

Articles of Association
of
Nepal SBI Bank Ltd.
Incorporated Under the Companies Act, 2063 (2006)
(Liability Limited by Shares)

1. **Name of the Company:** The name of the Company will be "Nepal SBI Bank Ltd." which will be called "Nepal SBI Bank Ltd." in English, which is hereinafter called the "Bank".
 2. **Address Where the Bank's Registered Office shall be Situated:** The registered office of the Bank shall be situated in Bagmati Zone, Kathmandu District, Kathmandu Metropolitan City Ward No 1, Nepal.
- 2A. Definition:** Unless otherwise stated with reference to the subject or context, in these Articles-
- (a) **Prevailing Law Relating to Companies** means the Company Ordinance, 2062 (2005). The term shall also denote any other Ordinance or Act to be promulgated in replacement of the same and amendments made thereto from time to time.
 - (b) **Prevailing Law Relating to Banks and Financial Institutions** means Banks & Financial Institutions Ordinance, 2062 (2005). The term shall also denote any other Ordinance or Act to be promulgated in replacement of the same and amendments made thereto from time to time.
 - (c) **Memorandum** means Memorandum of Association of the Bank.
 - (d) **Articles** mean the Articles of Association of the Bank and the term also denotes the amendments made thereto from time to time.
 - (e) **Promoter** means a person who has agreed to take up at least one share and affixed his/her signature in the capacity of a promoter on the Memorandum and Articles of Association in order to establish the Bank.
 - (f) **Bank** means the Nepal SBI Bank Ltd., incorporated as public limited company under Prevailing Law Relating to Companies.
 - (g) **Company** means Nepal SBI Bank Limited.
 - (h) **Board of Directors or Board** means the Board of Directors of the Bank.
 - (i) **Director** means a member of the Board of Directors of the Bank; the term includes the Chairman and an alternate Director.
 - (j) **Chairman** means the Chairman of the Board of Directors.
 - (k) **Managing Director** means the Executive Chief of the Bank appointed by the Board of Directors under these Articles from among the directors representing SBI.
 - (l) **Company Secretary** means the Company Secretary of the Bank appointed under the Prevailing Law Relating to Companies.
 - (m) **Nepal Rastra Bank** means Nepal Rastra Bank incorporated under the Nepal Rastra Bank Act, 2058.

- (n) **Concerned Office** means the office of the Registrar of Companies or any other department, office or authority designated by Government of Nepal from time to time.
- (o) **SBI** means the State Bank of India, a corporation constituted by State Bank of India Act 1955 (Act no 23 of 1955 in India) and having its Central Office at Mumbai.
- (p) **EPF** means Employees Provident Fund (Karmachari Sanchaya Kosh) established under the Employees Provident Fund Act 2019 (1962 A.D.).
- (q) **Customer** means any individual, firm, corporation, institution, company or any other entity who deals with the Bank.
- (r) **General Meeting** means Annual General Meeting and Special General Meeting of the shareholders of the Bank.
- (s) **Share** means a division of the share capital of the Company.
- (t) **Shareholder** means person who owns the shares of the company.
- (u) **Share Certificate** means a proof given by the Bank to the person buying its shares in the form of Share Certificate.
- (v) **Dividend** means the part of the profit distributed to the shareholders in proportion to the shares held by them as decided by the Board of the Bank. The term also includes bonus share issued out of the profits of the company.
- (w) **Bonus Shares** means shares issued in the form of additional shares to shareholders by capitalizing the surplus from the profits or the reserve fund of the Bank. The term also denotes an increase in the paid up value of the shares after capitalizing surplus or reserve funds.
- (x) **Liquid Assets** mean the cash balances of the Bank, the balances held by the Bank in the current account, the balances maintained by the Bank with Nepal Rastra Bank, and the other assets of the Bank specified as liquid assets by Nepal Rastra Bank from time to time.
- (y) **Deposit** means amounts deposited in current, savings, fixed or any other deposit accounts of a bank or financial institution; the term includes amounts to be accepted by the bank or financial institution through various financial instruments prescribed by Nepal Rastra Bank.
- (z) **Current Account** means an account of funds deposited with a bank or financial institution which may be drawn at any time on demand.
- (aa) **Savings Account** means an account of funds deposited with a bank or financial institution for purposes of saving.
- (bb) **Fixed Account** means an account of funds deposited with a bank or financial institution for a specified term.
- (cc) **Person** means a natural person or a company, organization or other corporate body incorporated as a body corporate under the prevailing laws.
- (dd) **Auditor** means an auditor appointed by the General Meeting of the Bank and the term also denotes the auditor nominated by the Board of Directors in the event of the position of the auditor appointed by the General Meeting falling vacant or the auditor nominated by the regulating authority as per the prevailing laws.
- (ee) **Financial Year** means the period beging 1st Shrawan and ending the following Asad as per the Bikram Sambat calendar.
- (ff) **Seal** means common seal of the Bank.
- (gg) **Debenture** means debenture or bond issued by the Bank under current law with or without pledging its assets as collateral.

