

ARMECONOMBANK OJSC

ANNUAL CORPORATE GOVERNANCE DECLARATION

YEREVAN 2017

Corporate Governance Declaration - Descriptive part

Bank's name : ARMECONOMBANK OJSC
Address : 23/1 Amiryan Str, Yerevan 0002, RA
Website: www.aeb.am

1. INTRODUCTION BY THE CHAIRMAN OF THE BOARD

The message of the Chairman of the Board can be found in the Annual Report of the Bank.

http://www.aeb.am/index.php?option=com_k2&Itemid=675&id=2115_ccf3b02ad5ed36fc3854093c6254a2d2&lang=am&task=download&view=item

The information provided in the Declaration was composed as at the end of 2016 (accounting year).

2. CORPORATE STRUCTURE

In accordance with the requirements of ARMECONOMBANK OJSC (hereinafter "Bank") Charter and Corporate Governance Code, the Bank has established the following corporate structure:

- a) General Meeting of Shareholders
- b) The Board
- c) Executive authority: Chief Executive Officer who is also the Chairman of the Executive Board by position, Executive Board

Key shareholders of the Bank:

1. The European Bank for Reconstruction and Development with 140,001 shares, 7.6 % of Bank's chartered capital.
2. Saribek Sukiasyan with 580,295 shares, 31.3 % of Bank's chartered capital.
3. Khachatur Sukiasyan with 255,115 shares, 13.8% of Bank's chartered capital.
4. Robert Sukiasyan with 214,888 shares, 11.6% of Bank's chartered capital.
5. Eduard Sukiasyan with 197,066 shares, 10.6% Bank's chartered capital.

3. GENERAL MEETING OF THE SHAREHOLDERS

1. In the accounting year, an Annual General Meeting and 4 extraordinary meetings were held. All of the general meetings were held in Yerevan Alraghac" OJSC hall at 2 Nar- Dos Str. in Yerevan.
2. The Annual General Meeting was held on 24.06.2016 and the extraordinary general meetings were held on 07.03.2016, 18.03.2016, 13.08.2016, 05.12.2016.
3. Pursuant to the Procedure of Preparation and Holding of ARMECONOMBANK OJSC General Meeting, the shareholders entitled to attend were notified by mail/email/delivery in person/announcement published in national newspaper (*The Republic of Armenia* daily newspaper) no later than 15 days prior to general meeting (no later than 30 days prior to general meetings by poll). The Agenda of the meeting and the appropriate documents were made available to eligible shareholders at the Bank's website, Bank's Head office and branches.

The procedure of providing of Agenda, the information and documents related to the General Meeting to the shareholders entitled to participate in the Meeting is set forth in Bank's Charter (paragraph 6.8) available at the Bank's website:

http://www.aeb.am/index.php?option=com_k2&Itemid=588&id=2342_630210caac38333f48c0d3278b22fc22&lang=am&task=download&view=item

4. The shareholders had an opportunity to participate through an authorised representative in compliance with the requirements of the existing Legislation.
5. The shareholders, pursuant to the procedure set by the paragraph 6.15 of the Bank's Charter, voted by cumulative voting.
6. The Agenda, the results of voting and the minutes of the meeting are available at the Bank's website:

http://www.aeb.am/index.php?option=com_k2&Itemid=685&id=2116_0986c2fa8db048d065091e70d7a84378&lang=am&task=download&view=item

4. THE BOARD

Functions of the Board

The exclusive and delegated authorities of the Board as established by Paragraph 8 of the Code and paragraphs 6.14-6.28 of Bank's Charter are accessible at Bank's website:

http://www.aeb.am/index.php?option=com_k2&Itemid=588&id=2342_630210caac38333f48c0d3278b22fc22&lang=am&task=download&view=item

The members of the Board

As of 24.06.2016, the Bank's Board consisted of 6 members including 6 non - executive members and no independent member.

According to the paragraph 10 of the Code, a member is deemed "independent" if such member:

1. has not held a managerial position in Bank or any company related thereto over the past 3 years except as a board member;
2. has not received directly or indirectly any significant remuneration from the Bank or its associates in the past 3 years;
3. has had no material business relationship with the Bank, including lending and borrowing relationships, or with its associates either directly, or as a partner, key shareholder, chief executive or accountant, over the past 3 years;
4. has not been a partner or employee of the present or former external auditor of the Bank or of any of the external auditor's related companies in the past 5 years;
5. has not been a Board member in Bank for longer than 6 years over the past 10 years, and is not a close family member of any of the persons referred to above;
6. is not a key shareholder or representative of key shareholder of the Bank with regard to listed banks (key shareholder is the one holding more than 10% of Bank's voting shares).

| THE BOARD | | | | |
|--------------------------------|------------------------------|----------------------------------|--------------------|----------------------------------|
| Position and name | Executive¹ | Non-executive² | Independent | Member of the Board since |
| 1. Chairman, Saribek Sukiasyan | - | non- executive | - | 1997 |
| 2. Member, Armen Naljyan | - | non- executive | - | 2016 |
| 2. Member, Aram Meliqyan | - | non- executive | - | 2012 |

¹ Executive member of the Board is a person involved in everyday management of the Company.

