended or represented by the holders of at least 25% (twenty-five percent) of the voting shares. If the general meeting of shareholders is still inquorate, 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 deemed quorate irrespective of the number of attending voting shareholders or their representatives.

7.1.6. The general meeting of shareholders shall be presided over by the chairman of the supervisory board; or in his absence – by the vice-chairman of the supervisory board or any other member of the supervisory board; in the absence of the members of the supervisory board, the general meeting of shareholders shall be presided over by the CEO. If an agenda item arises at a general meeting presided over by a person facing a conflict of interest with respect to that item, the part of the meeting dealing with that item shall be presided over by an independent supervisory board member.

7.1.7. The minutes of the meeting shall be drawn up and certified by a 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 with the share registrar as of the record date of the general meeting of shareholders shall have the right to attend and vote at the meeting

7.2.2. A shareholder can assign his/her/its rights to another shareholder, or any third party on the basis of a power-of-attorney certified by a notary. If the representative 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 nominee shareholders (including without limitation the brokers and dealers) shall be regulated in accordance with the applicable laws and regulations. Representation of shareholders at the general meeting of shareholders may also be carried out in any other manner unless prohibited by the applicable laws.

## 7.3. The general meeting of shareholders reviews and makes resolutions on the following issues:

7.3.1. Approval and amendment of the Bank's Charter, (including, without limitation, charter capital and change of the corporate name) and the Bank's liquidation;

7.3.2. Mergers, de-mergers or transformations (*gardaqma*);

7.3.3. Full or partial cancellation of pre-emptive 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 profits, or if these bodies cannot provide a joint proposal, making a decision about the utilization of net profit;

7.3.5. Election of the members of the supervisory board (in accordance with Article 8.2);

7.3.6. Election of the supervisory board members nominated by shareholders' holding 20% (twenty percent) or more of the Bank's shares (in accordance with Article 8.3);

7.3.7. Dismissal of the members of the supervisory board;

7.3.8. Working out a Code of Conduct for supervisory board members;

7.3.9. Approval of the reports of the supervisory board and management board;

7.3.10. Making decisions about the compensation of members of the supervisory board;

7.3.11. Election and dismissal of members of the audit committee (including the chairman of the audit committee) and making decision regarding their compensation;

7.3.12. Election and dismissal of the auditor and the special controller in accordance with the law;

7.3.13. Making decisions on participation in litigation against the members of the supervisory board and the management board, including the appointment of a representative in such litigation;

7.3.14. Making decisions on the acquisition, sale, transfer, exchange (or such related transactions) or other encumbrance of the Bank's properties, the value of which is more than 25% (twenty-five percent) of the equity value of the Bank;

7.3.15. Approval of annual accounts;

7.3.16. Making decisions on other issues provided by 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 50% (fifty percent) of the voting shares attending or represented at the meeting, except for the issues listed in points 7.3.1 and 7.3.6 which require the votes of holders of more than 2/3 (two thirds) of the voting shares, attending or represented at the meeting and the issues listed in points 7.3.2, 7.3.3, 7.3.4 and 7.3.7 which require the votes of the holders of more than 75% (seventy-five percent) of the voting shares attending or represented at the meeting. For the avoidance of any doubt, election of the members of the supervisory board under point 7.3.5 shall be conducted in accordance with Article 8.2 of this Charter.