- (hh) **Bill of Exchange** means a signed document issued by one person to another directing the latter to pay the specified sum of money without any condition on the specified date or on demand to any specified person, or to the person designated by him/her, or to the bearer.
- (ii) **Promissory Note** means a document containing a signed pledge to pay a specified sum of money unconditionally to any specified person mentioned in the note or to the person designated by him/her, or to the bearer of the note on a specified date or on demand.
- (jj) **Capital Fund** means the total of the primary and supplementary capital of the Bank; the term includes any other fund of the Bank specified as such by Nepal Rastra Bank from time to time.
- (kk) **Primary Capital** means the funds of a banks or financial institution kept under such heading as the paid-up capital, share premium, non-refundable preference shares, general reserve fund and accumulated profit and loss; the term includes the funds kept under other headings designated as primary capital by Nepal Rastra Bank from time to time.
- (ll) **Supplementary Capital** means the funds of a bank or financial institution kept under the headings prescribed by the Rastra Bank from time to time.
- (mm) **Documents** shall be construed as including references to painting, lithography, typewriting, photocopy and other modes of representing or reproducing words in a visible form.
- (nn) **Security** means assets or title deeds relating thereto which can be pledged as collateral according to current law or any other security acceptable to the Bank while obtaining or granting loans or any other credit or financial facilities.
- (oo) **Financial Transactions** mean the transactions to be conducted by the Bank under the Prevailing Law Relating to Banks and Financial Institutions and these Articles.
- (pp) **Electronic Fund Transfer** means the business of accepting deposits, making payments and transferring funds through telephones, telex, computers or magnetic tapes or similar other electronic equipment; the term includes transactions to be conducted through automated teller machines and cash dispensing machines, as well as those to be conducted through charge cards, debit cards and credit cards.
- (qq) **Financial Interests** means the holding of 10 percent or more of the total paid-up capital of any firm, company or corporate body by any promoter, director, shareholder holding one percent or more of the shares, or the Executive Director, or any member of his/her family, or any individual, firm, company or corporate body empowered to nominate a Director, whether singly or taken together.
- (rr) **Family** includes the concerned person's husband or wife, son, daughter, adopted son, adopted daughter, father, mother, step-mother and elder brother, younger brother, elder sister and younger sister to be maintained by him/her.
- (ss) **Licensed Institution** means a bank or financial institution which has obtained a license under the Ordinance to conduct financial transactions.
- (tt) **Office-Bearers** include the Directors, Executive Chief, Secretary and employees of the Bank, as well as persons functioning as advisors, auditors and liquidators of the Bank.
- (uu) **Letters of Credit** means a letter written by one bank or financial institution to another bank or financial institution authorizing the latter to accept cheques, drafts, hundis or bills of exchange of any specified person within the limit of the amount specified therein.
- (vv) **Negotiation** means the business of transferring a negotiable instrument to any person on the condition that the receiver may become the bearer thereof.
- (ww) **Negotiable Instrument** means promissory notes, bills of exchange or cheques.

- (xx) **Off-Balance Sheet transactions** mean transactions relating to letters of credit, guarantees, letters of acceptance, commitments, and swap relating to foreign exchange transaction, option, forward transactions and other similar transactions for which the Bank may have to bear the liability.
- (yy) **Credit** means the direct or indirect commitment to supply funds, and, in return therefor, the right to recover the invested funds and payment of interest or other fees on such credits, refinance issued against the security of credits or investments, restructuring and renewal of credits, security issued for the repayment of such credits, and other commitments made for such repayment; the term includes credits of any category.
- (zz) Words importing the singular include the plural and vice versa.
- (aaa) Unless otherwise stated with reference to the subject or context, apart from the words and terminologies defined above, definitions contained in the Prevailing Law Relating to Banks and Financial Institutions and the Prevailing Law Relating to Companies shall be applicable in respect of other words and terminologies used in these Articles.

3. **Objectives of the Bank:** The objectives of the Bank shall be as stipulated under Clause 3 of the Memorandum of Association of the Bank.

3A. **Functions that may be Performed for Attainment of the Objectives of the Bank:**

The details of the functions to be performed by the Bank to attain its objectives shall be as stated under Clause 4 of the Memorandum of Association of the Bank.

4. **Procedure for Convening Meetings of the Bank, and Matters Relating to Notice in respect of Such Meetings:**

- (1) The General Meetings of the Bank shall be as follows:
 - (a) Annual General Meeting, and
 - (b) Special General Meeting
- (2) The Annual General Meeting of the Bank shall be held within six months from the date of closure of Bank's financial year as decided by the Board of Directors.
- (3) A notice shall be sent to the address of the shareholders at least 21 days in advance in case of Annual General Meeting and 15 days in advance in case of Special General Meeting stating the venue, date and agenda to be discussed, and notice to this effect shall be published in the national level newspaper for at least two times.

Provided that the notice for a postponed General Meeting, where any new agenda items are not taken up, shall be considered to have been duly served if it is published in a national daily newspaper at least seven days in advance.

- (4) Any accidental omission to give notice to, or non-receipt thereof by any shareholder shall not invalidate the proceedings or any resolution(s) passed at any General Meeting.
- (5) A shareholder for the time being absent from his/her country of residence shall be deemed to have been properly notified if the notice is sent to his/her address registered with the Bank.
- (6) If the General Meeting could not be held due to the want of a quorum as stated under Article 5 below, the next General Meeting may be called by giving at least 7 days' notice. Such notice shall be considered to have been duly given if it is published in a national daily newspaper.

- (7) The Board shall have power to postpone any General Meeting. But where postponement of the meeting is necessary, Nepal Rastra Bank and the Concerned Office shall be given notice of the same as soon as possible.

5. Quorum:

The quorum of a General Meeting shall not be deemed to have been fulfilled unless it is attended by three shareholders in person or by proxy who together represent more than 50% of the total number of the shares allotted by the Bank.

Provided that, if the meeting re-convened as stipulated under Article 4(6) is attended by three shareholders in person or by proxy who together represent 25% of the total number of the shares allotted by the Bank, there shall be no obstacle in holding the meeting.

6. Procedures of General Meeting:

- (1) All General Meetings shall be presided over by the Chairman of the Board of Directors of the Bank.
- (2) In the absence of the Chairman for any reason, the General Meeting shall be presided over by the Vice-Chairman of the Board of Directors and in case the Vice-Chairman is also absent, a person nominated by the Directors from among themselves shall preside over the meeting.
- (3) Before commencement of every General Meeting, the legality of the meeting shall be taken into account and the matter whether the quorum is met shall be ascertained.
- (4) If it is found that the quorum for convening the meeting is met, the Chairman shall give permission for conducting the meeting legally.
- (5) All matters to be discussed at the General Meeting shall be presented in the form of resolution. The opinion of the shareholders holding a majority of shares at a meeting in regard to any subject that has been voted upon shall be deemed to be the decision of the meeting. Such opinion shall be ascertained according to the procedures prescribed by the Chairman, including those based on voice votes, show of hands, division of shareholders into groups, use of ballot papers, etc.

Provided that in the case of a special resolution, it shall be deemed to have been passed by the meeting only if shareholders representing 75 percent of the shares from among the shareholders present in the meeting vote in favour of that resolution.

