

## PROSPECTUS

### «ARMENIAN ECONOMY DEVELOPMENT BANK» OPEN JOINT STOCK COMPANY

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*Issuer*

*name*

23/1 Amiryan str., Yerevan, RA, tel: (+37410) 510 910, fax: (+37410) 538 904, e-mail:

[bank@aeb.am](mailto:bank@aeb.am)

Securities class (type)	Ordinary share (equity security)
Securities form	Non documentary
Number of securities	30,800 items
Securities nominal value (currency)	AMD 10,400
Total nominal value of securities	AMD 320,320,000

UNDERWRITER- "ARMECONOMBANK" OJSC

REGISTRATION OF PROSPECTUS BY RA CENTRAL BANK DOES NOT CORROBORATE THE SECURITY OF INVESTMENT, ACCURACY OR AUTHENTICITY OF THE INFORMATION PRESENTED.

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## RESPONSIBLE PARTIES

We, the signatory parties, assure that we make all reasonable efforts to determine the information the prospectus contains to be accurate and complete. Accordingly, we assure that according to our best awareness the information involved in this prospectus is accurate and complete, and does not contain omissions that can distort the content of the prospectus.

The signatory parties:

*Saribek Sukiasyan*

(name, surname)

*Chairman of the Board*

(position)

\_\_\_\_\_

(signature)

(date)

*Ruben Hayrapetyan*

(name, surname)

*Board member*

(position)

\_\_\_\_\_

(signature)

\_\_\_\_\_

(date)

*Luiza Petrosyan*

(name, surname)

*Board member, Secretary of  
the Board*

(position)

\_\_\_\_\_

(signature)

(date)

*Aram Melikyan*

(name, surname)

*Board member*

(position)

\_\_\_\_\_

(signature)

\_\_\_\_\_

(date)

*Per Fischer*

(name, surname)

*Board member*

(position)

\_\_\_\_\_

(signature)

\_\_\_\_\_

(date)

*Aram Khachatryan*  
(name, surname)

*Chairman of Executive Board, CEO*  
(position)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

*Artak Arakelyan*  
(name, surname)

*Deputy Chairman of Executive  
Board, Deputy  
CEO- Treasurer*  
(position)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(date)

*Onik Chichyan* *Deputy Chairman of the Executive Board*  
(name, surname) *Deputy CEO for Corporate and Retail Business* \_\_\_\_\_  
(position) (signature) (date)

*Ruben Badalyan* *Deputy Chairman of the Executive Board*  
(name, surname) *Deputy CEO for Operations* \_\_\_\_\_  
(position) (signature) (date)

*Astghik Manrikyan* *Deputy Chairman of the Executive Board*  
(name, surname) *Deputy CEO for International*  
*Operations and Development* \_\_\_\_\_  
(position) (signature) (date)

*Arpine Pilosyan* *Deputy Chairman of the Executive Board*  
(name, surname) *Deputy CEO for Deputy CEO*  
*for Technologies and Security* \_\_\_\_\_  
(position) (signature) (date)

*Mikael Poghosyan* *Member of the Executive Board*  
(name, surname) *Chief Accountant* \_\_\_\_\_  
(position) (signature) (date)

*Hayk Avetisyan* *Member of the Executive Board*  
(name, surname) *Head of Strategy and*  
*Risk Management Department* \_\_\_\_\_  
(position) (signature) (date)

*Vrej Jhangiryan* *Member of the Executive Board*  
(name, surname) *Head of Law Department* \_\_\_\_\_  
(position) (signature) (date)

The signatures are verified:

<u><i>Aram Khachatryan</i></u>	<i>Chairman of the Executive Board</i>		
(name, surname)	<u>CEO</u>	(signature)	(date)
	(position)		

## SECTION 1: SUMMARY SHEET

Summary sheet is seen as brief introductory description of prospectus.

While making a decision on investing in the proposed shares the investor should read the entire prospectus.

The person responsible for the information contained in the Summary sheet is responsible for incomplete or misleading information contained in the Summary sheet only in case if it is incomplete or misleading in other parts of the Prospectus.

The investor can obtain the prospectus and the documents attached to it in documentary version from the Bank's head office and branches and the electronic version – from the Bank's website- [www.aeb.am](http://www.aeb.am).

### 1. Information about the Bank and Bank's activity

1.1. The Bank's full name is:

“ARMENIAN ECONOMY DEVELOPMENT BANK” OPEN JOINT STOCK COMPANY

The Bank's abbreviated company name is:

«ARMECONOMBANK» OJSC

1.2. The organizational-legal form of the Bank- open joint stock company.

1.3. State registration place of the Bank is 23/1 Amiryan str., Yerevan, RA, registration No 1.

1.4. Location of the Bank- 23/1 Amiryan str., Yerevan, RA.

1.5. Means of communication:

Tel: (+37410) 510 910

Fax: (+374 10) 538 904

E-mail: [bank@aeb.am](mailto:bank@aeb.am)

Website: [www.aeb.am](http://www.aeb.am)

Foundation country of the Bank- Republic of Armenia

1.6. In case of questions related to the Bank and investment in shares the investors can contact the Head of "ARMECONOMBANK" OJSC Strategy and Risk Management Department H. Avetisyan with the following number: (+37410) 510 976.

1.7. Brief history of the issuer:

The bank (the Armenian Republic branch of former USSR Zhilsotsbank) was the first one

among the state banks of the Republic of Armenia that was reorganized to a joint-stock bank.

On 14 February 1991, by Resolution No.115 of RA Board of Ministers of RA, State Shareholding Commercial Bank of the Republic of Armenia (armstatecombank) was established on the basis of based on the Armenian republic branch of former USSR Zhilsotsbank.

On 16 November 1992, the bank was granted License No.1 by the Central Bank of RA to conduct banking operations.

On 28 December 1993, by the resolution of the Executive Board of the Central Bank of RA (minutes N 40) Armstatecombank was reregistered as Armenian Economy Development Bank (ARMECONOMBANK OJSC) – (Record No. 1/35) and granted License No.1/35 to conduct banking operations.

In 2002 the Bank's shares were listed in B platform of "NASDAQ OMX ARMENIA",

In 2004 agreement was signed between ARMECONOMBANK OJSC and EBRD by which the participation of EBRD in the bank's chartered capital began, in the result of which the participation of EBRD amounted to 25%+1 shares.

In February 2007, for the first time in Armenia, Moody's Investors Service, an international rating agency, granted ARMECONOMBANK OJSC E+ financial strength and B1 long-term local currency and foreign currency deposit ratings, both with Stable Outlook.

In 2013 ARMECONOMBANK OJSC received ISO/IEC 27001:2005 certificate (Informational security management system).

On December 3, 2014 European Bank for reconstruction and development (EBRD), Sukiasyan brothers and ARMECONOMBANK OJSC signed an agreement of purchase of shares wherewith EBRD agreed to sell its 233.335 ordinary shares with 5 equal portions (46.667 each tranche) during 5 years-from December 2014 to March 2, 2019.

In 2015, a memorandum of merger was signed between the managers of ARMECONOMBANK OJSC and "BTA Bank" CJSC Kazakhstan to merge "BTA Bank" CJSC being registered and carrying out activity in Armenia to ARMECONOMBANK OJSC.

In 2016, by the resolution of RA Central Bank "BTA Bank" CJSC was consolidated with ARMECONOMBANK OJSC, as a result ARMECONOMBANK OJSC chartered capital increased by AMD 5,294,232 thousand and the branch network expanded by 6 branches.

In 2018, AMD 33,438,300 (thirty-three million, four hundred thirty-eight thousand, three hundred) from the Bank's emission income, AMD 2,524,160,700 (two billion, five hundred twenty-four million, one hundred sixty thousand and seven hundred) from non-distributed profit and AMD 3,000,000,000 (three billion) from the Main reserve were directed to the increase of the chartered capital, as a result , the chartered capital amounted to AMD 22,266,343,200 and on the account of that the nominal value of a single common share increased by AMD 3000 and made AMD 10,400 against the previous AMD 7,400.

In 2019, the Bank's chartered capital supplemented with AMD 3,369,000.0, as a result, the Bank's chartered capital amounts to AMD 25,635,343,200.

All the patents and licenses granted to the Bank are timeless.

### 1.8. Bank's strategy

The Bank's strategic target is to ensure the continuous development as a universal structure, providing banking services to customers in accordance with international standards, ensuring the protection of the interests of the bank's customers and shareholders.

While planning both quantitative and qualitative progress in all areas, the bank will maintain the focus on further development of risk management system internal control system, AML/CFT, corporate governance values, improvement of banking service technologies, expansion of the international operations and enhancement of the cooperation with international financial and credit institutions.

Main objectives of the strategy for the planned year arise from the basic objectives of the bank's financial policy: to maintain and increase the bank's general capital, to ensure stable liquidity, to efficiently manage the bank's financial facilities so that the earnings generated not only compensate the necessary expenses, but allow for sufficient reserves solving the problems of bank capitalization.

The bank's mission is to be a risk management system of in compliance with international standards, a lawful and transparent institution developing by progressive technologies, that contributes not only to the stability of Armenian banking system, but to the development of the country's economy as well.

### 1.9. The charter capital of the Bank and the latter's structure

The actual size of the replenished charter capital of the Bank is AMD 25,635,343,200 which includes 1,852,533 ordinary shares each with a nominal value of AMD 10,400 and 424,600 preference shares each with a nominal value of AMD 15,000.

The Bank's announced shares make 2,000,000 (two million) ordinary shares each with a nominal value of AMD 10,400 (ten thousand four hundred).

The Bank's announced preference shares subject to placement make 228,479 (two hundred twenty-eight thousand four hundred seventy-nine) preference shares with fixed dividend each with a nominal value of AMD 15,000 (fifteen thousand). The liquidity value of each share shall be in the size of nominal value each in the size of annual 14% (fourteen) against the nominal value of the dividend to be paid.

As of 31.12.2018 the shareholders paid 100% of the share capital.

As of 31.12.2018 the number of owners of the Bank's ordinary shares amounts to 3,262.

#### 1.10. Bank's business description (services)

##### **According to the Bank's charter:**

The Bank can carry out all the financial operations set by RA laws and other legal acts:

As of 31.12.18 the Bank has correspondent accounts in 18 local and international banks.

The Bank is a member of the following international money transfer system: "MoneyGram", "Ria Money Transfers", "IntelExpress", "Unistream", "Converse Transfer", "Golden Money Transfer", "MoneyTun" and "Faster" systems.

1.11. The bank's structure is presented below.

As of the moment of presenting the Prospectus, ARMECONOMBANK OJSC has 52 branches, 51 of which are located within RA territory 1 in Stepanakert, Nagorno-Karabakh.

1.12. Asset adequacy and suitability on the Bank's disposal:

NQ	Indicator	31.12.2018	31.12.2017	31.12.2016
1	Assets, including	221,697,397	190,802,799	146,182,358
2	Profitable assets	199,311,211	149,973,255	113,976,704
3	Loans to customers	133,629,775	104,216,558	75,047,659
4	Due from banks and other financial institutions	13,175,950	13,030,610	8,253,897
5	Financial assets available for sale (investment securities)	19,752,226	2,036,091	2,879,255
6	Cash facilities and their equivalents	38,158,045	35,824,831	32,059,829
7	Cash facilities	9,304,956	9,437,455	8,818,128
8	Financial assets at fair value through profit or loss	17,468	0	1,765
9	Reverse repurchase agreements	3,882,703	4,296,862	4,552,427
10	Investments in associate companies	0	0	0
11	Profitable assets ratio (%)	89.90	78.60%	77.97%

Detailed information on depreciated loans (non-performing) is presented in the notes attached to the reports published by the Bank (Note 16 - Loans to customers).

