

ANNEX 1

ESTABLISHMENT CERTIFICATE OF
MICROFINANCE INSTITUTION OF EAST TIMOR (the Institution)

1. The Members are as follows:

Full name	Date, place of birth	Occupation	Address	Citizenship	Shares subscribed
1. East Timor Public Administration (hereafter, ETPA) representative nominated by the Minister of Economy and Development					100
2. Foundation for Poverty Reduction of East Timor	n.a.	Foundation	ADB SOET Dili, East Timor	Registered in East Timor	1,999,900
Total subscribed shares					2,000,000

The nominal value of each share is US\$1, issued to the above persons, paid in full.

2. The Board of Directors appointed for the first time is:

Full name	Date, place of birth	Occupation	Address	Citizenship
1. Director appointed by the Foundation for Poverty Reduction of East Timor				
2. Director appointed by the Foundation for Poverty Reduction of East Timor				
3. Director appointed by the Foundation for Poverty Reduction of East Timor				
4. Director, being ETPA representative nominated by the Minister of Economy and Development, appointed by the Foundation for Poverty Reduction of East Timor				
5. Director, being ETPA representative nominated by the Minister of Economy and Development, appointed by the Foundation for Poverty Reduction of East Timor				

3. The Articles of Association are attached.

MICROFINANCE INSTITUTION OF EAST TIMOR

ARTICLES OF ASSOCIATION

TABLE OF CONTENTS

2. NAME AND DOMICILE OF INSTITUTION	4
3. PURPOSE, OBJECTIVES, ACTIVITIES	4
4. CAPITAL	5
5. COMPOSITION OF BOARD OF DIRECTORS	5
6. SHARES	5
7. TRANSFER OF SHARES	6
8. LIABILITY OF MEMBERS	6
9. GENERAL MEETINGS	6
10. PROCEEDINGS AT GENERAL MEETINGS	7
11. DIRECTORS	11
12. REMUNERATION AND EXPENSES OF DIRECTORS	11
13. VACATION OF OFFICE AND CONFLICT OF INTEREST	11
14. POWERS OF DIRECTORS	12
15. PROCEEDINGS OF DIRECTORS	13
16. MANAGING AND EXECUTIVE DIRECTORS	15
17. CHANGES IN THE CONSTITUTION	19

PRELIMINARY

Definitions

1.1. In these Articles of Association unless the contrary intention appears:

“Alternate Director” means a person appointed as alternate director under clause 17;

“Articles of Association” means these Articles of Association as altered or added to from time to time and a reference to a provision of these Articles of Association is a reference to that provision as altered or added to from time to time;

“Auditor” means the auditor for the time being of the Institution,

“Chairman” means the Chairman of the Board of Directors of the Institution and
“Deputy Chairman” means the deputy Chairman of the Board;

“Committee” and “Committee of Directors” means any Director or Directors acting as a committee of Directors;

“Director” means a director of the Institution, and where appropriate includes an Alternate Director;

“Directors” means all or some of the Directors acting as a board;

“East Timor Public Administration” and “ETPA” mean East Timor Public Administration as established under Section 2 of UNTAET Regulation No. 2001/28 on the Establishment of the Council of Ministers;

“Institution” means Microfinance Institution of East Timor as created under Executive Order No. 2001/8,

“Managing Director” means a person appointed as managing director under clause 16, and where appropriate includes an assistant managing director or an acting managing director;

“Member” means a person for the time being entered in the Register as a member of the Institution;

“Controlling Shareholder” means Foundation for Poverty Reduction in East Timor

“Register” means the documentary record of share ownership maintained by the Institution;

“Registered share” means a share the ownership of which is recorded in the Register;

“Related company” and “subsidiary” have the same meanings as in the applicable laws on corporations in East Timor;

“Share” means a share in the capital of the Institution;

1.2. Headings are inserted for convenience and are not to affect the interpretation of these Articles of Association.

1.3. Powers conferred on the Controlling Shareholder, the Institution, the Directors, a Committee of Directors, a Director or a Member may be exercised at any time and from time to time.

Notice from Controlling Shareholder

- 1.4. The Controlling Shareholder shall exercise a power, make a request or requirement, issue an authorization or give a consent, direction or approval for any purpose under common seal; or (b) signed by:
- (i) the Chairman of the Controlling Shareholder;
 - (ii) any other person authorized in that behalf either generally or in a particular case by notice in writing in accordance with paragraph (a) or subparagraph (b) (i) of clause 1.4.