- (6) In the case of an equality of votes, whether by a show of hands or at a poll, the Chairman of the meeting shall be entitled to a casting vote in addition to his own vote or votes (if any) to which he may be entitled as a shareholder.
- (7) The chairman of the meeting may adjourn the General Meeting and announce the date of next meeting as per the need. Any agenda items notified before or after the date of postponed General Meeting as per Prevailing Law Relating to Companies may be discussed and resolved in the reconvened General Meeting.
- (8) No decision shall be taken in the General Meeting on any subject which has not been already notified, except in the following circumstances:
 - (a) Unless otherwise provided for in the other Articles of these Articles of Association, in case shareholders representing at least 67 percent of the total number of shares of the Bank entitled to vote in the General Meeting attend the meeting either in person or by proxy and vote in favor of taking a decision on any subject;

Director nominated by SBI and EPF falls vacant for any reason before the expiry of his/her term, another director may be nominated by the respective institution(s).

- (5) SBI and EPF may, while appointing Director(s) also appoint alternate Director(s) who will have authority to work during the absence of the Director(s).
- (6) A person chosen by the Directors from among themselves shall be the Chairman of the Board of Directors. The Vice-Chairman of the Board of Directors shall be elected from and among the Directors representing SBI. However, if the Chairman of the Board of Directors is elected from the Directors representing SBI, the Vice-Chairman of the Board of Directors shall be elected from and amongst the Directors representing shareholders other than the SBI.
- (7) If a director representing General Public Shareholders (Group B) is to be removed from the post of director, he/she can be removed by passing a resolution in the General Meeting by the majority of the shareholders representing the concerned group. As regards the directors representing Promoter Group (Group- A), the respective institutional shareholders (SBI & EPF) may remove their director(s) and nominate new director(s) as per their decision.

8A. Qualifications and Disqualifications of Directors:

- (1) A person must have possessed the following qualifications in order to be eligible for being appointed in the post of Director:
 - (a) Should hold qualification shares as stipulated under Article 13 below,
 - (b) Should possess qualification as prescribed under the Prevailing Law Relating to Banks and Financial Institutions, and is not disqualified as prescribed under the said law and the Prevailing Law Relating to Companies.
- (2) A person shall be considered disqualified from being elected/nominated as a Director or for continuing in the post of a Director as per provisions embodied in the Prevailing Law Relating to Banks and Financial Institutions and the Prevailing Law Relating to Companies.

8B. Accountability and Responsibilities of Directors: The accountability and responsibilities of Directors shall be as follows:

- (a) No Director may do anything for deriving personal benefits through or in the course of performing the functions of the Bank.
- (b) Every person who has been appointed as Director must inform the Board of Directors about his/her personal or financial interests, if any, in any transaction made with the Bank, or in the agreement or involvement signed with the Bank before assuming charge of his/her office.
- (c) In case any Director is found to have derived any personal benefit in the course of conducting the business of the Bank, the Bank shall recover the amount involved in the matter from such Director.
- (d) The Bank shall not be responsible for any action taken or function performed by any person working as its Director by acting beyond his/her jurisdiction.
- (e) In case any person conducts any transaction with any Director or representative even while knowing or having reasons to believe that the Director/representative is conducting the transaction to serve his/her personal interests or to cause any loss or damage to the Bank, he/she may not make any claim against the Bank in relation to that transaction.

- (f) No Director, except Managing Director, shall interfere with the routine business relating to the management of the Bank.
- (g) Every Director shall comply with the directives issued by Nepal Rastra Bank from time to time as those to be complied with by the Directors of the bank or financial institution.

9. Calling Meetings of the Board of Directors:

The Company Secretary shall send notices of meetings to the Directors ordinarily at least 7 days in advance, clearly mentioning the time, date, venue and agenda of the meetings according to the order of the Chairman. However, an emergency meeting may be called by the Managing Director giving shorter notice. The notice for the meeting shall be sent to the directors in writing at the address made available to the Bank by them. Such notice may also be sent through electronic means of communication.

10. Meetings of the Board of Directors:

- (1) The Meetings of the Board of Directors shall be called as per the need. In case the Directors representing at least one third of the total number of directors demand for convening a meeting, the authority stated under Article 9 above shall call the meeting within 15 days.
- (2) Meetings of the Board of Directors shall be held as per Prevailing Law Relating to Banks and Financial Institutions and the Prevailing Law Relating to Companies.
- (3) The Directors must be present in the meeting in person. However, the Directors representing SBI and EPF may be present in the meeting through their alternates.
- (4) The presence of at least 51% of the total number of directors shall constitute the quorum for the meeting of Board of Directors, provided that at least two directors representing SBI in case of normal board meeting and at least one director representing SBI in case of emergency board meeting called by the Managing Director are present.

A Director who is not permitted to discuss the issues (e.g. in case a matter relating to the concerned director is discussed) in the meeting of the Board of Directors as provided in the Prevailing Law Relating to Companies and Prevailing Law Relating to Banks and Financial Institutions shall not be taken into account for the purpose of the quorum.

- (5) All meetings of the Board of Directors shall be presided over by the Chairman. In case the Chairman remains absent at the time of meeting the Vice Chairman shall preside over the meeting of the Board of Directors. In the absence of both the Chairman and Vice-Chairman, the meeting shall be presided over by a Director chosen from among themselves by majority of the Directors present.
- (6) Discussions on subjects not mentioned in the agenda of the meeting may also be held in case the Chairman grants permission to do so.
- (7) The decision of a majority in the meeting of the Board of Directors shall be binding, and, in the event of a tie, the Chairman may exercise his/her casting vote in addition to the vote exercised by him/her in the capacity of a Director.
- (8) Particulars (Minutes) regarding the names of Directors present in the meeting of the Board, the agenda discussed, and the decisions taken thereon shall be recorded in a separate book. Such Minutes-Book must be signed by all the Directors present in the meeting.

Provided that in case any Director expresses any opinion opposed to or differing from the decision in the course of discussions on any agenda item, the same may also be mentioned in the Minute-Book.

- (9) The Minute Book must be kept secret.

- (10) Any work or decision which the Board of Directors or any Sub-Committee of the Directors is entitled to execute or make may be executed or made even without holding any meeting if all the members of the Board of Directors approve it in writing, after incorporating such approval in the minute-book.

11. Special Provisions Regarding Appointment of Directors:

No special provisions regarding appointment of Directors have been made presently.