² According to the Code, non-executive member of the Board is "the person not involved in current management of the Company or any subsidiary thereof".

| | | | | |
|------------------------------|---|----------------|---|------|
| 3. Member, Inna Yabbarova | - | non- executive | - | 2016 |
| 4. Member, Luiza Petrosyan | - | non- executive | - | 2013 |
| 5. Member, Ruben Hayrapetyan | - | non- executive | - | 2014 |

Brief biographies of the Board members including details connected to the independent members of the Board, information on the dismissal and retirement of the Board members during the accounting year are presented below:

Saribek Sukiasyan, Chairman of the Board

| | |
|--|---|
| Date of birth | 07.09.1965 |
| Nationality | Republic of Armenia |
| Education | 2000 Academic Degree of Candidate of Economics (granted by the resolution of Economic Survey Institute) 1991 One year in-absentia attendance of Economics Department for training of Agriculture Managers and Experts, Qualification of Agricultural Venture Organizer-Economist from 1982 to 1990 Yerevan Cattle-breeding and Veterinary Institute, Breeder - engineer |
| Profession / Major qualification | Engineer Economist, Candidate of Economics |
| Principal Position | The Chairman of the Board of ARMECONOMBANK OJSC |
| Circumstance of being an independent Board Member | - |
| Date of appointment | 27.06.1998 |
| Current term of office | 1 year |
| Working experience | 26 years |
| Years with the Bank | 20 years |
| Information on dismissal and retirement during the year | - |
| Professional experience during the past 3 years | from 1998 to date: Chairman of ARMECONOMBANK OJSC Board |
| Direct or indirect shareholding owned in Bank or related companies | ARMECONOMBANK OJSC: AMD 527,573, 22.6 % NAREK LLC: 25 %, AMD 53,387,550 SPORT TIME LLC: 50 %, AMD 17,510,000 SIL INSURANCE CJSC: 21.2%, AMD 418,000,000 NOY GROUP: 24,97 % , AMD 4,896,500 BJNI GROUP LLC: 20 %, AMD 10,000 TRANS SERVICE LLC: 25%, AMD 10,892,500 YEREVAN MILLS OJSC: 24.9811%, AMD 139,080,000 ZOVQ FACTORY OJSC JV: 15,9768%, AMD 5,983,000 SATURN SHINMONTAZH LLC: 50%, AMD 25,000 |

| | |
|---|--|
| | GRZO INTERNATIONAL: 25%, AMD 12,500 ARAJ LLC: 25%, AMD 12,500 |
| Memberships in Bank's and other related companies' Board Committee(s) | - |
| Duties and responsibilities | overall control/ supervision |
| Position in other companies (boards) as relevant to the performance of duties of the Board member | Vice-President of SIL GROUP' LLC, pro bono |

Armen Naljyan, Board Member (Deputy Chairman of the Board)

| | |
|---|---|
| Date of birth | 21.06.1967 |
| Nationality | Republic of Armenia |
| Education | 1980- 1984 Yerevan Institute of People's Econom, Finance and Accounting Faculty |
| Profession / Major qualification | Economist |
| Principal Position | Deputy Chairman of the Board of ARMECONOMBANK OJSC |
| Circumstance of being an independent Board Member | - |
| Date of appointment | 01.08.2012 |
| Current term of office | 1 year |
| Working experience | 32 years |
| Years with the Bank | 20 years |
| Information on dismissal and retirement during the year | - |
| Professional experience during the past 3 years | 05.10.2010- 10.08.2016: Chairman of the Executive Board, CEO 01.08.2016 to date: ARMECONOMBANK OJSC Deputy Chairman of the Board |
| Direct or indirect shareholding owned in Bank or related companies | ARMECONOMBANK OJSC: AMD 1,422,500, 0.03% |
| Memberships in Bank's and other related companies' Board Committee(s) | - |
| Duties and responsibilities | <ol style="list-style-type: none"> 1. Overall supervision of Bank's Executive Board 2. Overall supervision of problems/risks revealed during the activity of the Bank's internal and external audit 3. Overall supervision of attraction and distribution of the bank's resources 4. Overall supervision of efficiency of Bank's personnel management 5. Overall supervision of AML/CFT processes 6. Overall supervision of legal processes |

| | |
|---|---|
| Position in other companies (boards) as relevant to the performance of duties of the Board member | - |
|---|---|

Luiza Petrosyan, Board Member, Board Secretary

| | |
|---|---|
| Date of birth | 19.09.1982 |
| Nationality | Republic of Armenia |
| Education | 1999-2004 Yerevan State Institute of Economy in Mathematical methods and Transaction Analysis in Economy, economist |
| Profession / Major qualification | Economist-mathematician |
| Principal Position | ARMECONOMBANK OJSC Board Member, Board Secretary |
| Circumstance of being an independent Board Member | - |
| Date of appointment | 23.07.2013 |
| Current term of office | 1 year |
| Working experience | 12 years |
| Years with the Bank | 12 years |
| Information on dismissal and retirement during the year | - |
| Professional experience during the past 3 years | 01.02.2011 - 13.06.2013: ARMECONOMBANK OJSC, Deputy Head of International Operations Department 14.06.2013 to date: ARMECONOMBANK OJSC Board member, Board Secretary |
| Direct or indirect shareholding owned in Bank or related companies | ARMECONOMBANK OJSC, AMD 687,500, 0.01% |
| Memberships in Bank's and other related companies' Board Committee(s) | - |
| Duties and responsibilities | <ol style="list-style-type: none"> 1. Overall supervision of Bank's Executive Board 2. Overall supervision of problems/risks revealed during the activity of the Bank's internal and external audit 3. Overall supervision of attraction and distribution of the bank's resources 4. Coordination of development of corporate governance principles 5. Overall supervision of international relations 6. Overall supervision of AML/CFT processes |
| Position in other companies (boards) as relevant to the performance of duties of the Board member | - |