2. NAME AND DOMICILE OF INSTITUTION

- 2.1. The Institution's name is: MICROFINANCE INSTITUTION OF EAST TIMOR.
- 2.2. The Institution's domicile is East Timor.

3. PURPOSE, OBJECTIVES, ACTIVITIES

Purpose and objectives

- 3.1. The Institution's primary purpose and objective is to reduce poverty, through targeting its credit, training and related financial or other services to the poor and lower income groups of the population (the targeted groups). It will achieve its objective primarily through supporting income generation and employment creation activities of the targeted groups.
- 3.2. Maximizing profit shall not be the Institution's primary objective. The Institution shall however endeavor over time to have sufficient net earnings per year to allow it to sustain and expand its operations based on its primary purpose in accordance with clause 3.1.

Business activities

- 3.3. In order to achieve its purpose and objectives, the Institution may provide whatever range of financial, training, capacity building, human resource development and related or unrelated services it sees fit, whether on commercial terms or not, and may provide whatever range of financial services is permitted by the relevant banking laws and regulations, subject to the limits that may be imposed by the Controlling Shareholder from time to time.
- 3.4. In the conduct of the activities described in clause 3.3 and to the extent permitted by relevant banking laws and regulations and permits obtained by the Institution in accordance therewith:
- a) Deposit, savings and related services may be provided to any person or entity, and to any income group subject to limits that maybe imposed by the Controlling Shareholder, credit-related services, training, business planning, and other services, with priority given to the target groups and to micro, small and medium size enterprises predominately in rural areas;
 - b) Without limiting the generality of clause 3.3, the Institution may provide whatever banking or microfinance services it sees fit to any entity institution, association,

credit union, NGO and the like anywhere in East Timor.

- 3.5. The Institution may also support and promote the microfinancial activities of other entities, institutions, associations, village banks, credit unions, NGOs and the like through technical assistance, guidance, setting best practices, and any related activities.

4. CAPITAL

- 4.1. The Institution's authorized share capital shall consist of 3,500,000 ordinary registered shares of a par value of US\$1 (one) each. The issued capital at date of incorporation shall consist of 2,000,000 fully paid ordinary registered shares of a nominal value of US\$1 (one) each.

5. COMPOSITION OF BOARD OF DIRECTORS

The initial Board of Directors shall consist of 5 persons, with the following names,

Full name	Occupation	Address
1. Director appointed by the Foundation for Poverty Reduction of East Timor		
2. Director appointed by the Foundation for Poverty Reduction of East Timor		
3. Director appointed by the Foundation for Poverty Reduction of East Timor		
4. Director, being ETPA representative nominated by the Minister of Economy and Development, appointed by the Foundation for Poverty Reduction of East Timor		
5. Director, being ETPA representative nominated by the Minister of Economy and Development, appointed by the Foundation for Poverty Reduction of East Timor		

6. SHARES

Issue of Shares

- 6.1. Subject to the applicable laws on corporations in East Timor and these Articles of Association:
- (a) new shares may only be issued with the approval of a general meeting provided that the prior approval in writing of the Controlling Shareholder was

obtained;

- (b) once the issued share capital exceeds \$2 million, new shares shall first be offered to existing shareholders in the proportion that their shares bear to total shares issued.

Preference Shares and Redeemable Shares

- 6.2. The Institution may not issue any preference or redeemable Shares or any similar Shares of any kind.

7. TRANSFER OF SHARES

Registration

- 7.1. A transfer of Shares must not be registered unless a proper instrument of transfer executed by the transferor and by the transferee has been lodged with the Institution.
- 7.2. The transferor remains the Member in respect of Shares until the name of the transferee is entered in the Register.

Instruments of transfer

- 7.3. Subject to any applicable law an instrument of transfer must be in a usual or common form or in any other form acceptable to the Directors and must be delivered to the Institution for registration accompanied by the certificate for the Shares to be transferred.

Restrictions on transfer

- 7.4. Prior approval of the Directors is required before any transfer of shares can take place, but in all cases, Directors shall act on the instructions of the Controlling Shareholder with respect to the transfer. Provided that the requirements of clauses 7.1 and 7.3 have been complied with, and approval of the Controlling Shareholder obtained, the directors shall register a transfer of shares.