12. Minutes of the General Meeting and Provisions Relating to Inspection and Receipt of Copy thereof:

- (1) The Bank shall record the particulars relating to the proceedings of the General Meeting in a separate minutes-book, which shall be signed by the chairman of the meeting and the Company Secretary. Such minutes-book shall be kept at the Registered Office of the Bank.
- (2) Any shareholder willing to inspect the minutes of the General Meeting shall be allowed to do so by the Company Secretary or any other designated official of the Bank during office hours.
- (3) Any shareholder willing to obtain a copy of the minutes of the General Meeting shall be provided with a copy thereof by the Bank.

13. Minimum Number of Shares to be Acquired for being a Director:

A person should hold in his/her own name at least 100 shares of the Bank to be eligible for being elected to the post of a Director of the Bank. However, this qualification shall not apply to the Directors representing SBI and EPF and the professional expert Director to be nominated by the Board.

14. Provisions Relating to Voting by Proxy:

- (1) Persons other than the shareholders of the Bank shall not be eligible for being appointed as proxy.
- (2) In the case of shares held jointly by more than one person, only the vote of the one of the joint shareholders nominated by all the joint shareholders, or the proxy nominated by him/her as per the provisions of these Articles, shall be valid. In case, no such partner is nominated, only the vote cast or the proxy form executed by the shareholder whose name is mentioned first in Shareholders' Register maintained by the Bank, or by his/her proxy, shall be held valid.
- (3) The vote cast by the proxy of the shareholder shall not be invalid if the concerned shareholder dies or if the written notice of cancellation of authority vested in a proxy is not received by the Head Office of the Bank prior to the meeting provided that the letter of authority (proxy) issued by a shareholder shall *ipsofacto* be invalid in case the shareholder concerned attends the meeting in person and his presence is notified to the Chairman before the proceeding(s) of the meeting are started.
- (4) The letter of authority shall be in the form prescribed in the Prevailing Law Relating to Companies. Such letter must be registered at the Head Office of the Bank at least 120 hours before the time for the meeting.
- (5) In case the authority of proxy is cancelled or another proxy is appointed by cancelling the same, the notice of cancellation should reach the Head Office of the Bank at least 72 hours before the time prescribed for the meeting.

- (6) Where more than one person have been appointed as proxy to attend the same General Meeting, none of the proxy holders shall, except in case of confirmation of one proxy as per Sub-article (5), be entitled to attend and vote in the meeting.
- (7) In case the shares of the Bank have been subscribed by any Trust, institution, company or Government of Nepal, or other corporate body, the person designated or representative nominated by them may vote in the capacity of a shareholder and shall not be treated as proxy and such representative shall not be entitled to give his/her candidature in the election of directors.
- (8) Guardian of a minor shareholder can attend and vote in the meeting or appoint proxy on his behalf.

15. Right to Vote:

Unless otherwise provided in the Prevailing Law Relating to Companies and these Articles, each shareholder of the Bank shall be entitled to cast one vote for each share held by him/her.

16. Provisions Relating to Appointment of Professional Expert Director:

The Board of Director shall appoint a professional expert Director from among the persons listed in the panel of experts maintained by Nepal Rastra Bank. The tenure, qualification, etc. of such Director shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions.

17. Provisions Relating to Independent Director:

Pursuant to the provisions made in the Prevailing Law Relating to Banks and Financial Institutions, the Bank shall appoint a professional expert director as stated under Article 16 above. Hence, there will not be any other Independent Director in the Board of the Bank.

18. Appointment of Managing Director

The Board of Directors shall appoint a Managing Director from among the Directors representing SBI at the recommendation of SBI, subject to the Prevailing Law Relating to Banks and Financial Institutions, the Memorandum and these Articles and in terms of the Technical Service Agreement made between the Bank and SBI.

19. Qualification, remuneration, terms and conditions of service and functions, duties and powers of the Managing Director:

- (1) Qualification of the Managing Director shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions and Prevailing Law Relating to Companies.
- (2) The remuneration and other service conditions of the Managing Director shall be as prescribed by the Board of Directors, subject to the provisions made in the Technical Service Agreement.
- (3) The Managing Director shall hold office on such terms and conditions as may be determined by the Board and have tenure of maximum four years. He/she may be reappointed by the Board of Directors.
- (4) The functions, duties and powers of the Managing Director shall be as follows:-
 - (a) To implement the decisions of the Board and supervise and control the functions, activities and transactions of the Bank, subject to the Memorandum, these Articles, and the Prevailing Law Relating to Banks and Financial Institutions and the Technical Service Agreement made between the Bank and SBI.

- (b) To prepare annual budgets and action plan of the Bank and present these before the Board of Directors for approval.
 - (c) To manage necessary human resources subject to the staff service bye-laws of the Bank.
 - (d) To implement or make arrangements for implementing the decisions of the Board and the General Meeting and the Directives of Nepal Rastra Bank.
 - (e) To submit on time all such particulars, documents, decisions, etc. that are required to be submitted by the Bank to Nepal Rastra Bank or any other entity, subject to the Prevailing Law Relating to Banks and Financial Institutions, the Memorandum and these Articles.
 - (f) To perform all other functions prescribed for the operation of the Bank.
- (5) The Managing Director shall be accountable to the Board for his/her functions.

20. Chief Administrator of the Bank: The Managing Director shall be the Chief Administrator of the Bank.

21. Powers and Duties of Board of Directors:

- (1) All functions to be performed and all the powers to be exercised by the Bank, other than those to be performed by the General Meeting, shall be vested in the Board of Directors, subject to the Prevailing Law Relating to Banks and Financial Institutions, these Articles, Memorandum and the prevailing laws. The Board of Directors may, for the purpose of effective discharge of its functions formulate necessary byelaws.
- (2) The Board of Directors may, except otherwise provided in these Articles & Memorandum, designate any of the Directors or office-bearers of the Bank as its representatives by delegating all or some of its powers to make correspondence or sign negotiable instruments, cheques, etc. either singly or jointly with others on behalf of the Bank.
- (3) The Board of Directors may form one or more sub-committees according to need for specific purposes. The functions, duties, powers and tenure of the Sub-committees so formed and the remuneration or allowances to be paid to the members for having attended its meetings, shall be as prescribed by the Board of Directors from time to time.
- (4) The Board of Directors may delegate some of its powers to the Chairman, any Director, or a Sub-Committee formed by the Board of Directors, or to the Managing Director or any individual, firm, company or institution working as an Executive Chief of the Bank on the condition that such powers are exercised under its supervision and direction.
- (5) The Chairman, Director, Sub-Committee formed by the Board of Directors, Managing Director, Executive Chief, or any individual, firm, company or institution functioning as an Executive Chief of the Bank may delegate some of the powers vested in him/her/it under Sub-article (4) above to his/her/its subordinates under his/her/its own responsibility.
- (6) Other provisions relating to powers and duties of the Board of Directors shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions, Prevailing Law Relating to Companies and other prevailing laws.