Aram Melikyan, Board Member

| | |
|---|---|
| Date of birth | 27.04.1963 |
| Nationality | Republic of Armenia |
| Education | 1980- 1984 Yerevan Institute of People's Economy Planning-Economics Faculty, Material-Technical Supply Division, Major: Economy |
| Profession / Major qualification | Economist |
| Principal Position | Deputy Chairman of the Board of ARMECONOMBANK OJSC |
| Circumstance of being an independent Board Member | - |
| Date of appointment | 01.08.2012 |
| Current term of office | 1 year |
| Working experience | 30 years |
| Years with the Bank | 10 years |
| Information on dismissal and retirement during the year | - |
| Professional experience during the past 3 years | September 27 2007 to 29 June 2012: Deputy Head of Internal Audit Department, ARMECONOMBANK OJSC 29 June 2012 to 01 August 2012: Advisor to the Chairman of the Board, ARMECONOMBANK OJSC, 01 August 2012 to 11.08.2016: Deputy Chairman of the Board, ARMECONOMBANK OJSC 11.08.2016 to date: Board Member, ARMECONOMBANK OJSC |
| Direct or indirect shareholding owned in Bank or related companies | ARMECONOMBANK OJSC, AMD 1,167,500, 0.03% |
| Memberships in Bank's and other related companies' Board Committee(s) | - |
| Duties and responsibilities | <ol style="list-style-type: none">1. Overall supervision of Bank's Executive Board2. Overall supervision of problems/risks revealed during the activity of the Bank's internal and external audit3. Overall supervision of attraction and distribution of the bank's resources4. Overall supervision of efficiency of Bank's personnel management5. Overall supervision of AML/CFT processes6. Overall supervision of accounting and accounting policy7. Overall supervision of Bank's strategy |
| Position in other companies (boards) as relevant to the performance of duties of the Board member | - |

Inna Yabbarova, Board Member

| | |
|---|--|
| Date of birth | 27.10.1965 |
| Nationality | Republic of Belarus |
| Education | 1983: Minsk College of Trade, Minsk, Belarus: Trade Management, Accounting, Economics 1992: State Linguistic University, Minsk, Belarus: English and German 2004: Manchester Business School MBA course, Manchester, UK: Banking and Finance |
| Profession / Major qualification | Economist |
| Principal Position | Deputy Director for Government Relations, EBRD |
| Circumstance of being an independent Board Member | - |
| Date of appointment | 03.05.2016 |
| Current term of office | 1 year |
| Working experience | 34 years |
| Years with the Bank | 1 year |
| Information on dismissal and retirement during the year | - |
| Professional experience during the past 3 years | Deputy Director for Government Relations, EBRD |
| Direct or indirect shareholding owned in Bank or related companies | - |
| Memberships in Bank's and other related companies' Board Committee(s) | - |
| Duties and responsibilities | Implementation of international banking expertise |
| Position in other companies (boards) as relevant to the performance of duties of the Board member | Deputy Director for Government Relations, EBRD; Supervisory Board Member of Spurt Bank, Kazan, Tatarstan nominated by EBRD; Supervisory Board Member in Alivaria Brewery (Carlsberg Group) in Belarus nominated by EBRD |

Ruben Hayrapetyan, Board Member

| | |
|---|---|
| Date of birth | 24.06.1980 |
| Nationality | Republic of Armenia |
| Education | Armenian Agricultural Academy, Department of Economics, Economist |
| Profession / Major qualification | Economist |
| Principal Position | Board Member of ARMECONOMBANK OJSC |
| Circumstance of being an independent Board Member | - |
| Date of appointment | 02.08.2014 |
| Current term of office | 1 year |

| | |
|---|---|
| Working experience | 14 years |
| Years with the Bank | 14 years |
| Information on dismissal and retirement during the year | - |
| Professional experience during the past 3 years | 09.11.2010-24.05.2013: Head of Loans and Resource Attraction Department 07.06.2011-24.05.2013: Member of the Board of ARMECONOMBANK OJSC 24.05.2013-22.05.2014: Deputy CEO of ARMECONOMBANK OJSC 23.05.2014-29.06.2014: Advisor to CEO 30.06.2014 to date: Member of the Board of ARMECONOMBANK OJSC |
| Direct or indirect shareholding owned in Bank or related companies | - |
| Memberships in Bank's and other related companies' Board Committee(s) | - |
| Duties and responsibilities | 1. Overall supervision of Bank's Executive Board 2. Overall supervision of problems/risks revealed during the activity of the Bank's internal and external audit 3. Overall supervision of attraction and distribution of the bank's resources 4. Overall supervision of plastic card issuance policy 5. Overall supervision of international relations 6. Overall supervision of processing of customer requests and complaints 7. Overall supervision of of AML/CFT processes |
| Position in other companies (boards) as relevant to the performance of duties of the Board member | - |

Activities of the Board

During 2016, the Board has held 60 meetings including 0 by poll.