8. LIABILITY OF MEMBERS

Liability of Members for the obligations of the Institution

- 8.1. A Member is not liable for an obligation of the Institution by reason only of being a Member.

Liability of Members to the Institution

- 8.2. Notwithstanding any other provision in these Articles of Association, the liability of a Member to the Institution is limited to any amount unpaid on a Share held by the Member.

9. GENERAL MEETINGS

- 9.1. The Directors may convene a general meeting whenever they think fit and shall do so whenever requested by the Controlling Shareholder or required to do so under the provisions of the applicable laws on corporations in East Timor.

- 9.2. The Directors shall call an annual general meeting to be held once a year not more than 6 months after the end of the preceding year.

Notice of general meeting

- 9.3. Notice of the date, time, place and agenda of a general meeting must be sent to every Member entitled to receive notice of the meeting and to every Director and the Auditor not less than 14 days before the meeting. Notice shall be in writing, by registered mail, or if by fax or email, then such notice shall only be valid if acknowledged by the recipient.
- 9.4. The notice of meeting must state -
- (a) the nature of the business to be transacted at the meeting in sufficient detail to enable a Member to form a reasoned judgment in relation to it; and
 - (b) the text of any resolution to be submitted to the meeting.
- 9.5. An irregularity in a notice of a meeting is waived if all the Members entitled to attend and vote at the meeting attend the meeting without protest as to the irregularity, or if all such Members agree to the waiver.

Auditor's and Directors' rights to attend general meetings

- 9.6. The Auditor, or an agent authorized by the Auditor in writing for the purpose, is entitled to attend any general meeting, to receive all notices of and other communications relating to any general meeting which a Member is entitled to receive and to be heard at any general meeting on any part of the business of the meeting which concerns the Auditor in that capacity, and is entitled to be heard notwithstanding that the Auditor retires at that meeting or a resolution to remove the Auditor from office is passed at that meeting.
- 9.7. A Director is entitled to attend any general meeting, to receive all notices of and other communications relating to any such meeting, which a Member is entitled to receive and to be heard at any such meeting on any part of the business of the meeting.

Cancellation or postponement of general meeting

- 9.8. Where a general meeting (excluding an annual general meeting and a meeting called on the written request of Members in accordance with applicable laws is convened by the Directors, they may, whenever they think fit and subject to the prior consent of the Controlling Shareholder, cancel the meeting or postpone the holding of the meeting to a date and time determined by them.
- 9.9. Written notice of postponement of a general meeting must be given to all persons entitled to receive notices of general meetings from the Institution at least three days before the date for which the meeting is convened and must specify the reason for postponement.

10. PROCEEDINGS AT GENERAL MEETINGS

Quorum

- 10.1. If the Institution has only two Members, then a quorum consists of these two Members present in person or by proxy. If the Institution has more than 2 members, then a quorum consists of more than half of all Members, present in person or proxy, provided that at all or any general or annual general meeting or meetings, one of the

persons present is a duly authorized representative or proxy of the Controlling Shareholder.

- 10.2. An item of business may not be transacted at a general meeting unless a quorum is present.
- 10.3. If a quorum is not present within 30 minutes after the time appointed for the meeting:
 - (a) in the case of a meeting called on the written request of Members, the meeting is dissolved;
 - (b) in the case of any other meeting, notice of no later than seven days must be given prior to the date for the second general meeting to be held (in place of the one for which no quorum was present). The second general meeting must be held not less than 10 days or more than 21 days after the first general meeting.
- 10.4. At any such adjourned (second) meeting, where the Institution has only 2 Members, then a quorum consists of these two Members present in person or by proxy. If the Institution has more than 2 members, then a quorum consists of Members present in person or proxy, having at least one third of all valid voting rights, provided that at all or any second general or annual general meeting or meetings, one of the persons present is a duly authorized representative or proxy of the Controlling Shareholder.

Chairman

- 10.5. The Chairman is entitled to preside at meetings of Members, but if the Chairman is not present and able and willing to act within 15 minutes after the time appointed for a meeting or has signified an intention not to be present and able and willing to act, the following may preside (in order of entitlement): the Deputy Chairman, a Director chosen by a majority of the Directors present, the only Director present, or a Member or proxy chosen by a majority of the Members and proxies.
- 10.6. If there is an equality of votes the Chairman of the meeting has both on a show of hands and at a poll, a casting vote in addition to any votes to which the Chairman is entitled as a Member or proxy of a Member. Subject to any explicit direction from the Controlling Shareholder, the Chairman has discretion both as to whether or not to use the casting vote and as to the way in which it is used.