22. Lien on Shares:

The Bank may, in consideration of the dues payable to the Bank by the shareholders against shares or any other dues payable to the Bank by the shareholders as per the law of the land, create lien on

the shares registered in the name of such shareholders and dividends payable thereon, and recover such dues from the dividends.

23. Different Type of Shares, Rights and Privileges of the Shareholders

- (1) Presently, all the shares of the Bank are the Ordinary Shares.
- (2) The shareholders of the Bank shall be entitled to the privileges and rights inherent to the ordinary shares of a company in terms of the provisions made in the prevailing law relating to companies.

24. Provisions Relating to Preference Shares:

The Bank may issue redeemable, irredeemable and other types of preference shares based on capital requirement and its adequacy in future pursuant to prevailing laws after passing a resolution in the General Meeting and obtaining approval of Nepal Rastra Bank.

25. Provisions relating to calls for payment against shares and forfeiture of Shares:

Provisions relating to payment against shares, allotment of shares and forfeiture of shares shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions, Prevailing Law Relating to Companies and prevailing law relating to securities.

26. Transfer of Shares and Other Provisions Relating to Shares:

- (1) Subject to the provision of the Prevailing Law Relating to Banks and Financial Institutions, Prevailing Law Relating to Companies and other prevailing laws, the shares of the Bank may be transferred as follows upon obtaining approval of appropriate authority:-
 - (a) In case any shareholder of the Bank sells his/her shares to any other person, the person buying the shares will have to apply to the registered office of the Bank in the format prescribed in the Nepal Gazette together with the prescribed fee, deeds relating to share transfer and the share certificate.
 - (b) In case an application is received under sub-clause (a) above, the Bank shall remove the name of the existing shareholder and record the name of the new shareholder in its register.
- (2) Every shareholder shall be given a certificate for the shares subscribed by him/her within two months from the date of allotment of the shares, duly signed by any two persons from among any Director or the Managing Director or the Company Secretary and affixing the seal of the Bank thereon. Other provisions relating to share certificate shall be as prescribed under the Prevailing Law Relating to Companies.
- (3) A Register of shareholders shall be maintained in the format prescribed by the Prevailing Law Relating to Companies and kept at Bank's registered office. At the time of the General Meeting of the Bank, the Bank shall prepare an up-to-date record of the existing shareholders. The Register of shareholders may be kept closed by the Bank up to 30 days after publication of the notice for the Annual General Meeting.
- (4) Every shareholder must have his/her name and address registered with the Bank. The Bank must be immediately notified of any change in such registered address.
- (5) In case of a share held jointly by two or more persons, the names of all the persons shall be mentioned in the share certificate, which may then be handed over to any one of them. Provided that the names of all the shareholders shall be mentioned in the register of shareholders. In case of minors and persons of unsound mind, the guardian may operate such shares on behalf of such minor or person of unsound mind.

- (6) In the absence of any agreement among joint shareholders to the contrary, all the partners of such jointly held shares shall be treated as having equal rights thereto and in case one of the partners dies and it seems that it will take a long time for his heir to be determined, the value of share shall be divided equally among the total number of joint owners, the share of the deceased partner shall be deducted, and the balance shall be transferred in the name of the surviving partners, and they shall then be allowed to operate it.
- (7) In case the guardian of a minor shareholder or of a shareholder who is of unsound mind is a person other than his parents, he/she must have been appointed as such by the authority prescribed under existing Nepal Law.
- (8) The person whose name has been mentioned in the share certificate bearing a serial number and the seal of the Bank, or in whose name the shares have been transferred, shall be considered to be the owner of such share. But in the case of shares registered in the name of guardian of a minor or of a person of unsound mind, such minor or person of unsound mind shall be considered to be the owner of the shares.
- (9) Shares issued as a result of any increase in share capital of the Bank shall be allotted among the existing shareholders subject to the provisions made in the Prevailing Law Relating to Companies and Prevailing Law Relating to Banks and Financial Institutions. Provided that the Board of Directors may set aside not more than five percent of such shares for subscription by the workers and employees of the Bank.
- (10) In case a share certificate is lost or destroyed or damaged, the concerned shareholder desirous of obtaining a new certificate in lieu of the lost / destroyed / damaged share certificate must submit an application mentioning the particulars of such loss or damage to the Registered Office of the Bank within a period of 35 days from the date when he/she learns about such loss or damage. In case any such application is filed, the Bank shall, after verification of the matters specified in the application and if it is found that particulars provided are reasonable, issue a fresh certificate to the applicant after charging Rs. 100/- per copy.
- (11) No Director, Executive Chief, Auditor and any person directly involved in the management or accounting functions of the Bank or the Company Secretary, may sell or purchase, pledge as collateral or mortgage, give away or accept as gift or donation, or exchange the shares of the Bank, or those of its subsidiary companies, or cause or allow any of such activities, under his/her own name or in the name of his family, or in the name of any firm, company or institution under his/her own or his/her family's control while he/she remains in his/her post, or for at least one year from the date of his/her retirement from his/her post.
 Provided that this restriction shall not be applicable in respect to newly issued shares.
- (12) Other provisions relating to shares shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions, the Prevailing Law Relating to Companies and the prevailing law relating to securities transaction.

27. Adjustments in Share Capital:

The Bank may make necessary adjustment in its share capital and ownership pattern by obtaining prior approval of Nepal Rastra Bank, subject to Prevailing Law Relating to Companies, Prevailing Law Relating to Banks and Financial Institutions and other prevailing laws.