The participation of Board Members in the meetings is as follows:

| Position and name | Participation in the meetings personally | Participation by poll | Number of meetings that to be attended |
|---|--|-----------------------|--|
| 1. Chairman of the Board, Saribek Sukiasyan | 58 | 0 | 60 |
| 2. Member, Armen Naljyan | 21 | 0 | 23 |
| 3. Member, Aram Melikyan | 60 | 0 | 60 |
| 4. Member, Inna Yabbarova | 23 | 0 | 40 |
| 4. Member, Luiza Petrosyan | 59 | 0 | 60 |
| 5. Member, Ruben Hayrapetyan | 42 | 0 | 60 |

Evaluation of Board's performance

The Board has adopted an evaluation policy, Rules of Arrangement of Board Activities.

The Board has conducted self-evaluation in accordance with the evaluation standards, policy, and procedures provided in the aforementioned Rules.

The main suggestions made as a result of the assessment:

Board's 2016 performance was considered satisfactory.

5. BOARD COMMITTEES

The Board of the Bank finds it inexpedient to form committees/commissions taking into account the quantity of the members that would lead to having the same persons in the committees. Instead of that, the Board of the Bank provides the functions within its authority through weekly discussions. The appropriate specialists and officers are also included in the discussions.

Audit Committee

The Bank did not form an Audit Committee, considering it an unnecessary unit that would reduce the flexibility of management and supervision. The functions of the Audit Committee are more effectively implemented by Internal Audit Department.

6. EXECUTIVE AUTHORITY

The executive authority of the Bank includes 10 members of the Executive Board.

Aramayis Galstyan, Chairman of the Executive Board, CEO

| | |
|---------------------|--|
| Date of birth | 15.05.1986 |
| Education | 2003-2008: Yerevan State Economic University in Gyumri, Finance and Credit Dept. |
| Working experience | 9 years |
| Major qualification | Economist |

| | |
|---|---|
| Years spent at the Bank | 9 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | <input type="checkbox"/> disposes property of the Bank, including financial assets, and concludes transactions on behalf of the Bank <input type="checkbox"/> represents the Bank in RA and in foreign countries <input type="checkbox"/> acts without letter of attorney <input type="checkbox"/> gives letter of attorney <input type="checkbox"/> signs agreements, including job agreements, in compliance with defined procedure <input type="checkbox"/> submits the candidacy of his deputies to the approval of the Board <input type="checkbox"/> submits the Executive Board's Regulation to the approval of the Board <input type="checkbox"/> within the limits of his authorization gives instructions, compulsory orders and controls the execution of the latter <input type="checkbox"/> distributes the responsibilities between his deputies and members of Bank's Executive Board <input type="checkbox"/> hires and dismisses employees pursuant to the order defined by the Legislation <input type="checkbox"/> gives incentives to the employees and use disciplinary punishment in compliance with the Board's Procedure <input type="checkbox"/> perform other authorities in connection with current management of the Bank envisaged by the Charter |

Ruben Badalyan, Deputy Chairman of the Executive Board, Deputy CEO

| | |
|---|---|
| Date of birth | 13.05.1979 |
| Education | 1995-2000 Yerevan People's Economy Institute, Faculty of Finance and Accounting |
| Working experience | 14 years |
| Major qualification | Economist |
| Years spent at the Bank | 14 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Onik Chichyan, Deputy Chairman of the Executive Board, Deputy CEO

| | |
|-------------------------|---|
| Date of birth | 19.03.1977 |
| Education | 1996-2000: Armenian Agricultural Academy, Economics Faculty, Accounting and Audit |
| Working experience | 15 years |
| Major qualification | Economist |
| Years spent at the Bank | 14 years |

| | |
|---|--|
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Artak Araqelyan, Deputy Chairman of the Executive Board, Deputy CEO

| | |
|---|---|
| Date of birth | 28.05.1981 |
| Education | 2003-2004 Institute of Economic Research of The Ministry of Finance and Economy of Armenia, Candidate of Economic Sciences 1998-2003 Yerevan State Institute of Economic |
| Working experience | 12 years |
| Major qualification | Economist, Candidate of Economic Sciences |
| Years spent at the Bank | 12 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Astghik Manrikyan, Deputy Chairman of the Executive Board, Deputy CEO

| | |
|---|--|
| Date of birth | 30.09.1982 |
| Education | 2007-2009 ECMU, Business Administration General Provisions, Master 2003-2005 Yerevan State University, Faculty of Oriental Studies, Master, Excellence Diploma 1999-2003 Yerevan State University, Faculty of Oriental Studies, Bachelor, Excellence Diploma |
| Working experience | 11 years |
| Major qualification | Economist, Orientalist |
| Years spent at the Bank | 11 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Arpine Pilosyan, Deputy Chairman of the Executive Board, Deputy CEO

| | |
|-------------------------|---|
| Date of birth | 11.02.1983 |
| Education | 2000-2004 Yerevan State University, the Faculty of Economy, Bachelor, 2004-2006 Public Administration Academy of the Republic of Armenia, Economics, Management, Masters, Diploma with honor |
| Working experience | 10 years |
| Major qualification | Economist |
| Years spent at the Bank | 10 years |