Methods of holding meetings

- 10.7. A meeting of Members may be held either:
 - (a) by a number of Members, who constitute a quorum, being assembled together at the place, date, and time appointed for the meeting; or
 - (b) by means of audio, or audio and visual, communication by which all Members participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

How questions decided

- 10.8. In the case of a meeting of Members held under clause 10.7(a), unless a poll is demanded, voting at the meeting shall be by whichever of the following methods is determined by the Chairman of the meeting:
 - (a) voting by voice; or

(b) voting by show of hands.

10.9. In the case of a meeting of Members held under clause 10.7(b), unless a poll is demanded, voting at the meeting shall be by the Members signifying individually their assent or dissent by voice.

10.10. A declaration by the Chairman of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact unless a poll is demanded in accordance with clause 10.11.

10.11. At a meeting of Members a poll may be demanded by:

- (a) any Member having the right to vote at the meeting; or
- (b) the Chairman of the meeting.

Provided that the Controlling Shareholder may by notice in writing before any meeting, or by general notice for all meetings, require voting to be conducted by a poll.

10.12. A poll may be demanded either before or after the vote is taken on a resolution.

10.13. If a poll is taken, votes must be counted according to the votes attached to the Shares of each Member present in person or by proxy and voting. On a show of hands, each Member present in person and each other person present as proxy has one vote.

10.14. The instrument appointing a proxy to vote at a meeting of the Institution confers authority to demand or join in demanding a poll and a demand by a person as proxy for a Member has the same effect as a demand by the Member.

Adjournment

10.15. The Chairman of a meeting may with the consent of the meeting adjourn the meeting from time to time and place to place, but the only business that may be transacted at an adjourned meeting is the business left unfinished at the meeting from which the adjournment took place.

Right to appoint proxy

10.16. A Member entitled to attend a meeting of the Institution is entitled to appoint another person (whether a Member or not) as proxy to attend in the Member's place at the meeting and a proxy has the same right as the Member to speak and vote at the meeting. Provided that any member of the Board of Directors and an Institution employee shall not serve as a proxy of a shareholder.

Instrument of proxy

10.17. An instrument appointing a proxy must be in writing under the hand of the appointer or of the appointer's attorney duly authorized in writing and must also be in a form approved by the directors and state whether the appointment is for a particular meeting or a specified term not exceeding twelve months.

10.18. An instrument appointing a proxy must be produced before the start of the meeting.

Resolutions in lieu of meeting

10.19. Members' resolutions may be made as follows:

- (a) at a properly constituted general meeting in terms of these Articles of Association, or
- (b) without any meeting or notice of any kind, provided that the resolution is approved in writing by all shareholders.

No Postal Votes

- 10.20. Members may not exercise the right to vote at a meeting by casting a postal vote.

Shareholder proposals

- 10.21. A Member may give written notice to the Directors of a matter the Member proposes to raise for discussion or resolution at the next meeting of Members at which the Member is entitled to vote. The Directors must, at the expense of the Member, give notice of the Member proposal and the text of any proposed resolution to all Members entitled to receive notice of the meeting.

Directors must give the proposing Member the right to include in or with the notice given by the Directors a statement of not more than 1,000 words prepared by the proposing Member in support of the proposal, together with the name and address of the proposing Member.

- 10.22. The Directors are not required to include in or with the notice given by the Directors a statement prepared by a Member which the Directors consider to be defamatory, frivolous, or vexatious.
- 10.23. The proposing Member shall meet the costs of giving notice of the Member proposal and the text of any proposed resolution, and the proposing Member must, on giving notice to the Directors, deposit with the Institution a sum sufficient to meet those costs.

Votes of joint holders

- 10.24. Where 2 or more persons are registered as the holder of a Share, the vote of the person named first in the Register and voting on a matter must be accepted to the exclusion of the votes of the other joint holders.

Meeting may regulate its own procedure

- 10.25. Except as provided in applicable laws on corporations in East Timor and in these Articles of Association, a meeting of Members may regulate its own procedure.