## **2. A brief description of risks related to the Bank and securities**

2.1. Risk management process consists of the following stages: identify, assess, control and respond to assessed risks in the Bank's operations. Furthermore, the response stage is implemented through risk avoidance, reduction, acceptance, or transfer options.

Pursuant to ARMECONOMBANK OJSC Risk Management Policy and the principles of risk management of Basel Committee and GARP (Generally Accepted Risk Principles), the following models of assessment and management of basic risks have been adopted:

- Credit risk;
- Market risk;
  - ✓ interest rate risk
  - ✓ foreign exchange risk
  - ✓ price risk
- Liquidity risk;
- Operational risk;
- Reputational Risk
- Infection risk
- Strategy risk
- Risk of changes in legislative and normative fields
- The country's general and economic environment risk

More information on the risks is presented in Section 3 of this Prospectus ("Information on the Issuer of shares") (paragraph 2 ("Risk factors")).

2.2 Investment in shares is associated with certain possible risks; hence before making a decision to invest investors should thoroughly study and analyze all the possible risks related to the investment and disclosed in the Prospectus. Nevertheless, it is necessary to consider that the list of possible risks presented in the Prospectus is not exhaustive. The occurrence of other unexpected risks is probable as well and by making decision on investment the investor should fully be aware of the nature of the investment and be guided by its personal experience, goals and expectations.

Each of the presented risks may have some negative impact both on the Bank's status and on market situation leading to market shares circulation decrease in liquidity. The most significant risks observed by

the Bank are considered to be:

- a) Liquidity risk of shares - occurs due to the abrupt changes of market situation or the worsening of the Bank's financial state, as a result, the shares may lose their value leading to decline in their price. The issuer may not be able to sell shares without suffering significant losses or won't be able to sell them at all because of low liquidity of shares available at the given situation in the market.
- b) Foreign currency risk- occurs due to exchange rate abrupt fluctuations which may significantly affect both the Bank and securities market. The shares are to be quoted and paid in AMD, hence for the investors whose financial flows are in other currency the given shares will contain considerable risk.
- c) Interest rate risk – it is a consequence of abrupt changes of interest rates available in the market, which, as an alternative investment direction, indirectly affects the prices of shares.
- d) The Bank's reputation risk which have a direct impact on the attractiveness and price of shares.

More information on the risks related to shares to be issued is presented in Section 2 of this Prospectus ("Information on the shares to be issued ") (paragraph 1 ("Risk factors")).

### **3. Change trends of the Bank's economic development activity and financial situation**

The Bank carries out its activities in accordance with Prospective development plan approved by the Bank's Board, objectives, principles, main activities and ways of solving problems set in them. The

As proofs of recognition of the bank as a successful and promising financial institution should be considered the fact of receiving ISO/IEC 27001 certificate (Informational security management system) which opens great prospects in terms of the bank's international recognition, enhancement of cooperation with foreign financial institutions, and further development.

The growth of the profit for AMD 368.787 in 2015 is one of the most significant indicators of the bank 's activity.

The change tendencies of the Bank's 2016-2018 financial state are reflected in 1.12 subparagraph of paragraph 1 and in paragraph 9 of this bulletin.

Envisioning development of all sectors in both quantitative and qualitative growth, greater attention will be paid to risk management system, internal system, AML/CFT, the development of values of corporate governance, banking services, technology development, international operations, as well as expansion of cooperation with international financial institutions.

As of 31.03.2019 the Bank's capital amounts to approximately AMD 37.5 billion growing by 13.6% compared with the end of previous year. During 2019 (until the date of registration of the Prospectus), no significant changes have occurred in the Bank's operations and financial condition and the Bank keeps the growth trends of assets and other key indicators.

All patents and licenses necessary for the operation are valid, lawsuits which have had or will have a significant impact on the Bank's financial position and profitability are missing, and no significant organizational changes are expected.

#### 4. Brief information about the identity of the Bank's auditor and consultants

The Bank's 2016, 2017 and 2018 audit was carried out by "Deloitte Armenia" CJSC which location and means of communication are:

"Deloitte Armenia" CJSC

CEO- Srбуhi Hakobyan

4/6 Amiryan str., 0002, Yerevan, RA,

tel: +374 (10) 52 65 20, fax: +374 (10) 52 75 20,

[www.deloitte.ru](http://www.deloitte.ru):

#### 5. The Bank's management body members, employees and key shareholders

##### 5.1. Management body members of the issuer:

The following management bodies are set by the Bank's Charter:

- General meeting of shareholders (hereinafter General meeting) which is the highest governing body of the Bank,
- Bank's Board (hereinafter the Board) which is elected by the General Meeting of Shareholders,
- Bank's CEO who is the Chairman of Executive Board,
- Bank's Executive Board (hereinafter Executive Board).

The Bank's Board consists of 6 members:

N	Name, surname	position	expenence
1	Saribek Sukiasyan	Chairman of the Board	27 years
2	Ruben Hayrapetyan	Board member, Deputy	16 years

		Chairman of the Board	
3	Luiza Petrosyan	Board member, Secretary of the Board	13 years
4	Aram Melikyan	Board member	31 years
5	Per Fischer	Board member	29 years
6	Vahagn Khachatryan	Board member	37 years

The Bank's Executive Board consists of 9 members:

NQ	Name, surname	position	experience
1	Aram Khachatryan	Chairman of Executive Board, CEO	12 years
2	Ruben Badalyan	Deputy Chairman of Executive, Deputy CEO for Operations	16 years
3	Armen Ghazaryan	Deputy Chairman of Executive Board, Deputy CEO for Corporate and Retail Business	17 years
4	Artak Araquelvan	Deputy Chairman of Executive, Deputy CEO – Treasurer	14 years
5	Astghik Manrikyan	Deputy Chairman of Executive Board, Deputy CEO International Operations and Development	13 years
6	Arpine Pilosyan	Deputy Chairman of Executive Board, Deputy CEO for Deputy CEO for Technologies and Security	12 years
7	Mikael Poghosyan	Executive Board member, Chief Accountant	32 years
8	Hayk Avetisyan	Executive Board member, Head of Strategy and Risk Management Department	14 years

9	Vrezh Jhangiryan	Executive Board member, Head of Law Department	12 years
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5.2. The Bank's employees:

As of 31.12.18 the total number of the Bank's employees is 885.

5.3. The Bank's key shareholders:

N	Full name	Participation Common shares	Participation Preference shares
1	Saribek Albert Sukiasyan	28.32%	42.06%
2	Khachatur Albert Sukiasyan	16.29%	23.55%
3	Robert Albert Sukiasyan	16.86%	15.55%
4	Eduard Albert Sukiasyan	10.66%	18.84%

**6. Basic statistical data of securities intended for trading permission in proposed or regulated market**

**securities type**- ordinary share (equity security)

**number of securities** - 342,466 unites

**securities total volume (market value)**- AMD 500,500,000

**securities total volume (nominal value)**- AMD 320,320,000

**securities nominal value**- AMD 10,400

**securities currency**- AMD

**securities aim** - resources attraction

**the intended use of resources** - cash facilities attracted as a result share allocation by the issuer will be mainly directed to lending to small and medium enterprises, extending consumer loans and investments in government securities.

## 7. Comprehensive description of securities offering

Distribution of issued shares is carried out through an open subscription.

Under the legislation, in case of distribution of voting shares and convertible securities of voting shares through an open subscription by the Bank, the Bank's shareholders will not have a preferential right to purchase shares.

If the payment of allocated shares to be carried out by monetary for the owners of voting shares preferential right for the acquisition of voting shares and convertible securities of voting shares (in proportion to the number of voting shares owned by them) may be envisaged in compliance with the Bank's charter.

Payment of allocated shares will be carried out by monetary means. By the Bank's Charter for the owners of voting shares preferential right for the acquisition of voting shares and convertible securities of voting shares (in proportion to the number of voting shares owned by them) is not provided. Sale of shares in parallel with the issue held by shareholders is not intended.

## 8. Other essential information per the Bank's discretion which are not mentioned in the preceding paragraphs

Additional information regarding to the Bank's chartered capital, shareholders, distribution of profit and management bodies can be obtained from the Bank's charter in 3-6 chapters.

## 9. Brief financial data

					Thous. AMD
N	Indicator	2018	2017	2016	
	Net profit after income tax	2,078,026	1,550,397	590,371	
	Average size of equity*	32,168,301	28,205,524	22,440,746	
	Return on equity (ROE).%	6.46%	5.50%	2.63%	
	Net profit after profit tax	2,078,026	1,550,397	590,371	
	Average value of total assets *	206,029,485	167,249,185	124,162,992	
	Return on assets (ROA), %	1.01%	0.93%	0.48%	
	Net profit after profit tax	2,078,026	1,550,397	590,371	

Operational income	11,991,828	10,159,318	7,539,829
Net profit margin (NPM),%	17.33%	15.26%	7.83%
Operational income	11,991,828	10,159,318	7,539,829
Average value of total assets*	206,029,485	167,249,185	124,162,992
Asset utilization ratio (AU)	6.40%	8.03%	8.60%
Average size of total assets*	206,029,485	167,249,185	124,162,992
Average size of equity	32,168,301	28,205,524	22,440,746
Equity multiplier (EM)	6.40	5.93	5.53
Net interest income	8,742,031	6,840,338	5,503,870
Average size of profitable assets*	182,896,810	142,614,670	103,769,713
Net interest margin (NIM)	4.78%	4.80	
Interest income	17,664,310	14,121,975	11,359,949
Average size of profitable assets*	182,896,810	142,614,670	103,769,713
Return on profitable assets	9.66%	9.90%	10.95%
Interest expenses	8,922,279	7,281,637	5,856,079
Liabilities of which interest expenses are done*	160,428,957	119,139,531	86,677,966
Expenditure of liabilities of which interest expenses are implemented	5.56%	6.11%	6.76%
Net profit after profit tax	2,078,026	1,550,397	590,371
Weighted average number of shares	1,852,533	1,852,533	1,343,195
Net earnings per share (EPS)	1.12	0.84	0.44
Spread	4.81	5.98%	6.65%

## Section 2. INFORMATION ABOUT ISSUED SHARES

### 1. Risk Factors

This proposal of shares issue aims to increase the Bank's Charter capital raising the bank's reliability and efficiency as a financial institution, possibilities of confronting competitive challenges and increasing competitiveness.

Investments in shares are associated with certain potential risks, so before making a decision to invest, investors should carefully examine and analyze the potential risks related to investment disclosed in this prospectus as well as other presented information. It is necessary, however, to take into account the fact that the list possible risks presented in prospectus is not exhaustive and it is also possible the emerge of unpredictable nature of certain risks and thereby while making an investment decision the investor must be fully aware of the nature of the investment and be guided by his own experience, goals and expectations.