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|---|--|
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Davit Azatyan, Member of the Executive Board

| | |
|---|--|
| Date of birth | 01.01.1981 |
| Education | 1997-2001 State Engineering University of Armenia, Engineer |
| Working experience | 15 years |
| Major qualification | Engineer |
| Years spent at the Bank | 12 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Hayk Avetisyan, Member of the Executive Board

| | |
|---|---|
| Date of birth | 20.12.1979 |
| Education | 2004 Degree of Doctor of Economics 2001-2004 Yerevan State Institute of Economics, postgraduate course 1996-2001 Yerevan State Institute of Economics, Engineer-economical, faculty, Mathematical Methods and Transaction Analyses, department, Qualification of Economist-Mathematician, Excellence Diploma |
| Working experience | 12 years |
| Major qualification | Economist-Mathematician |
| Years spent at the Bank | 12 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

Vrej Jhangiryan, Member of the Executive Board

| | |
|---------------|--|
| Date of birth | 29.03.1980 |
| Education | 2000-2002 Yerevan State University, 00-2002 Department of Law, Master's Degree 1996-2000 Yerevan State University, Department of Law, Lawyer, Bachelor's Degree, |

| | |
|---|-----------------------|
| | Diploma of Excellence |
| Working experience | 16 years |
| Major qualification | Lawyer |
| Years spent at the Bank | 4 years |
| Memberships in Bank's and other companies' Board Committees | - |

Narine Karapetyan, Member of the Executive Board, Deputy CEO

| | |
|---|---|
| Date of birth | 13.05.1980 |
| Education | 1998-2003 Yerevan State Economic Institute, Faculty of Finance and Credit |
| Working experience | 12 years |
| Major qualification | Economist |
| Years spent at the Bank | 12 years |
| Memberships in Bank's and other companies' Board Committees | - |
| Duties and responsibilities | Executes activities set by 6.32 Section of the Charter |

7. INTERNAL AUDIT

Bank's internal audit is carried out by Internal Audit Department which is accountable to the Board.

The Internal Audit Department acts in compliance with the paragraph 27 of the Code.

8. CORPORATE SECRETARY

The Bank does not have a corporate secretary. The functions of the latter are reserved for the Luiza Petrosyan, the Secretary of the Board. The Secretary carries out her functions in compliance with 22 section of the Bank's Charter approved by the Board.

9. EXTERNAL AUDIT

The external auditor of the Bank is selected every year through contest in accordance with the existing Procedure. "Deloitte Armenia" CJSC won in the contest of the external Auditor for 2016 , and has been implementing the functions of external auditor since 2013.

The relationship between the Bank and the External Auditor is regulated according to the 28 clause of the Code.

Pursuant to the 28 clause of the Code, the Bank elaborated standards to determine the independence of external auditor from the Bank.

10. ANNUAL REPORT

The Annual Report of the Bank was submitted and approved in the General Meeting of Shareholders on 24.06.2016.

The information required by the 23 chapter of the Bank's Charter was included in the Annual Report. The Annual Report of the Bank can be viewed at the website of the Bank.

http://www.aeb.am/index.php?option=com_k2&Itemid=675&id=2115_ccf3b02ad5ed36fc3854093c6254a2d2&lang=am&task=download

[&view=item](#)

Approval date:

18.05.2017

Chairman of the Board

Chairman of the Executive Board

Appendix 2. CORPORATE GOVERNANCE DECLARATION: " Comply or explain"

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|--|--|--------|--|
| The competency of the General Meeting of Shareholders and shareholders' rights | | | |
| 1. | The Bank's Charter and the appropriate procedures envisage clear orders, which allow the shareholders to contact the Bank before the Meeting and discuss the issues submitted for the voting | Yes | clauses 6.2-6.20 |
| 2. | The shareholders were provided with all necessary documents at least 30 days before the date of calling the General Meeting | Yes | 7. The Annual General Meeting was held on 19.06.2016. The shareholders entitled to attend were notified by mail/email/delivery in person/, announcement published in national newspaper (The Republic of Armenia daily newspaper) by 09.06.2016, i.e. no later than 15 days prior to general meeting. The Agenda of the meeting and the appropriate documents were made available to eligible shareholders at the Bank's website, Bank's Head office and branches. |
| 3. | The Agenda of the Meeting shall include the issues submitted in the Meeting , as well as the name of the candidate of the auditor presented to the approval of the Board | Yes | The Agenda of the meeting and the appropriate documents were provided to the shareholders with the right to participate in the general meeting. The aforementioned information is also available on the Bank's website, Bank's Head office and branches. |
| 4. | The Bank's Regulations, mentioned in the Charter, define clear procedures, which enable the shareholders to vote in absentia through ballot-papers | Yes | |
| 5. | The Bank's Charter determines clear procedures, which entitle the shareholders to appoint representative in accordance with the requirements of the Legislation. | Yes | |