28. Purchase of Shares of Its Own by the Bank:

The Bank may buy the shares of its own, subject to the provisions made in the Prevailing Law Relating to Banks and Financial Institution and the Prevailing Law Relating to Companies.

29. Provisions Relating to Remuneration and Facilities of Directors:

The monthly remuneration, meeting allowance, daily and traveling allowance and other facilities shall be as follows:

(a) No director shall be paid monthly remuneration by the Bank for being involved in the business of the Bank. The remuneration and other facilities of the Managing Director of the Bank shall be as prescribed by the Board of Directors and as per the provisions made in the Technical Services Agreement between the Bank and SBI.

(b) The meeting allowances to be paid to the Directors shall be as under:

Chairman of the Board: Rs. 10,000/- per meeting

Other Directors: Rs. 8,000/- per meeting.

The members of the Board shall be paid meeting allowance as stated above for attending the meetings of the Board as also the meetings of any sub-committee(s) formed by the Board.

(c) The daily and traveling allowance to be paid to the directors in connection with the business of the Bank shall be as follows:

(i) Daily Allowance:

(a) For Travel within Nepal, India and Bhutan:

- Daily (Halting) allowance equivalent of US\$ 100 per diem.
- Lodging, boarding and transport expenses on actual basis.

(b) For Travel Outside Nepal Other than India and Bhutan:

Daily (Halting) allowance of US\$ 500 per diem in case of the Chairman and US\$ 400 per diem in case of other Directors including boarding and lodging.

(ii) Traveling Expenses: Traveling expense shall be paid on actual basis.

(d) The local Directors shall be provided the facility of mobile telephone with monthly reimbursement to be restricted to a maximum of Rs. 3,000/-. Other facilities shall be as determined by the General Meeting from time to time.

(e) In case any Director is found to have obtained any benefit or facility other than those mentioned in these Articles, he/she shall be deemed to have committed an offense under the Prevailing Law Relating to Banks and Financial Institution, and the amount so obtained by him/her shall be recovered from him/her.

30. Use of Seal of the Bank:

- (1) Use of Seal in any official document of the Bank shall be as decided by the Board of Directors.
- (2) Bank's seal shall be under the subordination of the Managing Director which will be used for the purpose of banking transactions. He may entrust the responsibilities regarding the use of seal to other staff of the Bank.
- (3) In case any liability is created to the Bank by unauthorized use of the Bank's seal, the amount of loss to be created out of such liability shall be recovered from the person who has taken responsibility of the seal.

31. Accounts of the Bank and Audit:

- (1) The Bank shall maintain its accounts, records, books, ledgers, etc. in a true and correct manner and according to the universally accepted principles based upon the double entry system and

the Bank shall, unless otherwise permitted by Nepal Rastra Bank, keep such account at its Registered Office.

- (2) The Bank shall prepare its balance sheet, profit and loss account, statements of cash flow, and other financial statements in the form and according to the procedure prescribed by Nepal Rastra Bank.
- (3) Within five-months after the expiry of each fiscal year, the Bank shall prepare its balance sheet, profit and loss account, cash flow statement, and other financial statements in the format and according to the procedure prescribed by Nepal Rastra Bank and have them audited. Such financial statements shall be signed by at least two Directors, the Managing Director and the Auditor.
- (4) The General Meeting of the Bank shall appoint the Auditor. Provided that the General Meeting may not appoint the same auditor for more than three consecutive times.
- (5) The remuneration of the Auditor shall be as decided by the shareholders in the General Meeting.
- (6) While appointing an auditor under Sub-article (4) above, the General Meeting shall appoint a chartered accountant from among the auditors included in the list of auditors approved by Nepal Rastra Bank on the recommendation of Audit Committee to be constituted pursuant to Article 32 of these Articles. The name of the auditor so appointed shall be sent to the Concerned Office within 15 days from the date of his/her appointment.
- (7) In case the Bank fails to have its accounts audited within the time limit mentioned under Sub-article (3) above, it will apply to Nepal Rastra Bank by explicitly mentioning appropriate reasons therefor for an extension of time limit. The time limit so extended shall be of maximum three months.
- (8) The auditor must submit his/her audit report to both the Bank and Nepal Rastra Bank. The Bank shall incorporate such report in its annual report. In case any shareholder wishes to inspect the updated accounts of the Bank, he/she will be allowed to do so by the Bank.
- (9) In case a shareholder wishes to inspect Bank's updated accounts, the Bank will allow him/her to do so.
- (10) The duties and responsibilities of the Auditor and the other provisions relating to audit shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions and the Prevailing Law Relating to Companies.

32. Provisions Relating to Audit Committee:

There will be an Audit Committee in the Bank. Constitution, functions, duties and powers of the Audit Committee and other provisions relating to the Audit Committee shall be as prescribed by Nepal Rastra Bank and the prevailing laws.

33. Provisions Relating to Loans or Debentures:

In case the Bank considers necessary to raise loans or debentures it may do so subject to the provisions made in the Prevailing Law Relating to Companies and Prevailing Law Relating to Banks and Financial Institutions.

34. Amalgamation of the Bank:

In case of requirement, the Bank may amalgamate or be amalgamated with any other bank/financial institution by fulfilling the formalities laid down in the Prevailing Law Relating to Banks and Financial Institutions and the Prevailing Law Relating to Companies.

35. Provisions Relating to Dividends:

- (1) The Bank may declare dividend or interim dividend out of the net profit after fulfilling all the requirements of prevailing laws.
- (2) The amount of dividend and interim dividend shall be as recommended by the Board of Directors.
- (3) The Bank shall obtain approval of Nepal Rastra Bank before declaring and distributing dividends.
- (4) Dividend warrants shall be sent to the registered address of shareholders. In the case of dividends on shares subscribed to by State Bank of India, such dividends shall be converted into foreign currency as specified by State Bank of India at the time of declaration of the dividends and dispatched at the same time as dividend warrants are sent to other shareholders.
- (5) The shareholders, whose names are recorded in the Shareholders Register at the time of the declaration of dividends, shall be entitled to the dividends.
- (6) Other provisions relating to dividends shall be as prescribed under the Prevailing Law Relating to Companies and Prevailing Law Relating to Banks and Financial Institutions.