Information provided to general meeting

- 10.26. The Directors are required to provide relevant information to Members at any general meeting, provided that the Directors shall not be required to provide any information that the Directors consider to be of a confidential or sensitive nature, or otherwise not suitable for publication.

Minutes of meetings

- 10.27. Minutes of each general meeting must be made and signed by the Chairman or person presiding over the meeting, and at least one Member appointed by and from the participants of the meeting.

11. DIRECTORS

Number of Directors

- 11.1. The number of Directors shall not be less than five.

No share qualification

- 11.2. A Director does not require a share qualification.

Appointment

- 11.3. Directors are appointed by the Members in a properly constituted general meeting, subject to the appointment being approved in advance in writing by the Controlling Shareholder.
- 11.4. Each person holding office as a Director at the date on which the Institution is re-registered under applicable laws on corporations in East Timor is to be deemed appointed by the Controlling Shareholder.
- 11.5. The Directors may with the approval of the Controlling Shareholder appoint a person as a Director to fill a casual vacancy.

Removal

- 11.6. Directors may be removed at any time by the Members in a properly constituted general meeting, subject to the provisions of the applicable laws on corporations in East Timor.

12. REMUNERATION AND EXPENSES OF DIRECTORS

- 12.1. A Director, including a Managing Director and any other Executive Director, is entitled to be paid out of the funds of the Institution as remuneration for services as a Director such sum accruing from day to day as a general meeting determines.
- 12.2. If a Director, at the request of the Directors or of a general meeting, performs additional or special duties for the Institution, the Institution may remunerate that Director by payment of a fixed sum or salary to be determined by the general meeting and that remuneration may be either in addition to or in substitution for that Director's remuneration under clause 12.1.
- 12.3. A Director is also entitled to be reimbursed out of the funds of the Institution such reasonable traveling, accommodation and other expenses as the Director may incur when traveling to or from meetings of the Directors or a Committee or when otherwise engaged on the business of the Institution.

13. VACATION OF OFFICE AND CONFLICT OF INTEREST

Vacation of office

The office of a Director is automatically vacated:

- (a) on the expiration of two years from the date of the Director's appointment unless:
- (i) the office of that Director has been vacated beforehand by the

operation of clause 13.1(b), or

- (ii) on or before the expiration of that period that Director has been re-appointed under clause 11.3 or 11.5; or
- (b) if the Director:
- (i) without the prior written consent of the Controlling Shareholder accepts or holds office in a corporation which carries on banking or a related business, or
 - (ii) is removed from office by the Controlling Shareholder in accordance with clause 11.6.

Director's Interests

- 13.2. A Director who has a direct or indirect economic interest in a proposed contract to which the Institution is a party may attend a meeting of Directors at which a matter relating to the contract arises and be included among the Directors present at the meeting for the purpose of a quorum but shall not vote on the matter nor be present while the matter is being considered at the meeting.
- 13.3. Notwithstanding clause 13.2 a Director shall be entitled to vote if the Director's interest is as a as a Member in common with the other Members.
- 13.4. With respect to Directors' interests, a general notice entered in the interests register or disclosed to the directors to the effect that a Director is a shareholder, director, officer or trustee of another named company or another person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction.

14. POWERS OF DIRECTORS

- 14.1. Subject to the provisions of the applicable laws on corporations in East Timor and these Articles of Association the business and affairs of the Institution must be managed by, or under the direction or supervision of, the Directors and the Directors have all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the Institution.
- 14.2. The Directors may not change any provision of these Articles of Association.
- 14.3. The Directors may not sell or dispose of the Institution's main undertaking, or enter into any contract, employ any person, make any loan, or incur any debt, or purchase any asset, not in the ordinary course of its business without the prior written consent of the Controlling Shareholder and a general meeting.
- 14.4. The Board of Directors may not take the following actions without the prior approval in writing from the Controlling Shareholder:
- (a) borrow incur debts or liabilities, excluding savings demand and time deposit accounts accepted within the normal course of business, in aggregate more than 10% of the Institution's issued capital.
 - (b) borrow incur debts or liabilities, including savings demand and time deposit accounts accepted within the normal course of business, in aggregate more than the percentage of the Institution's issued capital as prescribed by the Controlling

Shareholder, provided further that the Institution maintains in liquid assets (held as cash in vault or in banks) the equivalent of a percentage of the Institution's total liabilities also as prescribed by the Controlling Shareholder from time to time.