| Corporate Governance Regulation | | Yes/No | Explanations/ / commentary |
|---------------------------------|---|--------|----------------------------|
| Issues | | | |
| 6. | Whether the shareholders vote by ballot papers at General shareholders meetings (This procedure can be violated only in cases of a sole shareholding) | Yes | |
| 7. | Whether the shareholders have the right to submit questions up to 10 days in advance of AGM. | Yes | |
| 8. | Whether the Board answered the Shareholder's questions during the Meeting?. | Yes | |
| 9. | Whether the shareholders are entitled to ask oral questions at AGM. | Yes | |
| 10. | Whether the Board gave answers to all the submitted issues. | Yes | |
| Dividend Policy | | | |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|----------------------------------|---|--------|---|
| 11. | The Bank has a Procedure on payment of dividends , which was established and approved by the Board. The Procedure is available on the Bank's website | Yes | http://www.aeb.am/index.php?option=com_k2&Itemid=735&id=1820_1178b563b4ed1e9a855af380de25317c&lang=am&task=download&view=item |
| 12. | The Procedure on payment of dividends includes the dividends' minimum payout ratio. | No | |
| The Board | | | |
| 13. | The Bank established a Board with clear duties and functions. The information on the Board can be viewed on the Bank's website. | Yes | |
| 14. | Whether the Board composes a Report, which sates the compliance of the Bank with the Charter's provisions | Yes | |
| 15. | Whether the Board appoints and dismisses the CEO, as well as develops a the management board (if there is one), appoints and dismisses its members. | Yes | |
| 16. | Whether the majority of the Board members are non-executive directors, and at least two of them are independent. | Yes | All the members of the board are non- executive directors. The Board does not have an independent member. |
| 17. | The Board Committees shall conduct an annual review of the Bank's Internal corporate documents(Charter, Procedures, ect.) in the area of their competence, and make recommendations to the Board on appropriate changes | | |
| 18. | Board committees shall report to the Board on regular basis, but not later than once every three months. The Board committees | - | |
| 19 | The Board committee members shall participate in the activities and work of the committee and attend all the meetings | - | |
| The appointment of Board Members | | | |
| 20. | The representation of Board Member candidates to the Board shall include brief description of the submitted position, brief biography of the candidate, his/her duties, functions and biographical data | Yes | |
| 21. | The information on Board Members candidates was published on the Bank's website at least 30 days in advance of the GSM. | | |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|-------------------------------------|--|--------|--|
| The Board: monitoring of activities | | | |
| 22. | The Board, in accordance with the evaluation policy, esteems the performance of the Executive Board | Yes | Responsible Body- The Board http://www.aeb.am/index.php?option=com_k2&Itemid=690&id=59814febafb3d52e277a7ee77136f725df6&lang=am&task=download&view=item |
| 23 | The Board implements annual evaluation in compliance with the established evaluation policy. | Yes | |
| Frequency of Board Meetings | | | |
| 24. | The Information on Board Members attendance to the Meetings was included in the description part of the CG Declaration and/ or in the Bank's Annual Report | Yes | |
| Information on Board Members | | | |
| 25. | According to the requirements of the Bank's Charter, the Information on Board Members was included in the descriptive part of CG Declaration and/ or in the Bank's Annual Report | Yes | |
| Annual plan of the Board Meetings | | | |
| 26. | Board Meetings of SOEs and Listed companies shall be held at least quarterly | | |
| 27. | The Board meetings are called pursuant to the approved annual plan. The Agenda of the Meeting and relevant documents are sent to the Board Members at least 10 days in advance of the Meeting | Yes | |
| Chairman of the Board | | | |
| 28. | The Chairman of the Board is distinct from the CEO | Yes | |
| 29 | The Bank's Charter clearly distinguishes the responsibilities between the Chairman of the Board and the CEO | Yes | 6.28, 6.29-6.30 paragraphs of the Charter |
| 30 | The Chairman of the Board ensures that the new members of the Board receive a full and formal notification about the Bank and their duties. The Bank developed special training program for the Board Members. | Yes | |