The Bank will take all necessary measures to mitigate the negative impact of aforementioned risk factors. Nevertheless, in many cases the mentioned risk factors are out of Bank's control so the efficiency of measures taken to reduce negative impact of risks not limited by the given list is not guaranteed by the Bank.

Each of the presented risks may have some negative impact both on the Bank's status and on market situation leading to market shares circulation decrease in liquidity. The most significant risks observed by the Bank are considered to be:

- a) Liquidity risk of shares - occurs due to the abrupt changes of market situation or the worsening of the Bank's financial state, as a result, the shares may lose their value leading to decline in their price. The issuer may not be able to sell shares without suffering significant losses or won't be able to sell them at all because of low liquidity of shares available at the given situation in the market.
- b) Foreign currency risk- occurs due to exchange rate abrupt fluctuations which may significantly affect both the Bank and securities market. The shares are to be quoted and paid in AMD, hence for the investors whose financial flows are in other currency the given shares will contain considerable risk.
- c) Interest rate risk – it is a consequence of abrupt changes of interest rates available in the market, which, as an alternative investment direction, indirectly affects the prices of shares.
- d) The Bank's reputation risk which have a direct impact on the attractiveness and price of shares.

## 2. BASIC INFORMATION

### 2.1. Capitalization and liabilities

*ARMECONOMBANK OJSC's capitalization as of 31.03.19*

thous.AMD

a.	Charter capital	25,635,343.2
b.	Share premium	-
c.	Accumulated profit (loss)	4,158,573
d.	Equity	37,514,294

*ARMECONOMBANK OJSC's liabilities as of 31.03.19*

thous.AMD

d.	long-term liabilities, which assume interest expense, including	49,989,513
	guaranteed liabilities	
	unguaranteed liabilities	

	secured liabilities	0
	unsecured liabilities	49,989,513
e.	short-term liabilities, which assume interest expense, including	127,987,590
	guaranteed liabilities	26,140,693
	unguaranteed liabilities	101,846,897
	secured liabilities	23,047,270
	unsecured liabilities	104,940,320
f.	off balance sheet and conventional liabilities, including	14,378,113
	guaranteed liabilities	0
	unguaranteed liabilities	14,378,113
	secured liabilities	0
	unsecured liabilities	14,378,113

## 2.2. Purpose of the offer and use of attracted resources

The main goal of ARMECONOMBANK OJSC 17<sup>th</sup> issue and distribution of shares is to increase the Bank's Charter capital by attracting resources in RA security market, increasing the bank's reliability and efficiency as a financial institution, resisting the competitive challenges of increasing competitiveness. Cash facilities, attracted as a result of distribution of shares by the issuer, will be mainly directed to on-lending of small and medium enterprises, extension of consumer loans and investments in government securities.

Possible size of net funds attracted will be AMD 500,500,000.

Possible size of attracted amounts is subject to allocation per the following directions of intended use (by priority):

- ✓ lending to small and medium enterprises,
- ✓ consumer loans,
- ✓ mortgage loans,
- ✓ state securities,
- ✓ other.

Possible attracted amounts are not intended to be used for the acquisition of assets outside the scope of normal operation of the Bank but for compensation of announced acquisitions of other businesses or obligations, debt repayment or refinancing purposes.

## 3. INFORMATION RELATED TO THE PROPOSED SECURITIES

**a. The type and class of securities, including International Securities Identification Number (ISIN) or other similar distinctive code (if any):**

- ✓ proposed securities class (type) ordinary share (equity security),
- ✓ International Securities Identification Number (ISIN)- AMHEZBS10ER5

**b. Country where the particular securities are issued in accordance with its legislation:**

The common shares of the Bank were issued in compliance with the legislation of the Republic of Armenia, and the disputes arising from them including judicial disputes, shall be governed in order set by RA legislation.

**c. Type of securities (documentary or non-documentary): In case of undocumented securities the name of the legal entity should be mentioned that maintain the register of non-documentary securities:**

Non-documentary, "Central Depository of Armenia" Open Joint-Stock Company, account operator of "Central Depository of Armenia" OJSC- "ARMENBROK" OJSC.

**d. Nominal value of one security and quantity (if any):**

Nominal value of one security- AMD 10,400

Quantity – 30,800

**e. Issuing currency- AMD**

**f. Securities resulting from the following description of the rights (including rights limitations) and the implementation of these rights, particularly:**

*1. The rights to receive dividends (concrete days of the receipt of dividends, Limitations of receiving dividends and the process of receiving by non-residents, the methods for calculating the dividend payment frequency and methods).*

**According to the Bank's charter**

## 1. DISTRIBUTION OF PROFIT OF THE BANK

- ✓ As a result of its activities, the Bank's profit is subject to taxation in compliance with the law. The Bank may pay dividends only by annual results.
- ✓ After paying taxes set by legislation and other obligatory payments, the remaining profit under the Bank's disposal is formed the distribution of which is carried out by the resolution of general meeting of shareholders for the purpose of paying dividends, replenishment of funds defined by this legislation and for the Bank's development.
- ✓ The decision on annual dividend payment by the Bank's shareholders makes General Meeting of Shareholders, which defines the amount and terms of payment. The payment of the dividends is carried out in compliance with the procedure approved by the Bank's Board (the Procedure is available on “ Shareholders and investors” section of the Bank’s website)
- ✓ Distribution of dividends to shareholders of the bank is forbidden if at the time of allocation the Bank's losses are equal or exceed the amount of undistributed net profit available in the Bank.

**According to the Bank's Procedure on "Payment of dividends based on annual results"**

The Bank pays dividends based on the annual results, moreover quarterly fees (dividends) may be paid to the shareholders of preference shares. The size, order and period of dividend payment are established by the resolution of the Annual Meeting submitted by the Bank's Board. The Meeting is entitled to make a decision on not paying dividends taking into account the problems of the Bank's development. The shareholders included in the list of participants of the Annual General Meeting have the right to receive dividends from the Head Office and branches. The dividends are calculated towards the nominal value of shares and are paid from the net (accumulated) profit of the Bank.

For the purpose of receiving dividends shareholders submit the following:

- ✓ in case of an individual, either identification document, or notarized power of attorney, or documents substantiating the heritage (Notary, a will, etc),
  - dividends against the shares calculated on behalf of minors under fourteen, can be paid to the minors' legal representatives –parents, adopters or tutors, upon the submission of identification document. In case, one of the parents of the minor under fourteen wants to receive dividends, the latter should submit a written power of attorney given by the other parent (notarially certified or given in the Bank in the order set for the provision of power of attorneys)
  - dividends calculated on behalf of minors from fourteen to eighteen years old can be paid to that minor upon the submission of ID (for minors under sixteen– birth certificate, passport or identification document, for minors over 16 – passport or identification document ). In case of absence of an identification document the identification is made by the signature of one of the parents.  
The parent solely receiving dividends on shares belonging to minors from fourteen to eighteen years old should submit a power of attorney given by the minor upon the consent of both parents. (notarially certified or given at the Bank in the order set for the provision of power of attorneys).
- ✓ in case of a corporate entity, the copy of state registry or a statement given by the Unified state register (these documents may not be required if the Bank received them electronically in defined order), a written order on transferring the dividend to the account signed and sealed by the authorized body. In the order established by law, the corporate entity may receive the dividends in cash if the necessary substantiating documents be submitted. In case of legal successor ship all the substantiating documents required by law must be submitted (the copies are attached to

the lists).

Non-resident shareholders (non-account holder) manage their dividends based on the written order issued.

## 2. Voting rights

### According to the Bank's charter

1. Each ordinary share of the Bank gives its Shareholder equal rights. A shareholder owning ordinary shares has right to:

- ✓ participate in the Shareholders' General Meeting with right of voting on all the matters falling under the General Meeting competence;
- ✓ participate in management of the Bank;
- ✓ authorize third person for representation of his/her/its rights;
- ✓ submit proposals at the Bank Shareholders' General Meeting;
- ✓ vote at the Bank Shareholders' General Meeting to the extent of votes belonging to him/her.

2. A Shareholder owning preference shares has right to participate in the Bank Shareholders' General Meeting to the extent of number of preference shares owned by him/her and the number of votes corresponding to the nominal value;

According to the Bank's Charter shareholders owning preference shares have right to participate in the Bank Shareholders' General Meeting if agenda of the meeting includes the issues on the Bank's reorganization or liquidation, resolutions related to the Bank Charter's amendments and modifications which may limit shareholders rights including issues related to the payments of dividends on preference shares and /or/ the determination or increase of liquidation value. The participation in the General Meeting of shareholders under the issues mentioned to the given subparagraph gives one right of one vote.

3. Entity or related parties may have significant (direct and indirect) and other participation (non-significant) in the Bank's Charter capital only upon receiving the prior consent of the Central Bank. Such Shareholder will meet the demands established by the legislation.

### *3. Preferential rights in the case of the same class share allocation.*

In accordance with the requirements of legislation; Particularly in accordance with RA law on "Joint Stock Companies".

When the Company allocates in an open subscription voting shares and securities convertible into voting shares, the Company shareholders do not have preferential rights of acquisition of voting shares and securities convertible into voting shares.

Pursuant to the Bank's charter, if the payment against shares is to be made by monetary means preferential rights for acquiring voting shares and securities convertible into voting shares may be envisaged for the owners of voting shares in proportion of their shares.

By ARMECONOMBANK OJSC Charter, in the case of executing payment against allocated shares through a public subscription in cash preemptive rights is not defined for the Bank's voting shareholders for converting voting shares to voting.

#### *4. Rights of receiving part from the remaining property in case of liquidation*

##### **In accordance with the Bank's Charter**

In accordance with RA legislation and the Bank's charter a shareholder owning ordinary and preference shares has right to receive the part of the Bank property due to him/her in case of the Bank liquidation.

According to the Article 31 of RA law on "bankruptcy of banks, credit organizations, investment companies, investment fund managers and insurance companies", in case of liquidation of the bank declared bankrupt Bank's liabilities shall be covered from liquidation funds in the following priority order:

a) First: Necessary and substantiated costs (including salaries) incurred by the administration and/or the Liquidator in execution of powers provided by this Law, within the framework of the estimate approved by the Board of the Central Bank,

b) Second: Claims on deposits made and loans, borrowings given to the bank, or funds deposited with the bank account after the appointment of administration, except for cases provided by agreement signed between the creditor and the Central Bank,

c) Third: Bank deposits and account balances of the citizens of the Republic of Armenia, foreign citizens as well as persons without citizenship in Armenian drams up to 10 million Armenian drams, and up to 5 million Armenian drams equivalent amounts in foreign currency in case of deposits (accounts) in foreign currency. In cases when one person possesses more than one deposit (account) in the bank, all the deposits shall be merged and their aggregate amount considered as one deposit. In case

of liquidation of insurance company – all the claims arising from the agreements which shall be covered by the priority order defined in section 1.1. of this Article.

d) Fourth: Other liabilities of the bank, except for bank deposits and account balances included in the Third priority order,

e) Fifth: Bank's liabilities towards the state and community budgets and other mandatory payments established by the legislation of the Republic of Armenia

f) Sixth: claims arising from subordinated loans,

g) Seventh: Claims of the bank's participants.

The claims of bank participants and bank-related parties, which satisfy the priority order set in subparagraph "f", shall make exception from the list of creditors' claims subject to be satisfied in priority orders, set in subparagraphs "c", "d" and "e1" as provided hereinabove.