(c) issue guarantees or incur off-balance sheet liabilities of any kind in aggregate in excess of 10% of the Institution's issued capital.

(d) approve or disburse any loan, credit facility, credit line, or overdraft, to any one person, including parties related directly or indirectly to that person, in excess of 2.5% of the Institution's issued capital.

15. PROCEEDINGS OF DIRECTORS

Meetings

15.1. The Directors may meet for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit.

Quorum

15.2. At least 51 percent of members of the Board of Directors present in person, or represented by an Alternate Director, or by proxy, are a quorum.

Effect of vacancy

15.3. The continuing Directors may act notwithstanding a vacancy in their number but, if and so long as their number is reduced below the minimum fixed by clause 11.1, the continuing Directors may, except in an emergency, act only for the purpose of filling vacancies in accordance with clause 11.5 to the extent necessary to bring their number up to that minimum or of summoning a general meeting.

Convening meetings

15.4. Any Director may convene a meeting of the Directors.

Appointment of proxy

15.5. A Director may attend and vote by proxy at a meeting of the Directors if the proxy is a Director and has been appointed by writing under the hand of the appointer or by telegram, facsimile transmission or other form of visible communication from the appointer. Such an appointment may be general or for any particular meeting or meetings.

Chairman and Deputy Chairman

15.6. The Directors shall appoint as Chairman a director so nominated by the Controlling Shareholder, and the Directors may elect a Deputy Chairman and may determine the period during which each is to hold office. The Chairman or Deputy Chairman or an authorized person shall represent the Institution in general with respect to the Companies dealings with third parties, and within and outside the courts of East Timor.

15.7. The Chairman or Deputy Chairman may be removed from that office by a resolution of the Directors of which not less than 14 days' notice has been given to all the Directors, and subject to the prior approval in writing of the Controlling Shareholder.

- 15.8. The Chairman is entitled to preside at meetings of the Directors but, if the Chairman is not present and able and willing to act within 15 minutes after the time appointed for a meeting or has signified an intention not to be present and able and willing to act, the following may preside (in order of entitlement): the Deputy Chairman, a Director chosen by a majority of the Directors present.

How questions decided

- 15.9. Questions arising at a meeting of the Directors are to be decided by a majority of votes and in the event of an equality of votes the Chairman of the meeting has a casting vote.

Committees

- 15.10. Subject to the provisions of the applicable laws on corporations in East Timor, the Directors may delegate any of their powers to Committees consisting of such Director or Directors as they think fit and may revoke that delegation.
- 15.11. A Committee in the exercise of the powers so delegated is to conform to any regulations or guidelines imposed by the Directors.
- 15.12. Subject to clause 15.12, the meetings and proceedings of a Committee consisting of two or more Directors are governed by the provisions of these Articles of Association as to the meetings and proceedings of the Directors so far as they are applicable.

Delegation of powers

- 15.13. Subject to the provisions of the applicable laws on corporations in East Timor, the Directors may confer on any person or persons such of the powers conferred on the Directors by these Articles of Association, for such time, to be exercised for such purposes, on such terms and with such restrictions as they think fit.

Written resolution

- 15.14. A resolution in writing signed or approved by letter or facsimile transmission by the Directors or all the members of a Committee, in either case being at least a quorum that includes the Chairman, is as valid and effectual as if it had been passed at a meeting of the Directors or of that Committee duly called and constituted.

Telephone meeting

- 15.15. For the purposes of these Articles of Association the contemporaneous linking together by telephone or other means of instantaneous communication (“telephone”) of a number of the Directors, being at least a quorum, is to be deemed to constitute a meeting of the Directors or, as the case may be, of a Committee of Directors, and all the provisions of these Articles of Association as to meetings of the Directors apply to such a meeting if the following conditions are met:
- (a) all the Directors entitled to notice of a meeting of the Directors or, as the case may be, of a Committee of Directors, received notice of the meeting and for this purpose notice of the meeting may be given on the telephone;
 - (b) all the Directors wanting to take part in the meeting are linked by telephone for the purposes of the meeting; and
 - (c) at the commencement of the meeting each Director taking part acknowledges the respective Director’s presence for the purposes of the meeting to all other

Directors taking part and acknowledges that the Director is able to hear each of the other Directors taking part.