## **Article 8**

### **Supervisory Board**

- 8.1. The supervisory board consists of 5 (five) members. Members of the supervisory board are elected and dismissed by the general meeting of shareholders. The supervisory board and each voting shareholder shall have the right to propose nominees for election to the supervisory board.
- 8.2. The method of vote accumulation shall be used for electing supervisory board members at the general meeting of shareholders. The method of vote accumulation is as follows:
- 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 group of shareholders obtain 20% (twenty percent) or more of the Bank's shares after all the supervisory board members are elected, then upon the occurrence of a vacancy at the supervisory board, such shareholder or 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, the term of such supervisory board member shall be extended until the next general meeting of shareholders is convened.
- 8.5. Each member of the supervisory board may resign from the supervisory board upon at least four weeks prior written notice submitted to the chairman of the supervisory board (the chairman of the supervisory board resigns by submitting his written notice to the vice-chairman, and in the absence of the vice-chairman to any other member of the supervisory board). New member of the supervisory board shall be elected not later than three months after the retirement/withdrawal of the departing member.
- 8.6. A member of the supervisory board may not serve as a member of the management board at the same time.
- 8.7. An individual cannot be a member 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 another 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 vice-chairman from its members. The chairman (or in case of his/her absence the vice-chairman) convenes the meetings of the supervisory board and determines the agenda. Any member may add items to the agenda or request that a meeting of the supervisory board is convened.
- 8.9. Meetings of the supervisory board shall be held at least once per 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 all other members, the chairman (himself or at the request of any member) may call the meeting verbally or otherwise within a shorter period of time. The members of the supervisory board may be represented by other members of the supervisory board. Each member may represent only one other member of the supervisory board.
- 8.10. The supervisory board meeting has the right to make decisions if it is quorate. The meeting is quorate if more than half of the members attend or are represented at the meeting. If the supervisory board is inquorate, a new meeting may be convened after three working days. The new meeting will be deemed quorate irrespective of the number of members attending or being represented at the meeting. 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 (or in case of his/her absence, the vice-chairman of the supervisory board, and in case of the absence of the vice-chairman – by any member of the supervisory board). The minutes shall state the place and time of the meeting, list of the attendees, agenda, brief summary of the discussions held at the meeting and the relevant resolutions.
- 8.13. Each member of the supervisory board has one vote. A member of the supervisory board shall not participate or vote in supervisory board discussions regarding any agenda item where such 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 CEO and other directors, concluding and terminating service contracts with them, as well as working out a 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 without limitation, 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 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 shareholders, if necessary, for the Bank's benefit;
  - 8.15.7. Reviewing annual reports and the proposals of the management board on distribution of profits;
  - 8.15.8. Representing the Bank in proceedings against the CEO and other directors. If the matter concerns a supervisory board member, the supervisory board may submit a claim against the CEO (or any other director) without a resolution by the general meeting of shareholders or contrary to the decision of the general meeting of shareholders;
  - 8.15.9. Approving annual budget;
  - 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 a stake in other companies if the amount of such stake/share exceeds 50% (fifty percent) of the total equity of such company or the volume of the transaction exceeds 2.5% (two and a half percent) of the Bank's equity value as at the end of the previous calendar month;
- 8.17.2. Acquisition, transfer and encumbrance of real estate and property ownership rights, if such transaction falls outside the scope of routine economic activity of the Bank and the volume of such transaction exceeds 2.5% (two and a half percent) 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, the partial or total amount of which exceeds 2.5% (two and a half percent) of the Bank's equity value as at the end of the previous calendar month;
- 8.17.5. Borrowing funds in excess of 2.5% (two and a half percent) 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 banking activity(ies) or terminating or suspending existing banking activity(ies);
- 8.17.8. Determination of general principles of business strategy and the business plan of the Bank and the development and approval of the annual budget and long-term liabilities;
- 8.17.9. Determination of the remuneration and/or additional benefits for the Bank's top management (CEO 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;
- 8.17.11. Approval of agreement(s) or contract(s) pursuant to which a non-recurring expense or several-tranche expenditure of the Bank is to be made which exceeds 1% (one percent) 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); and
- 8.17.14. Other activities that may be defined by the applicable laws.

## **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 CEO and up to four (4) directors. The CEO 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 if so appointed he/she shall be discharged, if he/she:
  - a. does not comply with the criteria for bank management set by the National Bank of Georgia;
  - b. is a member of the Bank's supervisory board, or a 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 of an economic crime and the charges have not be annulled;
  - f. is a spouse, child or close relative of another management board member.
- 9.4. Obligations of the Bank's management board include the following:
  - 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 shareholders or supervisory board meetings, obtain all the necessary information, prepare proposals and draft resolutions;

- 9.4.3. Within one month after the end of the fiscal year draft and present to the supervisory board for approval the business plan for the current year. Such business plan shall include the budget, profit & loss forecast and the Bank's investments plan;
  - 9.4.4. Supervise of lending, settlements, financing, cash services, security, accounting and reporting of cash and valuables of the Bank, internal controls and accounting, ensure the Bank provides proper service to in the interests of the customers and supervise the other major activities of the Bank;
  - 9.4.5. Supervise the functioning of the Bank's branches and service centres, ensuring that the managers fulfil their tasks and functions;
  - 9.4.6. Review the information provided by internal audit or external inspections, the reports submitted by the branch managers and heads of the service centres, and make appropriate decisions based on this information;
  - 9.4.7. Ensure the fulfilment of resolutions made by the general meeting of shareholders and the supervisory board;
  - 9.4.8. Develop policies, office rules and any other regulations, which are approved by the supervisory board and ensure compliance with such policies, rules and regulations;
  - 9.4.9. Decide on the selection, dismissal, training and remuneration of staff (provided that the management board shall be bound to consider the recommendations of the supervisory board regarding certain top managers);
  - 9.4.10. Deal with any other issues assigned to the management board (or its individual members) by the supervisory board and/or the general meeting of shareholders; and
  - 9.4.11. Fulfil the requirements set forth in this Charter and the applicable laws.
- 9.5. The activities of the management board are led by the CEO. For this purpose, the CEO delegates tasks to the directors with the consent of the supervisory board.
  - 9.6. The CEO is entitled to act on the Bank's behalf without a power of attorney. In the absence of the CEO one of the directors shall act on the Bank's behalf on the basis of a power-of-attorney issued by the CEO.
  - 9.7. Notwithstanding the provisions in sections 9.5 and 9.6 above, any transaction imposing on the Bank an obligation in excess of 1% (one) 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. CEO is responsible for the following:
    - 9.8.1. Chairing meetings of the management board, supervising the implementation of decisions of the management board, supervisory board and the general meeting of shareholders, organizing tasks among the management board members and other managers of the Bank, and issuing relevant orders, instructions and other directives for these purposes;
    - 9.8.2. acting independently on the Bank's behalf, subject to any possible consents and approvals of the supervisory board;
    - 9.8.3. submitting for approval by the supervisory board, recommendations on the remuneration and bonuses of the Bank's employees;
    - 9.8.4. appointing and dismissing the employees in accordance with the employee recruitment plan approved by the management board;
    - 9.8.5. carrying out any other activity required for attaining the Bank's goals, except for the functions imposed on to the general meeting of shareholders or the supervisory board.
  - 9.9. The CEO 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 he/she may address such meeting.
  - 9.11. The rights and obligations of the members of the management board are defined by this Charter, the resolutions of the Bank's supervisory board and the CEO.