Pursuant to the Article 75<sup>1</sup> of RA law "On banks and banking", in case of liquidation of the Bank, the liabilities of the bank shall be repaid from liquidation funds in sequence, as follows:

First- essential and grounded expenses of implementation of the authorities of the liquidation committee members provided by this Law, including the salary;

Second- bank deposits and account balances of the citizens of the Republic of Armenia, of foreign citizens, as well as parties holding no citizenship. If a party holds more than one deposit (account) with the bank all his deposits shall combine and the total amount shall be considered as one deposit; third, other liabilities of the bank that are not included in the fourth, fifth and sixth places;

Forth- liabilities of the bank to the state budget and community budgets, other obligatory payments determined by the legislation of the Republic of Armenia;

Fifth- claims on subordinate borrowings

Sixth- claims of bank participants.

The bank participants and bank related parties shall be excluded from the list of creditors provided for in the second, third and fifth places in the sequence of satisfaction of bank creditors' claims. The liabilities of the bank to them shall be satisfied in the sixth turn.

## *5. Repurchase demand rights*

### **In accordance with the Bank's Charter**

A shareholder owning ordinary shares has right to receive right of repurchase of shares belonging to him/her if:

- ✓ Resolution on the reorganization of the Bank cancellation of right of preference or making a major transaction has been made and the particular shareholder has voted against the reorganization of the Bank cancellation of right of preference or on making a major transaction or has refused to participate in such voting.

- ✓ Additions or amendments have been made in the Charter or a new edited Charter has been approved in the result of which the rights of mentioned shareholders have been limited and he/she voted against or didn't participate in the voting of the item.

## *6. Conversion rights*

The securities offered do not assume conversion rights.

### **g. If the proposed securities are newly issued then the brief content of authorized body's decision on new release**

Resolution on the procedure of issuance and allocation of securities was made by the Bank's Board. According to the Bank Board's resolution 23/01-14.06.2019, a decision was made to issue 30,800 common shares with the nominal value of AMD 10,400 and distribute them each for AMD 16.250.

### **h. Description of restrictions on the free circulation of securities:**

Restrictions on issue are as follows:

Entity or related parties may have significant (direct and indirect) and other participation (non-significant) in the Bank's Charter capital only upon receiving the prior consent of the Central Bank. Such Shareholder will meet the demands established by the legislation.

The availability of the following factors serves as a basis for the Central Bank's refusal:

- a/ the person has criminal records for intentional crimes;
- b/ by a court judgment the person has been forfeited the right of holding certain positions in financial, banking, tax, customs, commercial, economic and legal sectors;
- c/ the person has been adjudged bankrupt and has outstanding (unforgiven) liabilities;
- d/ the person's previous actions have resulted in the Bank's or a third person's bankruptcy;
- e/ the person or related persons have previously committed such actions which, in the opinion of the Central Bank, grounded on the guidelines approved by the latter, provide good reasons to assume that the actions of the given person as a member entitled to vote at the time of making decisions by the supreme management body of the Bank may lead to bankruptcy of the Bank and worsening of its financial status, or will harm the reputation and business standing of the Bank;

f/ the given transaction is directed or leads, or may lead to restriction of free market competition;

g/ person or related persons, which as a result of the given transaction have acquired significant participation in the Bank's charter capital, in the consequence of the said transaction obtains predominant position in the banking market of the Republic of Armenia that enables him/it to influence on market rates or terms of transactions or at least any of them;

h/ the documents have not been submitted in due form and procedure established by the Central Bank, or submitted documents or data reflect false or inadequate information.

i/ if in the Central Bank's reasonable opinion the person or his/its affiliates which as a result of the given transaction have acquired significant participation in charter capital are now in poor financial condition, or the worsening of the financial condition of such person or related persons may lead to the worsening of the Bank's financial condition, or the nature of their relationship with the Bank may hinder the Central Bank to perform efficient audit or to reveal and efficiently manage the Bank risks.

j/ the person fails to submit sufficient and complete groundings (documents, information and other) on the legality of funds invested.

Restrictions imposed under this paragraph shall not apply to acquisition of participation in the charter capital of a bank which is qualified as a reporting issuer under the Law of the Republic of Armenia on "Securities Market", if such an acquisition has taken place in the stock exchange and does not exceed 20% of the Bank's charter capital. Should such participation exceed 20% of the Bank's charter capital, prior approval of the Central Bank will be required.

*Restrictions of free circulation of securities are the following:*

Issued (proposed to sale under this Prospectus) shares on the stock exchange can be circulated on the stock exchange after obtaining permission for trading. Securities in OTC market may be alienated through private transaction.

The restrictions on the transactions implemented through securities permitted to trading in the Market are defined by the Article 219 of the RA Law on "Securities Market" and RA CB resolution N331.

A security admitted to trading in the market is prohibited to sell out of the given market with the exception of the following cases:

1. In case of private transactions, the parties to which are known in advance

✓ Transactions signed by the Central Bank of the Republic of the Armenia

- ✓ Transactions related to the repurchase or acquisition of securities by the issuer
  - ✓ Transactions with stock securities within the framework of the tender offer of securities
2. In case of transactions effected by the persons carrying out placement in the framework of placement of the securities;
  3. for the cases of admission to trading and sales on other regulated market of a security admitted to trading on the market.

**i. Description of the obligation to make a mandatory tender offer of securities, as well as the description of cases when such obligation is missing.**

The obligation to make a mandatory tender offer of securities as well as the cases when such obligation is missing are regulated by Chapter 15 of RA Law on "Securities Market".

Any person, who as a result of one or more transactions with the issuer's equity securities becomes the owner of more than 75% of the same class of equity securities, shall make a tender offer for all securities of that class.

The aforementioned requirement shall also apply to the cases when the trade of the issuer's securities in the regulated market is suspended by the Operator upon the Accounting issuer's application. In this case a mandatory trade offer of securities must be submitted by the shareholders who voted for the resolution to suspend the permission of trade of securities in the regulated market. Moreover, the shareholders who voted for the resolution on the termination of admission of securities to trading in the regulated market shall elect a representative who will submit a mandatory tender offer of securities on behalf of them.

The person shall submit the tender offer to the Central Bank within a period of 10 business days from the date of the transaction as a result of which the person became the owner of more than 75% of the same class of securities.

Tender offer shall not apply to the cases below:

- ✓ The person became the owner of more than 75% of the same class of securities as a result of reducing the statutory capital of the company,
- ✓ The person became the owner of more than 75% of the same class of securities as a result of non-mandatory tender offer for all securities of the given class made by him in accordance with the provisions of this Chapter.
- ✓ The securities were purchased by an investment service provider for distribution purposes,
- ✓ The person has alienated more than 75% of the same class of securities, within 10 business days from the date of acquisition, to a third person, who under Article 151 of RA Law on "Securities market" is not considered to have agreed to act jointly, under the condition that the issuer's general meeting of shareholders is not convened during that period.

#### **h. Complete and detailed description of procedure of taxation of Income from securities:**

Taxation of income from shareholders' shares for resident legal entities is done in accordance with Article 4, Article 104, Article 105, Article 107, Article 110 and Article 123 of RA law on "Income Tax".

Particularly:

While defining taxable profit the gross income is deducted in the amount of dividends earned by taxpayer, that is; the dividends (income from shares) are not taxed by profit tax.

In case of non-residents taxation for legal entities is done in accordance with Article 4, Article 57, Article 104, Article 105, Article 107, Article 109, Article 110, Article 125 and Article 132

of RA law on "Income Tax".

Particularly:

In this case the dividends (income from shares) are subject to taxation with profit tax at 10% as a passive income. The taxation is made by the tax agent (the bank) at the income payment source (from the total income amount to be paid to non-resident)

Taxation of the income from the shares of resident and non-resident individuals is done in accordance with Article 4, Article 140, Article 141, Article 143, Article 144, Article 147, Article 149 and Article 150 of of RA law on "Income Tax".

Particularly:

Dividends payable to resident and non-resident individuals shall be taxed with income tax as passive incomes at 10% rate on dividends received by foreign citizens and stateless persons and at 5% on dividends received by RA residents. The taxation is made by the tax agent (the bank) at the income payment source (from the total income amount to be paid to non-resident)

#### **4. OFFER TERMS AND CONDITIONS**

**1) The terms of the offer, statistics, expected schedule and the actions that are necessary for benefit from the offer.**

##### ***a. The total amount of issuance and (or) offer***

The amount of the offer is fully consists of 30,800 pes ordinary shares, each with nominal value of AMD 10,400 with a total cumulative amount of AMD 500,500,000 (*market price*) (each for AMD 16,250 of the market price), 320,320,000 (*nominal value*) which is entirely subject to subscription.

##### ***b. Beginning and end of the offer (including the terms of any possible changes)***

The beginning of shares placement is considered the 6th working day at 09:00 following the registration of this Prospectus by the Central Bank and the end is 31.10.2019 at 16:00. Before the mentioned term in case of entire volume of shares subscription the Bank terminates the subscription process.

The prospectus will be published at least 3 working days before the allocation in the bank's website - [www.aeb.am](http://www.aeb.am).

Possible changes on allocation terms can be made by the Bank's Board's resolution.

*c. Detailed description of process of applying for benefit from this offer*

Payment for shares is done in AMD, by lump sum payment procedure, the subscription amounts are collected on the bank account 163003702772. Before registering the increase of the capital in RA Central Bank by defined order, the bank transfers the money to accumulation account No. 103002901637 opened in RA Central Bank for the replenishment of charter capital.

For the purpose of purchasing/subscribing shares, the investor submits subscription form (hereinafter “Application”) to ARMECONOMBANK OJSC and a document confirming relevant payment and transfer.

The application for the purchase/subscription of shares shall be submitted within the predefined period –from 09:00 o'clock of the 6<sup>th</sup> working day following the day the Prospectus being registered by CBA up to 31.10.2019 at 16:00.

Application should at least include the following information:

- ✓ The investor's name and surname, ID data, address, signature (in case of legal entity- name, location, competent (authorized) body's signature),
- ✓ Number of purchased shares,
- ✓ Personal account number opened by account operator of "Central Depository of Armenia" OJSC.

Attached to the application:

- ✓ In case of an individual - copies of identification document (number of the document containing the label of public services or number of social card if any), {or a certificate on not receiving label of public services)
- ✓ In case of legal entity - state register certificate {resident legal entity registered in RA State Register, in case of branches and representative offices created by non-resident legal entities in RA - acting head's registration insert or a statement given by unified state register in case of authorized body also power of attorney.

Entities who submitted application are registered in the register opened for that purpose, and valid applications are satisfied per the sequence of deadline.