36. Inspection of Share Register:

- (1) In case a shareholder of the Bank desires to inspect the register of shares, the Bank shall allow him/her to do so.
Provided that the share register may be closed for inspection for a maximum period of 30 days at a time but not exceeding 45 days in a year by publishing a notice in a national newspaper 7 days in advance.
- (2) Any shareholder willing to obtain a copy of the share register shall be provided with a copy thereof by the Bank after charging Rs. 2/- per page.

37. Provisions Relating to Company Secretary:

- (1) The Bank shall appoint a Company Secretary subject to the provisions made in the Prevailing Law Relating to Companies.
- (2) The terms and conditions of the service of the Company Secretary shall be as prescribed in the Bank's Staff Service Byelaws and the terms of his/her appointment.
- (3) Functions, duties and powers of the Company Secretary and other provisions relating to Company Secretary shall be as prescribed under the Prevailing Law Relating to Companies.

38. Other Necessary Matters:

- (1) The financial year of the Bank shall begin from the 1st Shrawan and end on the last day of the month of Asadh the following year.
- (2) The liability of the shareholders of the Bank is limited to the amount of shares subscribed or agreed to subscribe by them.
- (3) The Bank shall, as directed by Nepal Rastra Bank, submit its financials and other necessary particulars to Nepal Rastra Bank within the time frame and in line with the format prescribed on regular basis.
- (4) Claims of any person other than the actual depositor to deposits made with the Bank shall not be entertained. In the event of the death of the depositor, the person willed by him/her, if any, and if such beneficiary also dies, or in case no person has been willed by the depositor, the

surviving person from among his/her relatives, in the following order, shall have first title to such deposits:

- (a) Husband or wife living in an undivided family.
- (b) Son or daughter, or adopted son or adopted daughter, living in an undivided family.
- (c) Father, mother, grand-son, or grand-daughter from the son's side living in an undivided family.
- (d) Husband or wife, son, unmarried daughter, father or mother who is living separately.
- (e) Grand-father or grand-mother of the father's side, brother or unmarried sister, living in an undivided family.
- (f) Nephew, niece, or step-mother living in an undivided family, or a grand-son or unmarried grand-daughter from the son's side who is living separately.
- (g) Uncle, widowed aunt, sister-in-law (elder or younger brother's wife), or grand-daughter-in-law living in an undivided family.
- (h) Brothers living separately.
- (i) Married sisters, grand-father, grand-mother, widowed daughter-in-law, grand-daughter-in-law, or nephew who are living separately.

Provided that if there is no one in the order of priority, the concerned heir shall have a title to the concerned deposit, and in case there is not even a heir, the deposit shall accrue to the Government of Nepal.

- (5) Amounts deposited with the Bank shall not be handed over to anyone without the approval of the person who has title thereto.
- (6) Amounts deposited with the Bank shall not be confiscated for any reason whatsoever without the approval of the person who has title thereto. Provided, this provision shall not be considered to have created obstacle from confiscating the deposit if any financial transaction is carried out by pledging the amount of deposit itself as collateral or in the cases where the deposit can be confiscated as per the prevailing laws.
- (7) The relationship between the Bank and its customers and information regarding its accounts, records, books, ledgers, and statements shall not be disclosed to any person other than the concerned person.
- (8) The Bank shall submit to Nepal Rastra Bank particulars of deposit accounts which have remained un-operated and title to which have not been claimed under the Prevailing Law Relating to Banks and Financial Institutions for the past 10 years, within the first month of every fiscal year.
- (9) The Bank shall submit to Nepal Rastra Bank particulars of dividends payable to shareholders if the concerned shareholders and their heirs fail to claim payment thereof within five years from the date of declaration of the dividends, within the first month of every fiscal year.
- (10) The shares of the Bank shall be considered as movable property and such shares can be pledged or transferred, subject to Prevailing Law Relating to Banks and Financial Institutions, laws relating to companies and securities, the Memorandum of Association and these Articles.
- (11) In case any person is put to loss by reason of the Bank complying with any order or directive issued by Government of Nepal or Nepal Rastra Bank under the Nepal Rastra Bank Act, 2058, Prevailing Law Relating to Banks and Financial Institutions or rules framed thereunder, no claims to compensation made by him/her shall be entertained, irrespective of anything

contained in the contract concluded with the Bank or in any other arrangement of the Bank, except in the case of any unauthorized exercise of the powers.

- (12) The Board of Directors may, as per the need, formulate and implement, manuals, guidelines and policies.
- (13) No amount in the form of cash or kind chargeable to the Bank's fund shall be paid or distributed to the shareholders by the Bank other than the dividends approved by the General Meeting.
- (14) The Bank may, for the purpose of conducting its transactions, take management consultancy services from any organization, institution, expert or any other skilled person. The Bank may entrust the operation or management of the Bank under management contract on the basis of reasonable terms and conditions and do all the necessary functions for the fulfillment of all or some of the objectives stated above.
- (15) Every Director and employee of the Bank must take an oath of secrecy and fidelity as prescribed before assuming office in the Bank.
- (16) No Director or office-bearer or employee of the Bank or other associated person shall disclose to any unauthorized person any information or secret matters known to him/her while discharging his/her duties, except where it is permitted or made mandatory by laws.
- (17) The Board of Directors may formulate and implement necessary directives relating to election of Directors.
- (18) No action taken by the Board shall be invalidated only for the reason that there had been any irregularity in the appointment of a Director or in the formation of the Board or of any vacancy in the post of a Director.
- (19) The Bank shall maintain a risk-bearing fund in the proportion prescribed by Nepal Rastra Bank in such a manner that it can meet the liability relating to its total assets and off-balance sheet transactions.
- (20) The Bank shall maintain a capital fund in a ratio prescribed by Nepal Rastra Bank on the basis of its total assets or total risk-weighted assets.
- (21) The Bank shall enter into a Technical Services Agreement (TSA) with State Bank of India (SBI) and or its nominee for management and other technical and management assistance to the Bank on such terms and conditions as may be agreed between them. Such agreement shall be under the jurisdiction of the existing laws of Nepal.
- (22) Any notice, summon, questionnaire, etc. to be delivered by the Bank on the matters relating to directors, shareholders, debenture holders, employees or the Bank may be delivered as per the Prevailing Law Relating to Companies and prevailing law relating to electronic transaction.
- (23) The accounts and records of the Bank shall be maintained in English or in Nepali language as per the instructions of Nepal Rastra Bank.
- (24) The Bank shall, for the purpose of smoothly conducting its business, appoint employees according to its needs. The Board of Directors shall frame necessary service rules/bye-laws in respect to the conditions of their service.
- (25) For the purpose of systematically running its business and implementing the objectives of the Prevailing Law Relating to Banks and Financial Institutions and of these Articles, the Bank may frame bye-laws on the matters prescribed under the Prevailing Law Relating to Banks and Financial Institutions and all other matters concerning the function to be performed by the Bank, which shall come into force after being approved by Nepal Rastra Bank.