15.16. A Director may not leave a telephone meeting by disconnecting the telephone without the consent of the Chairman of the meeting and a Director is to be deemed to be present and form part of the quorum throughout the meeting unless the Director has obtained the consent of the Chairman of the meeting to leave the meeting.

15.17. A minute of the proceedings at a telephone meeting is sufficient evidence of the proceedings and the observance of all necessary formalities if it is certified as a correct minute by the Chairman of the meeting or of the next following meeting.

16. MANAGING AND EXECUTIVE DIRECTORS

Appointment and removal

16.1. The Directors may with the prior approval of the Controlling Shareholder appoint one or more of their number to the office of Managing Director either for a fixed term or without limitation as to period of appointment but not for life, and may with like approval remove a person so appointed and appoint another instead.

16.2. A Managing Director, subject to the provisions of any contract with the Institution, is subject to the same provisions as to resignation and removal as the other Directors and automatically ceases to be a Managing Director on ceasing to be a Director.

17. ALTERNATE DIRECTORS

17.1. A Director ("appointer") may by writing under the appointer's hand or by telegram, facsimile or other form of visible communication, appoint a person approved by the Controlling Shareholder to act as an Alternate Director in the appointer's place whether for a stated period or periods or until the happening of a specified event or from time to time.

17.2. An Alternate Director:

(a) may be removed or suspended from office by the Controlling Shareholder by notice in writing given under its common seal or signed as provided by clause 1.4;

(b) subject to these Articles of Association is entitled to receive notice of meetings of the Directors and to attend and vote if the appointer is not present and, if also a Director in the Alternate Director's own right or Alternate Director for another Director as well, to have a separate vote on behalf of the appointer in addition to the Alternate Director's own or that other Director's vote;

(c) may exercise all the powers and perform all the duties of the appointer (other than the power to appoint an Alternate Director and any additional powers and duties specifically vested in or delegated to a Managing Director or Executive Director in his capacity as such) insofar as the appointer has not exercised or performed them;

(d) automatically ceases to be an Alternate Director if the appointer ceases to be a Director;

- (e) whilst acting as a Director is responsible to the Institution for the Alternate Director's own acts and defaults and the appointer is not responsible for them;
- (f) may not receive any remuneration from the Institution as a Director except for any special services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director; and
- (g) may not be taken into account separately from the appointer in determining the number of Directors.

18. POWERS OF ATTORNEY

- 18.1. The Directors may by revocable power of attorney appoint a person to be the attorney of the Institution for such purposes and with such powers (not exceeding those conferred on the Directors by these Articles of Association and the applicable laws on corporations in East Timor) and for such period and subject to such conditions as the Directors think fit.

19. NEGOTIABLE INSTRUMENTS

- 19.1. Cheques, bills of exchange, promissory notes and other negotiable instruments may be signed, accepted, drawn, made or indorsed on behalf of the Institution in such manner and by such persons (whether Directors or officers of the Institution or not) as the Directors determine but not otherwise.

20. RESERVES

- 20.1. The Directors shall allocate sufficient net profits to a reserve until this reserve reaches 20% of issued capital. A general meeting may authorize the Directors to set aside out of the profits of the Institution such other sums for reserves as the general meeting thinks proper.
- 20.2. After transfers to reserves, the Directors, with the approval of a general meeting, may carry forward so much of the profits remaining as they consider ought not to be distributed as dividends.

21. DIVIDENDS

Calculation and apportionment

- 21.1. Directors shall propose an amount for distribution to shareholders by way of dividend, but no distribution shall take place until approved by a general meeting.
- 21.2. Subject to these Articles of Association and the provisions of the applicable laws on corporations in East Timor, the profits of the Institution, which the Directors determine to distribute by way of dividend, are to be applied in payment of dividends on the Shares in proportion to the amounts Paid on them respectively.
- 21.3. All dividends are to be apportioned and paid proportionately to the amounts Paid on the Shares during any portion or portions of the period in respect of which the dividend is authorized.
- 21.4. A dividend does not bear interest against the Institution.
- 21.5. After a period of 5 years, uncollected dividends shall be forfeited.

Effect of transfer

- 21.6. A transfer of Shares does not pass the right to a dividend or other distribution authorized or made on them after the transfer and before its registration.