The subscription application will be considered valid only after the full payment of purchased shares.

d. The circumstances under which the offer may be delayed or canceled

The offer delay or cancellation cases are regulated according to article 20 and 21 of RA Law on "Securities Market":

1. If in the course of placement the person carrying out placement submits a prospectus supplement that refers to an essential change of the information included in the prospectus, the occurrence of a new material circumstance or fact, the person carrying out placement, at the request of the investor, shall revoke the acceptance given by the investor and reimburse the funds received from the investor in the course of subscription or repurchase the securities sold to the investor prior to the submission of the supplement, at least at the security acquisition price. The request for repurchase shall be submitted in the written form. The period for submission of the request for repurchase may not be less than 5 working days after the publication of the prospectus supplement. Repurchase of securities and reimbursement of funds received in the course of placement shall be carried out within a maximum period of 10 working days after the submission of the request .
2. In accordance with the decision of the Central Bank, the Central Bank shall suspend the distribution process, if;

- ✓ In the course of the distribution, requirements of Law and/or other legal acts regulating public offering were violated;
- ✓ during the distribution, conditions of public offering set forth in the Prospectus were not met;
- ✓ the Prospectus contains significant errors and misleading information or if an essential fact is missing from or misrepresented in the Prospectus.

3. Decision on suspending the distribution shall contain assignment for eliminating the revealed violations and omissions and implementation period after which, upon the permission of the Central Bank, the distribution may continue.

4. On the initiative of the Distributer, the distribution process may be suspended only upon the consent of the Central Bank at 10 business days at maximum. If from the moment when the suspension period expires, the distribution does not continue during one business day, the Underwriter shall be obligated to terminate the distribution and return back the resources received during the distribution to the entities that acquired securities, in the procedure within 10 business days from the expiration of the suspension period.

5. The Underwriter shall be obligated to publish information on suspension and continuation of distribution, termination of distribution and return of resources received during the distribution, at least with the same resources that were used to publish public offering announcement.

In case of cancellation or delay of the offer return of amounts is carried out based on the subscription application submitted by applicant and by the method mentioned in the application - cash or non-cash transferring on the account mentioned in the application.

e. Possibility of reducing subscription, as well as, in that circumstances, method and manner of returning back the amount paid by the applicants (application submitted by investors):

The placement will be carried out under the following conditions:

Subscription shall be considered valid in case of ensuring any volumes of distribution.

Applications are satisfied per the chronological order of submission. Investor in the bank's shares is informed about the satisfaction of application submitted to the Distributor at the time of submission of the application.

Investor's subscription reduction who submitted an application is realized in the following way.

- If the number of shares indicated in the application exceeds the number of shares subject to underwriting then the priority is given to the earlier proposals.

- The last completing application corresponding to the number of shares subject to underwriting may be granted partially.

In this case amounts paid by the applicants (application submitted by investors) shall be returned to the applicant upon the latter's application submitted to the Bank.

*f. The minimum and maximum amounts that may be mentioned in the acquisition (subscription) applications. These limits can be indicated either as the minimum and maximum allowable number of securities or as a purchase of minimum and maximum permissible gross amounts:*

There are no limits on the minimum and maximum values (amounts mentioned in the purchase applications) of shares subscription.

*g. The period of time during which an application can be recalled by providing that investors can get back the subscription fees:*

Applications submitted by the investors are not subject to recall.

*h. Methods (frequency, bank accounts, etc.) and terms of payments against securities as well as the methods and terms of receipt of securities and statement form of securities ownership.*

Payments against shares are done entering or transferring to the Bank's 163003702772 banking account.

The right of ownership of shares is registered by "Central Depository of Armenia" Open joint-Stock Company, and the statements certifying ownership right is provided by the organization considering as an account operator of "Central Depository of Armenia" OJSC by the established terms and conditions. The investor pays against the ownership right registrations well as providing a statement certifying ownership right according to the tariffs set by account operator of "Central Depository of Armenia" OJSC.

The buyer's ownership right over the shares arises from the moment the shares are being registered in the Central Depository of Armenia or in other custodian licensed by RA CB on behalf of the buyer in the manner set by RA Legislation but the buyer may sell the rights arising of it after the end of distribution process and the distribution results being summarized by General Meeting of

Shareholders and after the Central Bank of Armenia registers the Charter (new edition of the Charter) reflecting the change of chartered capital occurred as a result of additional distribution of shares.

The Bank submits the instruction on the transfer of shares to the buyer's account and the Charter reflecting the change of chartered capital to "Armenbrok" OJSC (Central Depository) within 10 working days after being registered by CBA.

*i. Publishing form of the results of offer and complete description of the term*

The results of the issuance and allocation of shares are published in the Bank's website within three working days following the date of completion of underwriting.

*j. Description of process of using pre-emption right*

During the shares placement pre-emption right is not planned, purchase requests are satisfied per the sequence of deadline.

**2) Distribution plan**

a. Shares proposal is directed to RA resident and non-resident individuals and legal entities. The Bank's shares proposal will be carried out on the basis of public offering and free sale through the underwriter ARMECONOMBANK OJSC.

b. The Bank does not have any data on the planned 5% and more subscription by the Bank's major shareholders, management or other entity.

c. In the Bank's shares investor notifies the underwriter about satisfying application at the time of application submission.

d. Separate tranche is not intended for minor investors, institutional investors or employees of the issuer.

e. Purchase applications are met per the chronological sequence.

If the number of shares mentioned in the application exceeds the number of shares subject to distribution then the priority is given to the earlier presented proposals.

The last publication completing the corresponding quantity of shares subject to allocation may be granted partially.

The application may be rejected in the following cases:

- ✓ The documents submitted for the acquisition/subscription of shares reflect false and inadequate information
- ✓ Pursuant to RA Legislation a preliminary permission of the Central Bank of Armenia is required for the given placement and the Central Bank of Armenia has rejected to provide a preliminary permission
- ✓ The quantity of the shares subject to distribution ran out.

In this case to recover the money paid by the applicants (investors) the relevant amount is paid to the Investor from the Distributor's account.

### 3) Offer price

a. ARMECONOMBANK OJSC issued share allocation price set by the Bank's Board is AMD 16,250.

During the subscription consulting and other services connected with the subscription process provided by ARMECONOMBANK OJSC the investor does not perform any expense. Fees against provided services by account operator of "Central Depository of Armenia" OJSC are charged in accordance with the tariffs set by the account operator about which an investor can learn through the official website of "ARMENIA SECURITIES EXCHANGE" OJSC- [www.amx.am](http://www.amx.am).

b. Offer price become available to the investor through this prospectus.

### 4) The distribution

a. guaranteed underwriting of shares (underwriting) will not be implemented.

b. The names and locations of the individuals who have agreed to implement unguaranteed underwriting, including underwriting based on best efforts.

Unguaranteed allocation of shares will be implemented by ARMECONOMBANK OJSC.

ARMECONOMBANK OJSC

23/1 Amiryan str., 0002, Yerevan, RA,

c. essential conditions of the guaranteed and unguaranteed contracts concluded with the underwriters and commission fees charged for underwriting. If the guaranteed underwriting agreement does not cover the full amount of the issue, it should be noted that part of the issue, which is not covered. Each underwriter's part should also be noted in the total allocation volume.

Unguaranteed allocation of shares will be implemented by ARMECONOMBANK OJSC.

**d. when was signed or when it is planned to sign guaranteed allocation (underwriting) agreement?**

Guaranteed allocation of shares (underwriting) will not be implemented.

e. Payments against shares subscription is made in "ARMECONOMBANK" OJSC. Payment for shares is made in drams, by lump sum payment procedure, the subscription amounts are collected on the account 163003702772 opened in the bank. For the purpose of shares registration securities relevant accounts are opened through the account operators of "Central Depository of Armenia" OJSC the list and addresses of which are placed on "ARMENIA SECURITIES EXCHANGE" OJSC- [www.amx.am](http://www.amx.am).

## **5. ADMISSION TO TRADING AND ORGANIZATION OF TRADE**

1) The offered securities will request in "ARMENIA SECURITIES EXCHANGE" OJSC «B)) level (list) admission to trading. Trading admission application can also not be satisfied. Application for admission to trading will be submitted during 5 working days after underwriting.

According to Chapter 16 of "ARMENIA SECURITIES EXCHANGE" OPEN JOINT STOCK COMPANY "Listing and admission to trading" rules:

2) Ordinary shares of the bank are listed in "B" level (list) in "ARMENIA SECURITIES EXCHANGE" OJSC

3) No entity has responsibility to insure liquidation in secondary market for the suggested securities or those having trade permission.

4) Measures directed to stabilization of price are not forecasted.

## **6. SELLING SHAREHOLDERS**

A trade offer of shares owned by the current shareholders through the Prospectus are not envisaged. The offer applies only to the ordinary nominal shares additionally distributed by the Bank.

## **7. ISSUE AND PROPOSAL EXPENSES**

Possible size of net funds attracted (recruited gross amounts and the expenses difference done for recruitment purposes) will be AMD 500,500,000 by the Bank's estimation. Expenses done for recruitment purposes are as follows: prospectus registration state fee- AMD 50.0 thousand.

## 8. ADDITIONAL INFORMATION

- 1) Consultants are not involved associated with the presented information.
- 2) The Bank's data of this section were not audited by an independent auditor.
- 3) Expert or consultant whose opinion was used in the statement or information taken from third parties is missing.

## SECTION 3. INFORMATION ABOUT THE ISSUER

### 1. INDEPENDENT AUDITORS

1) The Bank's 2016, 2017 and 2018 audit was carried out by "Deloitte Armenia" CJSC which location and means of communication are:

"Deloitte Armenia" CJSC

CEO - Srбуhi Hakobyan

4/6 Amiryar str., 0002, Yerevan, RA, tel: +374(10) 52 65 20, fax: +374 (10) 52 75 20, [www.deloitte.ru](http://www.deloitte.ru):

"Deloitte" is a brand which brings together more than 200,000 professionals in more than 151 countries independent companies who collaborate with each other to provide audit, enterprise risk management, financial, tax and legal consultancy services to their customers.

"Deloitte Armenia" CJSC is a part of "Deloitte CIS Holding Limited," which in its turn is part of "Deloitte Mascara Tomatsu Limited".

**2) If the Bank's auditors have changed, removed or not re-elected again as an auditor in the historical financial times then specify the main reasons of it:**

During the historical financial period the Bank's auditors have not been changed.

### 2. RISK FACTORS

**The Bank's flexible risk management system** is subjected to continuous improvement based on a stable,

reliable, efficient and safe operation purposes. The next stage of the development and improvement of the Bank's risk management system was the compliance of the Bank's operations and internal legal acts regulating the latter to international standard requirements of ISO/IEC 27001:2005 ( Information Security Management System ).

The risk management process includes phases aimed to reveal, identify, assess, and respond to possible risks in the Bank's operations. At that, the response phase may be accomplished through risk avoidance, reduction, acceptance, or transfer options. Analysis carried out through continuously improved mathematical models, aimed to management efficiency and risk deterrence mechanisms. The economic and mathematical modeling, regulation, analyses and forecast of processes as well as the improvement of the instruments of the internal control system allows the Bank to ensure risk-income optimal correlation in conditions of acceptable risk level, minimize the risk of possible losses during the Bank's operations and ensure the performance of the requirements of existing standards, and the acceptable levels profitability, reliability, security and the factors of solvency. The main principles of risk management, assessment and management approaches of separate risk types as well as the methods and models are fixed in the internal legal acts of the bank and paralleled with the assessment of the bank's gross risk and the measures of its optimal management. Internal by-laws regulating risk management sphere together with other bylaws regulating Bank operations, are from time-to-time reviewed, improving the risk management system in line with changes of internal and external environments, bank's strategic issues and qualitative and quantitative characteristics of performed operations.