- (26) No director, office-bearer or employee of the Bank shall be held individually or collectively liable for any action taken in good faith in order to comply with the provisions made in Nepal Rastra Bank Act, 2058, Prevailing Law Relating to Banks and Financial Institutions, Prevailing Law Relating to Companies or rules or bye-laws framed thereunder, or the orders or directives issued thereunder or these Articles.

Provided that they shall be held individually liable for any action taken with *malafide* motives or intentional negligence.

(27) Repeal and Saving:

- (a) The Articles of Association of Nepal SBI Bank Ltd., incorporated in the Office of Company Registrar on 28.04.1993, prevailing prior to obtaining the license by making amendments in the said Articles as per Section 30(2) of Banks and Financial Institutions Ordinance, 2062, shall stand repealed.
- (b) All functions and actions performed under the Articles of Association of the Bank repealed as per Sub-Article (a) above shall be deemed to have been carried out and performed under these Articles.
- (c) The promoters existing at the time of incorporation of this Bank as per the Articles of Association repealed under Sub-Article (a) above, the number of shares agreed by them to subscribe at that time, signatures, witnesses and their signatures, certification made by the lawyer drafting the said Articles and all the particulars regarding their signatures shall be considered to have continued as per Article 42 herein below.

39. Liquidation of the Bank:

- (1) The Bank may not voluntarily liquidate itself without the prior approval of Nepal Rastra Bank.
- (2) In case an application for voluntary liquidation is filed by the Bank under Sub-Article (1) above, Nepal Rastra Bank may, if it is satisfied after necessary investigations that the Bank is in a position to fully settle its loans and liabilities, grant permission to the Bank to voluntarily liquidate itself subject to the conditions prescribed by Nepal Rastra Bank.
- (3) Other provisions relating to liquidation of the Bank shall be as prescribed under the Prevailing Law Relating to Banks and Financial Institutions, the Prevailing Law Relating to Companies and other prevailing laws.

40. Articles of Association to be Void to the Extent of their Contradiction:

- (1) The provisions contained in these Articles contrary to Memorandum of Association shall automatically be void or rescinded to the extent of their contradiction with the Memorandum, and anything not contained in these Articles shall be as stipulated in the Memorandum of Association.
- (2) The provisions contained in these Articles contrary to Nepal Rastra Bank Act, 2058, Prevailing Law Relating to Banks and Financial Institutions, Prevailing Law Relating to Companies and prevailing law relating to securities shall automatically be void or rescinded to the extent of their contradiction with the said laws and anything not contained in these Articles shall be in accordance with the said laws.

41. Amendments in the Articles of Association:

- (1) In case the Bank wishes to make any amendment in these Articles of Association, it may do so by adopting a special resolution in the General Meeting of the shareholders as per the prevailing law relating to companies. Such amendment shall be considered to have been effective only after the Office of Company Registrar records the same.

- (2) In case there is any amendment in the Nepal Rastra Bank Act, 2058, Prevailing Law Relating to Banks and Financial Institutions and Prevailing Law Relating to Companies and prevailing law relating to securities, or there is promulgation of new Act/law in replacement of the said laws, the provisions made under these Articles shall automatically be deemed to have been amended in accordance with the provisions of such Act/law.

42. Number of Shares Agreed to Subscribe by the Promoters to:

We, the undersigned persons whose names and addresses are subscribed below, are desirous of being formed into a public limited company, in pursuance of this Articles of Association and we respectively agree to take up the number of shares in the capital of the company set opposite to our respective names: -

S.N.	Name and address of promoters	Number of Shares Subscribed	Signature of Promoters / Representative	Names, Addresses and Signatures of Witnesses
1.	State Bank of India having its Central Office at Madam Cama Road, Bombay, India, duly represented by Mr. Shathiya Soloman Raj, Deputy Managing Director, International Banking, Central Office, Madam Cama Road, Bombay	599,900	Sd / - S. Raj	Mr. B.K. Das, Asst. General Manager, International Div., Central Office, Bombay
2.	Mr. Aditya Bikash Chakravarty, General Manager, State bank of India, Madam Cama Road, Bombay, India	25	Sd / - A.B. Chakravarty	Mr. Bharat R. Upreti, Gyaneswor, Kathmandu
3.	Mr. Lingaraj Tripathi, Assistant General Manager, State Bank of India, Madam Cama Road, Bombay, India	25	Sd / - L. Tripathi	Mr. Subash Nemwang, Maitidevi, Kathmandu
4.	Mr. Basudeb Sen, Assistant General Manager, State Bank of India, Madam Cama Road, Bombay, India	25	Sd / - B. Sen	Mr. Dilli Raj Bhandari, Maitidevi, Kathmandu
5.	Mr. Dilip Sharma, Chief Manager, State Bank of India, Madam Cama Road, Bombay, India	25	Sd / - D. Sharma	Mr. Mahesh Nepal, Maharajgunj, Kathmandu
6.	Karmachari Sanchaya Kosh (EPF) having its Registered Office at Sundhara, Kathmandu, duly represented by Mr. Mukunda Prasad Ghimire, Administrator	180,000	Sd / - M.P. Ghimire	Mr. Sansar B. Shrestha, Naya Bazar, Kathmandu
7.	Agricultural Development Bank Nepal having its Registered Office at Ramshah Path, Kathmandu, duly represented by its General Manager, Dr. Tilak Rawal	60,000	Sd / - Tilak Rawal	Mr. Narayan D. Manandhar, Paknajol, Kathmandu