| Insurance of Directors | | | |
|------------------------|--|----|---|
| 31 | the Bank's Charter includes provisions, which release the Board Members from compensation of losses arising from the implementation of their duties. The Bank insured against the risk of losses arising from the actions of Board Members. | No | Regulated by existing Procedures and Orders, in compliance with the requirements of the Legislation |
| Audit Committee | | | |
| 32. | Companies shall establish an audit committee comprised of non- executive directors, where the chairman and a majority of the members are independent. | - | |
| 33. | All the members of the Audit Committee have appropriate qualification in the issues related to finance, accounting, audit and internal control | - | |
| 34 | Audit Committee monitors the integrity of the Bank's Financial Statements to monitor the integrity of the financial statements of the company and any announcements of the Bank's financial performance, reviewing significant financial reporting judgements contained in them, review and recommend for board and shareholders' approval quarterly and annual statements | - | |
| 35 | Audit Committee at least once a year meets with external auditor to discuss audit related issues | | |
| 36 | Audit Committee shall review the Bank's internal control, internal audit,as well as risk management systems | - | |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|----------------|---|--------|--|
| 37. | Audit Committee shall make recommendations to the board, for it to put to the shareholders for their approval in the General Shareholders Meeting (GSM), on the election of the external auditor, their proposed remuneration and the terms of engagement, subject to final approval by the shareholders; | - | |
| 38. | Audit Committee developed independence criteria for external auditor | - | |
| 39. | Audit Committee considered the independence of the external auditor according to the established standards, and the results were included in the Annual Report | - | |
| 40. | Audit Committee keeps the Agendas of its meeting | - | |
| Internal Audit | | | |
| 41. | Internal auditor is appointed and dismissed by the approval of Audit Committee | No | Members of Internal Audit are appointed and dismissed by the Board |
| 42. | Internal auditor is accountable directly to the Audit Committee | No | Internal auditor shall report substantively to the Board |
| 43. | Internal auditor acts in compliance with the annual work plan established by Audit Committee, and periodically reports the Audit Committee about that | No | Internal Audit acts according to the Annual Plan approved by the Board , and report regularly to the Board |
| 44. | Internal auditor reviews the adequacy of internal control and implementation of internal control | Yes | |
| External Audit | | | |
| 45. | The Bank's external auditor shall not provide not -audit services listed in sub -paragraph 2, Paragraph 28 of the Charter | Yes | Board, |
| 46. | The level of remuneration of external auditor was approved by the GSM | No | The level of remuneration paid to the external auditor was approved by the Board in compliance with the |

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| | | | requirements of the Legislation. |
| | Corporate Governance Regulation Issues | Yes/ No | Explanations/ commentary |
| 47. | The Bank has a rotation policy for external auditor | Yes | The Bank developed a procedure for selection of independent auditor |
| Other Board Committees | | | |
| 48. | The Board established other board committees | No | The Board does not consider advisable to establish other committees, taking into account that the same member of the Board will participate in committees. Instead of that the Board perform its functions through regular conferences. Relevant specialists and officials are included in the discussions. |
| 49. | All the Board committees shall function according to their procedures, which should define their functions, role and responsibilities | - | |
| 50. | The Board should establish risk-management, strategic planning and investment committee charged with specific responsibilities | - | The functions of risk- management, strategic planning committees are implemented by the Strategy and Risk Management Department of the Bank. The functions of investment committee are implemented by the relevant managerial bodies. |
| 51. | The Board committees shall report to the Board on a regular basis, but not less than once every 3 months. Committees shall make such reports as soon as feasible after every meeting. The committee meetings shall precede the regular board meetings | - | |
| 52. | Board committee members shall participate in activities and work of the committee, and attend all meetings | - | |
| Corporate Secretary | | | |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|-----------------------------|--|--------|---|
| 53. | The Board appointed a corporate secretary, which is accountable to the Board. The corporate secretary helps to facilitate the efficient administration of Board meetings, including their planning, calling, conducting, record- keeping in compliance with the Bank's by-laws and Bank's procedures. The Board determines the description of position and the level of remuneration of the corporate secretary. | Yes | The Bank does not have corporate secretary. The functions of corporate secretary are entitled to the Board Member, Board Secretary Luiza Petrosyan. |
| 54. | The corporate secretary assists the chairman of the Board on the company's compliance with corporate governance requirements of RA laws, this Code, the Bank's charter and other relevant laws or regulations | Yes | |
| Disclosure and Transparency | | | |
| 55. | The Bank composed the Annual Statement of the accounting year and submitted it to the approval of the Board. The Annual statement was published on the Bank's website. | Yes | |
| 56. | The Annual Report includes financial reports prepared in accordance with International Financial Reporting Standards. | Yes | |
| 57. | The Annual Report includes information addressed to the beneficiaries, which enables to assess the role of Bank in the fields of economic stability, social welfare and environmental | Yes | |

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| | security | | |
| 58. | The Annual Report includes information on Bank's code of ethics, and reference to the bank's web site where the code of ethics is posted | Yes | http://www.aeb.am/index.php?option=com_k2&Itemid=675&id=1678_2dada9f4f447c2308739eacba6c6a1183&lang=am&task=download&view=item |
| 59. | The Annual Report includes statements, which evidence the company's compliance with this Code of Corporate Governance and/or report with detailed explanation in case of any deviance from this Code of Corporate Governance | Yes | |
| 60. | The Annual Report includes information on related party transactions where the value of the transaction exceeds 2% of the company's total asset, including detailed description of the Bank's procedures and policy for the approval or confirmation of such kind of transactions. The Annual Report shall describe what proportion of the Bank's transactions involve related parties, provide information regarding related party transactions separately for each category of related parties, state fairness of the terms and conditions of a related party transaction and specify the absence of related party transactions. | No | |
| 61. | The Annual Report includes the external auditor decision | No | |
| 62. | The Annual Report contains a list of the Bank's major (greater than 10%) beneficial shareholders. | No | the list of key shareholders(more than 10%) is posted on the Bank's website. |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|-----|---|--------|--|
| 63. | The Annual Report of the Bank shall include a list of Bank's related parties and a list of transactions with related parties, where the value of the transaction exceeds 2% of the bank's total assets | No | |
| 64. | The Annual Report includes names and brief biographies of directors, including names of directors considered independent, those resigning or removed during the year, together with the remuneration of all directors who served during the year and records of their attendance at board meetings | No | |
| 65. | The annual report includes name and remuneration of external auditors and disclosure of the results of the test of the auditor's independence | No | The Annual Report includes the name of external auditor and the audit report |
| 66. | The annual report includes description of the company's structure, including subsidiaries, branches and parent companies and cross-shareholdings with other group or affiliated companies | No | The Annual Report includes the list of Bank's branches. The Bank's Corporate Structure is posted on the Bank's website http://www.aeb.am/images/untitled%folder/new-varchakazmakerpchakan_karuc_vacq%(2).jpg |
| 67 | The Annual report includes directors' Report summarising the performance for the past year, risk factors, prospects for the coming year, company strategy, major transactions during the year, any major changes in the business undertaken by the company, explanations of major changes in financial performance in comparison with the preceding year, proposed allocation and | Yes | |