In compliance with ARMECONOMBANK OJSC Risk Management Policy and with due consideration of risk management principles of the Basel Committee on Banking Supervision and GARP (Generally Accepted Risk Principles), the following models of assessment and management of basic risks has been adopted.

- **Credit risk:** Credit risk is the possible danger of late repayment or loss of loans or accrued interest in full or in part conditioned by worsening of the borrower's financial condition, devaluation of the collateral, or other similar reasons as a result of which the Bank may suffer financial losses.
- **Market risk:**
  - ✓ **Risk of change of interest rate:** The risk of change of interest rate is the probability of negative influence of the changes of interest rate in the market on net interest income and economic value of the capital of the bank.
  - ✓ **Foreign currency risk:** Foreign currency risk is the probability of loss resulting from foreign currency exchange rate fluctuations.
  - ✓ **Price risk**
  - ✓ **Price risk** is a danger of financial loss that the Bank may suffer in the result of adverse changes in the market price of capital tools listed in any stock exchanges and reflected in the bank's balance sheet at current market prices, conditioned by factors (in conditions of the availability of long and short position on the given security)

which are connected with general fluctuations of market prices of the given capital tools, its issuer, as well as capital tools which are circulated in the market.

- **Liquidity risk**: The liquidity risk represents the probability that the bank may be unable to meet its creditors' claims in timely manner without incurring additional losses.
- **Operational risks**: Operational risk is defined as the danger –possibility (probability) – of direct or indirect losses caused by or arising from inadequate (lack of professionalism) or wrong (accidental or intentional) activities of the personnel, weaknesses of organization and performance of the bank's operations, breakdowns (technical breakdown of equipment, imperfectness of regulations) as well as by adverse external activities and environmental conditions (fraud, natural disasters).
- **Reputation risk**: danger of possible losses in a result of worsening of bank's honor, public opinion and worsening customers' and/or partners' attitude.
- **Inflection risk** : possible chain impact of problems incurred in any business entity or field of economy on other business entity(s) or field(s) of economy which may negatively affect Bank's activities.
- **Strategic risk**: wrong choice towards the long-term development and making wrong strategic decisions as a result of which the realization of strategic development goals may lead to losses or can not ensure the foreseen results.
- **Risk of legislative, normative field changes** which can have negative influence in terms of the Bank's activities, stiffening or complicating the Bank's operations including changes under the influence of its country in the tax field both in terms of the Bank's clients and changes in regulations of the Bank's taxation.
- **Country risk** is the negative impact of other country's economic, social and/or political conditions on the Bank's risk profile, liquidity, capital and/or profit.

The methodology implemented in the bank allows to assess and optimally manage the credit risk by using expert assessments as exogamic variables and thus contributes to making well-reasoned lending decisions. Stress tests of different scenarios widely used in international practice are applied to estimate the impact of possible changes in credit portfolio on the current indicators of the Bank. Due to effective credit risk management, the Bank's loan portfolio continues to ensure traditional high quality and minimum risk level.

Loan portfolio qualitative analysis per the riskiness of the fields is reflected in the table below:

	Consumer	Trade	Production	Construction	Mortgage	Agriculture	Other	Total
<b>As of 01 January 2018</b> <b>Previously presented</b>	<b>557,663</b>	<b>614,642</b>	<b>141,837</b>	<b>61,492</b>	<b>102,444</b>	<b>18,694</b>	<b>108,348</b>	<b>1,605,120</b>
Impact of IFRS 9 transition	(140,746)	369,723	166,685	(60,954)	(58,861)	(17,668)	(30,003)	228,176
<b>As of 01 January 2018, recalculated</b>	<b>416,917</b>	<b>984,365</b>	<b>308,522</b>	<b>538</b>	<b>43,583</b>	<b>1,026</b>	<b>78,345</b>	<b>1,833,296</b>
Expense of the year	10,995	419,244	58,132	165	38,447	(356)	(113,415)	412,212
Written off amounts	(223,536)	(713,850)	-	-	(44,084)	-	(16,948)	(998,418)
Recoveries	155,207	18,937	2,531	-	3,625	490	79,548	260,338
<b>As of 31 December 2018</b>	<b>359,583</b>	<b>708,696</b>	<b>369,185</b>	<b>703</b>	<b>41,571</b>	<b>1,160</b>	<b>27,530</b>	<b>1,508,428</b>
Individual depreciation	-	-	-	-	-	-	-	-
Group depreciation	<b>359,583</b>	<b>708,696</b>	<b>369,185</b>	<b>703</b>	<b>41,571</b>	<b>1,160</b>	<b>27,530</b>	<b>1,508,428</b>

	Consumer	Trade	Production	Construction	Mortgage	Agriculture	Other	Total
As of January 01	495,168	401,827	97,897	48,662	67,091	27,396	408,442	1,546,483
Change of the	79,800	33,709	3,800	8,500	4,900	8,900	16,069	155,678
Written off provisions	(293,898)	(234,399)	(23,090)	(2,388)	(1,413)	(38,900)	(360,801)	(954,889)
Reverses	276,593	413,505	63,230	6,718	31,866	21,298	44,638	857,848
As of December 31, 2017	557,663	614,642	141,837	61,492	102,444	18,694	108,348	1,605,120
Individual depreciation	19,987	374,737	-	-	4,976	-	-	399,700
Group depreciation	537,676	239,905	141,837	61,492	97,468	18,694	108,348	1,205,420
Individually depreciated loans due to the revisions to individually rated depreciation provisions	91,187	547,312	-	-	8,621	-	-	647,120
Individually depreciation provisions	(19,987)	(374,737)	-	-	(4,976)	-	-	(399,700)
Individually depreciated loans due to the revisions to individually rated depreciation provisions	71,200	172,575	-	-	3,645	-	-	247,420

	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Gross loans	58,929,052	-	-	58,929,052
Depreciation	877,748	-	-	877,748
Individual loans				
Gross loans	75,924,992	112,491	171,669	76,209,151
Depreciation	475,326	27,822	127,532	630,680
<b>Total</b>				
<b>Gross loans</b>	<b>134,854,044</b>	<b>112,491</b>	<b>171,668</b>	<b>135,138,203</b>
<b>Depreciation</b>	<b>1,353,074</b>	<b>27,822</b>	<b>127,532</b>	<b>1,508,428</b>

	Balance as of 01 January 2018	Stage 1	Stage 2	Stage 3	Repaid or written off loans	New loans granted in 2018	Balance as of 31 December 2018
Stage 1	104,719,081	-	(58,856)	(115,468)	(46,070,805)	76,380,092	134,854,044
Stage 2	140,754	58,856	-	(8,035)	(79,087)	3	112,491
Stage 3	252,225	115,468	8,035	-	(211,205)	7,145	171,668
<b>Total</b>	<b>105,112,060</b>	<b>174,324</b>	<b>(50,821)</b>	<b>(123,503)</b>	<b>(46,361,097)</b>	<b>76,387,240</b>	<b>135,138,203</b>

**Interest rate change risk** is appraised through internationally widespread “GAP model” based on the analysis of disbalance between assets and liabilities that are sensitive to interest rate fluctuations.

Based on “Duration Model” interest rate change risk is appraised by application of asset- liability average weighted term indicators by considering duration as an appraisal tool of asset-liability current value sensitivity towards interest rate change. Also the analysis of gaps of assets and liabilities denominated in separate currencies on net interest income is executed in terms of interest rate change. The above mentioned models enable to hedge the interest rate risk through optimal management of assets and liabilities.

The risks of different interest rates of the Bank’s financial instruments as of 31 December 2018 and 2017 are presented in the Chart below:

(AMD thous.)	Average floating interest rate	Up to 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Balance – sheet value
<b>As of 31 December 2018</b>							
<b>Liabilities</b>							
Other borrowings	Libor6+2.25%-7.52%	10,101,728	4,231,924	101,104	-	-	14,434,756
		<b>10,101,728</b>	<b>4,231,924</b>	<b>101,104</b>	<b>-</b>	<b>-</b>	<b>14,434,756</b>

(AMD thous.)	Average floating interest rate	Up to 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Balance sheet value –
As of 31 December 2017							
<b>Liabilities</b>							
Other borrowings	Libor6+2.55%- 5.55%	357,824	<b>2,791,308</b>	-	-	-	3,149,132
		<b>357,824</b>	<b>2,791,308</b>	-	-	-	<b>3,149,132</b>

The Bank's **liquidity risk** management is executed through asset-liability operations in accordance with distribution regulation of terms and volumes as well as compliance of cash flows by preserving optimal ratio of liquidity and profitability. A methodology of assessment and management of liquidity indicators based on maturity gaps concept has been implemented in the Bank; it allows assessing the impact of maturity gaps of assets and liabilities on the Bank's liquidity based on temporal ranges of the indicators for instant, up to 90 days, and up to 1-year accumulating liquidity, which becomes a good basis for making optimal decisions on management of assets and liabilities. Scenario stress-test models enable to assess the impact of various possible situations on liquidity standards. Based on quantile analysis methods, the economic-mathematical model of assessment of the risk of concentration of demand and term resources attracted by the Bank allows to assess the concentration levels of the resources attracted from individuals and corporate entities and so to analyze the impact of any withdrawal of such on the Bank's operations.

Liquidity gap analysis as of 31.12.2018 is reflected in the chart below.

	As of 31 December 2018							
	On-demand up to 1 months	1-3 months	3-12 months	Total up to 12 months	1-5 years	More than 5 years	Total more than 12 months	Total
<b>Assets</b>								
Cash and their equivalents	38,158,045	-	-	<b>38,158,045</b>	-	-	-	<b>38,158,045</b>
Financial assets at fair value rated through profit or loss	17,468	-	-	<b>17,468</b>	-	-	-	<b>17,468</b>
Due to financial institutions	6,834,632	-	1,649,555	<b>8,484,184</b>	2,721,169	1,970,594	<b>4,691,763</b>	<b>13,175,950</b>
Reverse repurchase agreements	3,882,703	-	-	<b>3,882,703</b>	-	-	-	<b>3,882,703</b>

Loans to customers	4,108,005	11,369,837	32,589,252	<b>48,067,094</b>	61,368,037	24,194,644	<b>85,562,681</b>	<b>133,629,775</b>
Investment securities	17,454,208	100,250	393,688	<b>17,948,146</b>	1,173,278	630,802	<b>1,804,080</b>	<b>19,752,226</b>
Other financial assets	121,308	4,077	3,295	<b>128,680</b>	217	483	<b>700</b>	<b>129,380</b>
	<b>70,576,369</b>	<b>11,474,164</b>	<b>34,635,790</b>	<b>116,686,323</b>	<b>65,262,701</b>	<b>26,796,532</b>	<b>92,059,224</b>	<b>208,745,547</b>
<b>Liabilities</b>								
Repurchase agreements	20,519,048	-	-	<b>20,519,048</b>	-	-	-	<b>20,519,048</b>
Other borrowings	27,374,010	3,765,124	16,824,799	<b>47,963,933</b>	14,128,118	2,108,747	<b>16,236,865</b>	<b>64,200,798</b>
Liabilities to customers	43,321,959	8,235,965	30,312,153	<b>81,870,077</b>	11,830,458	2,128,233	<b>13,958,691</b>	<b>95,828,768</b>
Issued debt securities	-	26,421	-	<b>1,093,380</b>	967,580	-	<b>967,580</b>	<b>2,060,960</b>
Other financial liabilities	344,409	234,813	6,258	<b>585,480</b>	-	-	-	<b>582,480</b>
Subordinate borrowings	21,725	-	-	<b>21,725</b>	3,360,424	-	<b>3,360,424</b>	<b>3,382,149</b>
	<b>91,581,151</b>	<b>12,262,323</b>	<b>48,210,169</b>	<b>152,053,643</b>	<b>30,286,580</b>	<b>4,236,980</b>	<b>34,523,560</b>	<b>186,577,203</b>
<b>Net position</b>	(21,004,782)	(788,159)	(13,574,379)	<b>(35,367,320)</b>	34,976,121	22,559,543	<b>57,535,664</b>	<b>22,168,344</b>
<b>Accumulative difference</b>	(21,004,782)	(21,792,941)	(35,367,320)		(391,199)	22,168,344		