**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 four years. An individual cannot be elected as a member of the audit committee, if he/she is a member of the supervisory board and/or 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 of the Bank with the applicable laws;
  - 10.2.3. Approve the regulations governing the Bank's internal audit services and ensure the functioning of the internal audit service of 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, 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. Approve the annual operations plan prepared by the internal audit service and perform the plan's quarterly review;
  - 10.2.10. Assess the activities of each of the employees of the internal audit service in consideration of their professional skills and performance and make appropriate decisions;
  - 10.2.11. Together with the Bank's supervisory board and management board ensure the cooperation of the internal audit service with other structural units of the Bank;
  - 10.2.12. Make recommendations to the supervisory board on the employment / dismissal of the head and deputy head of the Bank's internal audit service, as well as on the remuneration of such staff; and
  - 10.2.13. Make recommendations (subject to the agreement of the head of the internal audit service) to the management board on the employment / 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 a quarter. In extraordinary cases, a meeting may be convened upon the request of the supervisory board. The audit committee passes resolutions by a simple majority of votes. The attending members do not have the right to abstain from voting. The audit committee is presided over by the chairman who is elected by the general meeting of shareholders.

**Article 11**  
**Related Party Transactions**

- 11.1. For the purposes of this Article 11, the term "related party" shall mean any person who is (i) a shareholder of the Bank holding and/or otherwise exercising control of five percent or more of the Bank's outstanding shares, (ii) a member of the supervisory board, management board, audit committee and other senior employee of the Bank, (iii) a company that directly, or indirectly controls, or is controlled by, or is under common control with the Bank, and (iv) such other person (being a corporate body or individual) as might be determined by applicable legislation, and/or identified by the supervisory board of the Bank.
- 11.2. The Bank and its management bodies shall at all times comply with the requirements and limitations set out in respect of the related party transactions by any applicable securities and banking laws, as well as the rules, regulations and instructions adopted by the National Bank of Georgia, securities commission or other relevant authority(ies) in the country(ies) where the Bank's securities are admitted for trading.
- 11.3. Any transaction(s) with related parties of the Bank shall be subject to the prior approval of the supervisory board if the value of the transaction does not exceed 50% (fifty percent) of the assets of the Bank. Subject to Article 8.13 of the Charter, the supervisory board shall consent to such transaction by the unanimous decision of the members present or represented at the relevant supervisory board meeting. If the value of

such transaction exceeds 50% (fifty percent) of the assets of the Bank, the transaction shall be approved by the general meeting of shareholders.

- 11.4. In compliance with the applicable laws, the supervisory board is authorized to delegate to the management board and/or respective committees the right to approve the related party transactions, provided that (a) the cumulative value of the transaction(s) with any single related party does not exceed 1% (one percent) of the supervisory capital of the Bank, and (b) the members of the management board and/or respective committee shall not participate or vote in any discussions regarding any transaction where such member has a conflict of interest.

## **Article 12 Confidentiality**

- 12.1. Unless otherwise approved by the supervisory board, the members of the supervisory board, management board and other managers of the Bank shall not use, publish, disseminate or disclose to any party, except for 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, of which they become aware. They shall use all reasonable efforts to prevent the publication or disclosure of any confidential information concerning such matters.
- 12.2. In the event that the supervisory board approves any merger, acquisition or other similar transaction involving 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 as long as such parties shall be informed of the confidential nature of the information.
- 12.2. 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).
- 12.4. Any material information disclosed to any of the shareholders of the Bank which in the reasonable opinion of the supervisory board, may affect the investment decision(s) of the shareholders, shall also be disclosed to other shareholders to the same extent.

## **Article 13 Termination of the Bank's Activities**

- 13.1. The Bank's activities shall be terminated in accordance with the applicable laws.
- 13.2. In case of termination of the Bank's activities or suspension of the banking licence, the Bank will be 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 prohibited.
- 13.3. 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 14 Branches**

On the basis of the 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 15 Miscellaneous Provisions**

- 15.1. This Charter comes into effect on the day of its registration at the relevant registration body.
- 15.2. If any of the provisions of this Charter becomes invalid, it shall not affect the validity of the Charter as a whole. An invalid provision shall be substituted with a provision which is in force and promotes the achievement of the Bank's objects.
- 15.3. In case of any inconsistency between this Charter and Georgian legislation, the rules laid down by existing legislation shall prevail over the provisions of this Charter.
- 15.4. 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.
- 15.5. This Charter is made in six copies having equal legal force.

CHIEF EXECUTIVE OFFICER OF JSC BANK OF GEORGIA

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Mr. Irakli Gilauri