Distribution of specific assets

- 21.7. The Directors, when authorizing a dividend or paying an interim dividend, may with the prior approval of the Controlling Shareholder resolve that the dividend be satisfied either wholly or partly by the distribution of specific assets to some or all of the persons entitled to the dividend.

22. CAPITALIZATION OF PROFITS

- 22.1. The Directors may with the prior approval of the Controlling Shareholder resolve that any amounts:

- (a) forming part of the undivided profits of the Institution;
- (b) standing to the credit of a reserve; or
- (c) available for dividend,

be capitalized and applied, in any of the ways mentioned in clause 22.2, for the benefit of such of the Members as would have been entitled to receive them if distributed by way of dividend and in the proportions to which those Members would have been entitled in such a distribution.

- 22.2. The ways in which amounts referred to in clause 22.1 may be applied for the benefit of Members under that clause are:

- (a) in paying any amounts unpaid on Shares held by Members;
- (b) in paying up in full Shares or debentures to be issued to Members as fully paid; or
- (c) partly as mentioned in clause 22.2(a) and partly as mentioned in clause 22.2(b).

23. INSPECTION OF BOOKS

- 23.1. Any person authorized by the Controlling Shareholder may at any time inspect any accounts, books, documents, records, transactions and ledgers of the Institution, and such other information available to or held by the Institution or which the Institution has access to.

- 23.2. Notwithstanding the provisions of clause 23.1 of these Articles of Association, but subject to the confidentiality provisions of the Banking Law, the Institution shall at any time forward to the Controlling Shareholder any information required by the Controlling Shareholder, and this information shall include but not be limited to:

- (a) all papers, documents, reports, financial and operational statements prepared for meetings of the Board of Directors
- (b) all Board minutes
- (c) all monthly management accounts and reports, including monthly operational reports and statistics
- (d) detailed monthly financial statements

- (e) details of employees and officers of the Institution, including their salaries and related benefits
- (f) such other information as may be requested from time to time.

24. MINUTES

24.1. The Directors shall cause minutes to be made in books kept for the purpose:

- (a) of all appointments of officers made by the Directors; and
- (b) of all proceedings at meetings of the Institution, and of the Directors, and of Committees of Directors, including the names of the Directors present at each such meeting.

25. LIQUIDATION

Distribution of surplus assets

25.1. Subject to the terms of issue of any Shares and to clause 25.2, upon the liquidation of the Institution the assets, if any, remaining after payment of the debts and liabilities of the Institution and the costs of the liquidation shall be distributed among the Members in proportion to their shareholding provided, however, that the holder of Shares not fully Paid shall receive only a proportionate share of his or her entitlement being an amount which is in proportion to the amount paid to the Institution in satisfaction of the liability of the Member to the Institution in respect of the Shares pursuant to the terms of issue of the Shares,

Distribution in specie

25.2. Upon a liquidation of the Institution, the liquidator, with the sanction of an ordinary resolution of Members and any other sanction required by law, may divide amongst the Members in kind the whole or any part of the assets of the Institution (whether they consist of property of the same kind or not) and may for that purpose set such value as the liquidator deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the Members as the liquidator thinks fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

26. INDEMNITY AND INSURANCE

26.1. Subject to the provisions of the applicable laws on corporations in East Timor, the Institution may give such indemnities and effect such insurances as the Directors deem appropriate, provided that the Controlling Shareholder shall first approve any material commitment.

27. ACQUISITION OF INSTITUTION'S OWN SHARES

Authority to acquire own shares

27.1. Subject to the approval in writing of the Controlling Shareholder and the provisions of the applicable laws on corporations in East Timor, the Institution is permitted to purchase or otherwise acquire its own Shares.

Acquisition other than pro-rata

- 27.2. The Directors may make an offer to one or more Members to acquire its own Shares.

Treasury Stock

- 27.3. The Institution may hold its own Shares. The transfer by the Institution of these Shares shall be subject to the provisions of these Articles of Association relating to the issue of Shares.

28. CHANGES TO THE CONSTITUTION

These Articles of Association can only be changed with the prior approval of the Controlling Shareholder, and with a special majority of 75% of all members present at a properly constituted general meeting. For the foregoing purpose, a general meeting shall not be deemed properly constituted if the Controlling Shareholder or its proxy is not present.