Maturity analysis of the Bank's liabilities as of 31 December 2018 based on non-deductible redemption obligations envisaged by the Agreement is presented in the table below:

	<b>On-demand and up to 1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Non-derivative financial liabilities</b>						
Repurchase agreements	20,209,441	15,250	526	-	-	<b>20,225,217</b>
Issued debt securities	18,473	36,552	87,031	2,061,973		<b>2,204,029</b>
Other borrowings	28,259,502	4,157,143	18,252,651	17,616,430	2,880,990	<b>71,166,716</b>
Liabilities to customers	45,892,659	8,764,690	31,574,393	13,535,828	2,433,801	<b>102,201,371</b>
Other financial liabilities	585,480	-	-	-	-	585,480
Subordinate borrowings	51,349	59,250	271,560	1,441,737	4,120,129	<b>5,944,025</b>
<b>Total non-deducted non-derivative financial liabilities</b>	<b>95,016,904</b>	<b>13,032,885</b>	<b>50,186,161</b>	<b>34,655,968</b>	<b>9,434,920</b>	<b>202,326,838</b>
<b>Derivative financial liabilities</b>						
Foreign currency swap						

agreements						
Inflow	11,739,048					11,739,048
Outflow	(11,721,580)					(11,721,580)

**Foreign currency risk** management is executed through the VAR methodology accepted in the international practice as well as the method of analysis of scenario of stress test is used. Foreign currency exchange rate sharp fluctuation impact on standards is considered in stress-test scenario analysis. The Bank's foreign currency policy aims at ensuring effective management of foreign currency position combining it with justified risk level.

The analysis of the Bank's foreign currency risk per financial assets and liabilities as of 31.12.2018 is presented in the chart below.

Thous. AMD

	AMD	USD	EUR	RUR	Other currency	Total
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	19,409,916	7,288,803	10,096,619	1,295,801	66,906	<b>38,158,045</b>
Due to financial institutions	2,142,576	9,176,666	1,404,248	452,424	36	<b>13,175,950</b>
Reverse repurchase agreements	3,681,119	201,584	-	-	-	<b>3,882,703</b>
Loans and advances to customers	71,471,900	56,944,494	5,196,546	16,835	-	<b>133,629,775</b>
Investment Securities	19,131,502	620,724	-	-	-	<b>19,752,226</b>
Other financial assets	122,879	3,108	3,373	20		<b>129,380</b>
<b>Total non-derivative financial assets</b>	<b>115,959,892</b>	<b>74,235,379</b>	<b>16,700,786</b>	<b>1,765,080</b>	<b>66,942</b>	<b>208,728,079</b>
<b>Non-derivative financial liabilities</b>						
REPO agreements	20,204,342	314,706	-	-	-	<b>20,519,048</b>

Issued debt securities	120,880	1,958,080	-	-	-	<b>2,060,960</b>
Other borrowings	23,198,499	37,174,770	3,677,240	149,094	1,195	<b>64,200,798</b>
Liabilities to customers	46,307,832	42,176,826	5,826,961	1,488,309	28,840	<b>95,828,768</b>
Other financial liabilities	322,484	181,064	26,605	55,327	-	<b>585,480</b>
Subordinate borrowings	705,853	2,676,296	-	-	-	<b>3,382,149</b>
<b>Total non-derivative financial liabilities</b>	<b>90,841,890</b>	<b>84,481,742</b>	<b>9,530,806</b>	<b>1,692,730</b>	<b>30,035</b>	<b>186,577,203</b>
<b>Balance-sheet open position</b>	<b>25,118,002</b>	<b>(10,246,363)</b>	<b>7,169,980</b>	<b>72,350</b>	<b>36,907</b>	<b>22,150,876</b>
<b>Financial instruments rated at fair value through profit or loss</b>						
Aggregately paid foreign currency swaps	(2,040,328)	9,400,298	(7,364,942)	145,120	(122,680)	<b>17,468</b>
<b>Open position</b>	<b>23,077,674</b>	<b>(846,065)</b>	<b>(194,962)</b>	<b>217,470</b>	<b>(85,773)</b>	<b>22,168,344</b>

Possible minimum level of price risk is ensured within the frameworks of the following measures:

- ✓ Analysis of the dynamics of structural, volume and price indicators of financial market, as well as analysis of the liquidity of financial instruments and discovery of existing tendencies.
- ✓ Assessment of possible losses
- ✓ Application of hedging instruments
- ✓ Establishment of stop-loss limitations on financial instruments /per type of operation with capital tools, per dealer and per issuer/,
- ✓ Diversification of the package of securities per issuers, branches of economy, periodicity, etc.

Each main and auxiliary business operation of the Bank contains certain **operational risk** that may lead to both small and big losses. For this reason, banks attribute great importance to the efficient management of operational risk management. From the viewpoint of operational risk management, serious importance is attributed to the implementation of an audit system by means of daily control, regular and subjective revisions and consideration of prudent level of the existing regulation, identification of

functions to be improved, revelation of possible risks and appropriate notification of responsible authorities.

**Reputation risk** is expressed by the deterioration of the Bank's reputation under the financial and business risks. While managing financial and business risks their potential impact on the Bank's reputation is taken into account.

**Inflection risk** is assessed through the joint observation of foreign currency, inflection, liquidity, interest rate change and price risks. For the assessment of inflection risk stress testing is applied the scenarios of which (the seriousness of shock situation, interdependence of risk types and, etc.) are compiled in expert manner.

The management of **risk of legislative, normative field changes** assumes cooperation with competent authorities and preparation of appropriate analytical references, implementation of the Bank's fast and flexible response measures.

More detailed information on the risks is presented in Notes to the Bank's published reports.

### 3. INFORMATION ON THE BANK

#### 1) History and the development of the Bank

a. **The Bank's name, organizational-legal form, registered trademarks.** If the Bank's name is available in different foreign languages in the Charter, they should also be indicated. If during the Bank's activity the Bank's name has been changed or the Bank has been restructured, submit an information on the latter.

The full name of the Bank is as follows:

Armenian: <<ՀԱՅԱՍՏԱՆԻ ԷԿՈՆՈՄԻԿԱՅԻ ԶԱՐԳԱՑՄԱՆ ԲԱՆԿ>> ԲԱՑ  
ԲԱԺՆԵՏԻՐԱԿԱՆ ԸՆԿԵՐՈՒԹՅՈՒՆ

English: "ARMENIAN ECONOMY DEVELOPMENT BANK" OPEN JOINT STOCK COMPANY

Russian: "БАНК РАЗВИТИЯ ЭКОНОМИКИ АРМЕНИИ " ОТКРЫТОЕ АКЦИОНЕРНОЕ  
ОБЩЕСТВО

The abbreviated name of the Bank:

Armenian: <<ՀԱՅԷԿՈՆՈՄԲԱՆԿ>> ԲԲԸ

English: "ARMECONOMBANK" OJSC

Russian: "АРМЭКОНОМБАНК" ОАО

The Bank's organizational-legal form: open joint stock company.

The Bank's registered trademark: the Bank's trademark (Intellectual Property agency Registration Certificate N 13637):

On 14 February 1991, by Resolution No.115 of RA Board of Ministers of RA, State Shareholding Commercial Bank of the Republic of Armenia (Armstatecombank) was established on the basis of based on former USSR Zhilsotsbank, established in 1987 and 28 December 1993 was reregistered as Armenian Economy Shareholding Bank. By resolution of the General Meeting 14 March, 1995 the bank was restructured to Armenian Economy Development Bank open joint stock company (hereinafter referred to as the Bank).

BTA BANK” CJSC was considered the legal successor of “BTA InvestBank” CJSC (full name of the Bank was amended pursuant to the Minutes N3 of “BTA InvestBank” CJSC General Meeting of Shareholders dated 13.08.2008), which in its turn was the legal successor of “ International Investment Bank” CJSC (full name was amended by the Minutes N1 of “International Investment Bank” General Meeting of Shareholders held on 16.05.2005). “International Investment Bank” CJSC in its turn was the legal successor of reorganized “Sevan Bank” CJSC, which was established pursuant to the resolution of General Meeting of the Founders (shareholders) of “Sevan Bank” CJSC on 01.06.1991 according to the Constitutive Agreement.

According to the resolutions of General Meetings of Shareholders of the Bank and “BTA Bank “ CJSC dated 18.03.2016, on 06.06.2016 a consolidation agreement on the merger of BTA Bank to the Bank was signed between the banks. On 14.06.2016 the Central Bank of Armenia approved the consolidation agreement. On 13.08.2016 the joint meeting of the Shareholders of 2 banks approved and on 24.08.2016 the Central Bank of Armenia registered the transfer act and as a result of the merger the Bank is considered the legal successor of BTA Bank CJSC.

**b. The state registration address and number of the Bank:**

State registration address of the Bank: 23/1 Amiryan, Yerevan, RA, registration number: 1.

**c. Establishment date and factual activity period (if determination is possible):**

The Bank /former USSR Zhilsotsbank/ was the first to be restructured into shareholding Bank among RA state banks.

On 14 February 1991, by Resolution No.115 of RA Board of Ministers of RA, State Shareholding Commercial Bank of the Republic of Armenia (Armstatecombank) was established on the basis of based on the Armenian republic branch of former USSR Zhilsotsbank.

The Bank has carried out its factual activity since 1987, approximately 32 years.

**d. The Bank's address, Legislation under which the Bank operates, the country of the Bank's establishment, location set by the Charter, factual operation address, if the latter differs from the one set by the Charter, means of communication must be specified (Telephone, fax, e-mail, web site).**

The Bank's address: 23/1 Amiryan, Yerevan, RA.

The Bank's establishment country: Republic of Armenia.

Legislation under which the issuer operates: RA Legislation.