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|--------------------|--|-----|--|
| | distribution of profits, including proposed dividends | | |
| 68. | The Annual Report includes the remuneration of Board Members, CEO and chief accountant. | No | |
| 69. | Bank's Annual Report includes List of number and class and classes of shares issued and summary of rights for each class of shareholders | Yes | The Bank issued only common shares. The rights for each class of shareholders are defined by the Charter. http://www.aeb.am/index.php?option=com_k2&Itemid=588&id=1987_5d8caa34da632a811918de4232501813&lang=am&task=download&view=item |
| The Bank's Website | | | |
| 70. | The Bank has a website, which includes a section dedicated to the corporate governance | Yes | |
| 71. | The Bank's website should include Corporate Governance Statements for the last 3 years | Yes | |
| 72. | The Bank's website, the section for corporate governance , and the information posted on the web site should be available in English as well | Yes | |
| 73 | The Section of Corporate Governance shall include Act of Incorporation and charter of the Bank,inclusive of all amendments in force | Yes | |
| 74. | The section of the Corporate Governance includes information about Board Members and the CEO of the Bank, inclusive brief biography and position description | Yes | The Bank's website includes information on Board Members and CEO of the Bank, including brief biography and position description. |
| 75. | The Corporate Governance section of the Bank's swbsite includes terms of reference for the board(s), board committees and corporate secretary; | No | |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|----------------|--|--------|---|
| 76. | The Corporate Governance section of the Bank's website includes the Bank's policy on the annual evaluation of the Board | No | |
| 77. | The Corporate Governance section of the Bank's website includes the minutes of the GSM for the last 5 years | Yes | The minutes of the Accounting Committee of the SGM for the last 5 years are posted on the Bank's website |
| 78. | The Corporate Governance section of the Bank's website includes the policy of approved dividends | Yes | The policy on approved dividends is posted on the Bank's website http://www.aeb.am/index.php?option=com_k2Itemid=735&id=1820_1178b563b4ed1e9a855af380de25317c&lang=am&task=download&view=item |
| 79. | The Corporate Governance section of the Bank's website includes Bank's structure and cross-shareholdings | Yes | The Bank's structure is posted on the Bank's website http://www.aeb.am/images/untitled%20folder/new-varchakazmakerpchakan_karucvacq%20(2).jpg |
| 80. | Bank's Annual Reports for the past 3 years are posted on the Corporate Governance section of the website | Yes | Bank's Annual Reports for the past 3 years are posted on the Bank's website |
| Code of Ethics | | | |
| 81. | The Bank developed a code of ethics | Yes | http://www.aeb.am/index.php?option=com_k2&Itemid=591&id=1991_b0aaba19d0bee25f91fdc8abb2854f85&lang=download&view=item |
| 82. | The Code of ethics includes policies and procedures on the corporate values, business behaviour, relationship with governments and officials, as well as relationship with competitors | Yes | http://www.aeb.am/index.php?option=com_k2&Itemid=591&id=1991_b0aaba19d0bee25f91fdcabb5854&lang=am&task=download&download&view=item |

| | Corporate Governance Regulation Issues | Yes/No | Explanations/ commentary |
|-------------------------------|---|--------|--|
| 83. | The Code of ethics includes provisions on reporting of breaches of the code of ethics and protecting the confidentiality of such reporting, | Yes | |
| 84. | The Bank appointed an official responsible for developing, implementing and communicating programmes of compliance with ethical standard | No | |
| Increase of Chartered Capital | | | |
| 85. | The Board informed the shareholders about the decision of increasing the capital | Yes | |
| Stakeholders | | | |
| 86. | The Board defined the circle of the stakeholders that are relevant to its operations, legitimate interests and expectations of its stakeholders | No | |
| 87. | The Bank adopted a policy, which defines the rights and expectations of stakeholders | Yes | The Procedure of ARMECONOMBANK OJSC on accepting application-complaints, discussing and making decision on them http://www.aeb.am/index.php?option=com_k2&Itemid=680&id=1891_9d6f0b4ad4f5d7f6cc98ed5a23a1c2&lang=am&task=download&view=item , Ombudsman Ruben Hayrapetyan |
| 88. | The Board defined and disclosed relevant policies and procedures on the handling of the bank's relationships with its defined stakeholders | Yes | |
| 89. | Stakeholders have access to the Bank's website, where annual reports and Corporate Governance Statements of the Bank are posted | Yes | |