Means of communication:

Tel: (+374 10) 510 910

Fax: {+37410) 538 904

E-mail: bank@aeb.am

Website: www.aeb.am

As of 31.05.2019 the Bank has 52 branches, 51 of which are in RA and 1 in Stepanakert, Nagorno Karabakh. The following table presents addresses of the branches:

	<b>BRANCH NAME</b>	<b>ADDRESS</b>
1	SHENGAVIT BRANCH	28 Garegin Nzhdeh str., 0026 Yerevan, RA
2	SPANDARYAN BRANCH	22 Abovyan str., 0001 Yerevan, RA
3	KHORHRDAYIN BRANCH	14/15, 1 Nork, 0056 Yerevan, RA
4	ARABKIR BRANCH	23 b., 57 Komitas str., 0057 Yerevan, RA

5	EREBUNI BRANCH	24 Arzakh str., 0005 Yerevan, RA
6	MYASNIKYAN BRANCH	12 Isahakyan 12, 0025 Yerevan, RA
7	SHAHUMYAN BRANCH	5 Mazmamyan str., 0088 Yerevan, RA
8	METAKS BRANCH	a 23 Sebastia str., 0065 Yerevan, RA
9	TIGRAN METS BRANCH	N 49, 1b., Tigran Mets str., 0018 Yerevan, RA
10	KENTRON BRANCH	3,5 Arami str., 0010 Yerevan, RA
11	EREBUNI-1 BRANCH	14 Titogradyan str., 0087 Yerevan, RA
12	KHORHRDAYIN-1 BRANCH	10 Gyurjyan str., 0062 Yerevan,
13	NAIRI MEDICAL CENTER BRANCH	21 Paronyan, 0015 Yerevan, RA
14	AJAPNYAK BRANCH	6 Margaryan, 0078 Yerevan, RA
15	NORK-MARASH BRANCH	238 residential house, Nork gardens, Nork-Marash community, 0047 Yerevan, RA
16	ROSSIA BRANCH	16 Tigran Mets ave. (43 M.Khorenatsi) 0010 Yerevan, RA
17	ZEYTUN BRANCH	11/1 and 11/2 D.Anhaght, Kanaker-Zeytun community, 0069 Yerevan, RA
18	SARAJOV BRANCH	27 bid., 25 Tigran Mets ave., 0010 Yerevan, RA
19	NUBARASHEN BRANCH	N2, 7 Nubarashen str., 0071 Yerevan, RA
20	GYUMRI BRANCH	244 Abovyan str. Gyumri, 3104 Shirak, RA
21	VANADZOR BRANCH	59 Tigran Mets ave., 2001 Vanadzor, RA
22	ABOVYAN BRANCH	29-32, 1 bid., International str., 2207 Abovyan, RA
23	ARTASHAT BRANCH	135/2 Atarbekyan str., 0701 Artashat, RA
24	ARMAVIR BRANCH	8 Jivanu, 9001 Armavir, RA
25	URAZDAN BRANCH	2/2 G. L. ... 2201 ... 1-57

26	EJMIATSIN BRANCH	8, a 8/128 Mashtots str., 1101 Ejimatsin, RA
27	SEVAN BRANCH	141-3 Nairyan str., 1501 Sevan, RA
28	TUMANYAN BRANCH	44 bank, Tumanyan str., 1701 Alaverdi, RA
29	ASHTARAK BRANCH	Nerses Ashtaraketsi sqr., 0201 Ashtarak, RA
30	NAIRI BRANCH	a 10 Yerevanyan, 2401 Yeghvard, RA
31	MARTUNI BRANCH	a 2 G.Nzhdeh str., 1401 Martuni, RA
32	SPITAK BRANCH	5 Shahumyan, 1804 Spitak, RA
33	GORIS BRANCH	4 Mashtots, 3201 Goris, RA
34	ARTSAKH BRANCH	9/19 Azatamartikner str., 0008 Stepanakert, Nagorno Karabakh
35	ARARAT BRANCH	58 Shahumyam str., 0602 Ararat, RA
36	IJEVAN BRANCH	b 1 Ankakhutyan str., 4001 ljevan, RA
37	SHIRAK BRANCH	3, 2 P. Sevak str., 3126 Gyumri, RA
38		18 Narekatsi str., 3601 Yeghegnadzor, RA
39		10 Central Square, 1201 Gavar, RA
40	HRAZDAN-MIKRO BRANCH	140 Andranik str., Baghramyan ave., 2302 Hrazdan, RA
41	DAVIT ANHAGHT BRANCH	3 Dro str., 0069 Yerevan, RA
42	SAKHAROV BRANCH	48/1 Nalbandyan, 0010 Yerevan, RA
43	NANO BRANCH	37 area, 32 Tumanyan str., 0033, Yerevan, RA

44	KOMITAS BRANCH	47 area, 3 bld., Komitas avenue, 0033, Yerevan, RA
45	YEREVAN BRANCH	11/1 Smbat Zoravar, 0026, Yerevan, RA
46	KOTAYK BRANCH	1/80/8 Hatis str., 2205, city of Abovyan, RA
47	KAPAN BRANCH	29/1,4,29/7 Shahumyan str., 3302, Kapan city, RA
48	DAVTASHEN BRANCH	44/2 Tigran Petrosyan str., Davtashen, 0054, Yerevan, RA
49	MALATIA BRANCH	10/1 Andranik str., Malatia Sebastia dis., 0004, Yerevan, RA
50	NORAGAVIT BRANCH	127/21 Shengavit Arshakunyats avn., 0061, Yerevan, RA
51	ARARATYAN BRANCH	10 Kentron, Admiral Isakov avn., 0082, Yerevan, RA
52	AVAN BRANCH	177/7 M. Khudyakov str., Avan dis., 0063, Yerevan, RA

The Bank doesn't have representations in and outside RA.

The powers of the branches are termless. Branch managers and chief accountants pass licensing set by the Central Bank, RA.

**e. Important events in the development of the Bank's business according to the Bank:**

The Bank (former USSR Zhilsotsbank) was the first to be restructured into shareholding Bank among RA state banks.

On 14 February 1991, by Resolution No. 115 of RA Board of Ministers of RA, State Shareholding Commercial Bank of the Republic of Armenia (Armstatecombank) was established on the basis of Armenian Republic branch of former USSR Zhilsotsbank.

On 9 August 1991, by Resolution No.509 of RA Board of Ministers, the bank was reorganized to State Commercial Bank of the Republic of Armenia (Armstatecombank) limited liability company and was registered with the Central Bank of RA on 26 August 1991 (Record No.1).

On 16 November 1992, the bank was granted License No.1 by the Central Bank of RA to conduct banking operations.

On 4 December 1992, the bank was granted General License No.13 to conduct foreign currency

operations.

On 28 December 1993, by the resolution of the Executive Board of the Central Bank of RA (minutes N40) Armstatecombank was reregistered as Armenian Economy Development Bank (ARMECONOMBANK OJSC)- (Record No. 1/35) and granted License No.1/35 to conduct banking operations.

On 21 January 1994, the bank was granted General License No.13 by the Central Bank of RA to conduct foreign currency operations.

On 6 April 1995, the bank was granted General License No.1 by the Central Bank of RA to conduct foreign currency operations.

On 31 October 1996, the bank was granted License No.1 by the Central Bank of RA to conduct banking operations.

On 8 June 1998, the bank was granted banking operations license (License No.1) by the Central Bank of RA.

On 14 November 2001, the bank was granted banking operations license {License No.1) by the Central Bank of RA.

In 2002 the bank's shares were listed in "NASDAQ OMX" "B" market, the Chartered Capital was augmented with AMD 300 min.

In 2003 the Chartered Capital was augmented with AMD 200 min.

In 2004, after the signing an Agreement with EBRD the process of participation of EBRD in the bank's chartered capital began, in the result of which the participation of EBRD will amount to 25%+1 shares.

In 2005 the bank's chartered capital was augmented with AMD 633.3 min.

In February 2007, for the first time in Armenia, Moody's Investors Service, an international rating agency, granted ARMECONOMBANK OJSC E+ financial strength and B1 long-term local currency and foreign currency deposit ratings, both with Stable Outlook. Later, in April, the agency revised its ratings and assigned ARMECONOMBANK OJSC D- financial strength and Ba3 long-term local currency and foreign currency deposit ratings, both with Stable Outlook again.

In 2009 the bank became a member of "NASDAQ OMX" Armenia OJSC.

In 2011 EBRD extended its participation (25%+1 share) in ARMECONOMBANK's Chartered Capital for possible maximum period (three years). ARMECONOMBANK OJSC became a member of VISA international payment system.

In 2013 ARMECONOMBANK OJSC received ISO/IEC 27001:2005 certificate (Informational security management system). "MoneyGram" clearing system awarded ARMECONOMBANK OJSC with "Excellence in Quality" long and effective partnership certificate. German Commerzbank AG awarded ARMECONOMBANK OJSC with "Quality Excellence" award for providing high quality of International transfers as well as for flawless and fast implementation of operations in 2013.

In 2014 Asian Development Bank within Trade Finance Program granted ARMECONOMBANK OJSC with "Leading partner Bank in Armenia" award.

On December 3, 2014 European Bank for Reconstruction and Development (EBRD), Mr. Saribek Sukiasyan, Mr. Robert Sukiasyan, Mr. Khachatur Sukiasyan and ARMECONOMBANK OJSC signed an agreement of purchase of shares wherewith EBRD agreed to sell its 233.335 ordinary shares with 5 equal portions (46.667 each tranche) during 5 years- from December 2014 to March 2, 2019.

In 2015 ARMECONOMBANK became a member of securities settlement system. "MoneyGram" payment system granted ARMECONOMBANK OJSC with certificate of "Professionalism and promotion of development of transfer services in Armenia". Memorandum of merger was signed between the managers of ARMECONOMBANK OJSC and "BTA Bank" CJSC Kazakhstan for the purpose of merger of "BTA Bank" CJSC being registered and carrying out activity in Armenia to ARMECONOMBANK OJSC.

In 2016 ARMECONOMBANK OJSC Chartered capital was supplemented with AMD 2,297,955 thousand. Pursuant to the RA CB resolution "BTA BANK" CJSC was consolidated with ARMECONOMBANK OJSC. As a result, the equity of ARMECONOMBANK OJSC increased by AMD 5,294,232,000 and the branch network expanded by 6 branches. Within the framework of Trade Finance Program, Asian Development Bank granted ARMECONOMBANK OJSC a "Leading Partner Bank in Armenia" award.

AMD 9,077,411,700 from share premium was directed to the replenishment of the chartered capital, as a result, the chartered capital amounted to AMD 13,708,744,200 and the nominal value of a single common share increased by AMD 4,900 and made AMD 7,400 against the previous AMD 2,500. For the third year in a row, Asian Development Bank granted ARMECONOMBANK OJSC with "Leading Partner Bank in Armenia" award under the Trade Finance Program. The bank was included in the list of "Public debt management agents" by the Ministry of Finance of the Republic of Armenia and will act as a paying agent from 2018.

In the Bank's chartered capital was supplemented with AMD 3,000,000 and the Bank's chartered capital amounted to AMD 16,708,744,200. AMD 33,438,300 (thirty-three million, four hundred thirty-eight thousand, three hundred) from the Bank's share premium, AMD 2,524,160,700 (two billion, five hundred twenty-four million, one hundred sixty thousand and seven hundred) from non-distributed profit and AMD 3,000,000,000 (three billion) from the Main reserve were directed to the increase of the chartered capital, as a result, the chartered capital amounted to AMD 22,266,343,200 the nominal value of a single common share increased by AMD 3000 and made AMD 10,400 against the previous AMD 7,400.

In 2019 ARMECONOMBANK OJSC Chartered Capital was supplemented with 3,369,000.0 thousand as a result of which the Bank's chartered capital made AMD 25,653,343,200.

Licenses and patents given to the Bank are termless.

## **2) Investments**

**a. before and after historic financial period, the essential investment description, including the investment volume, made before the registration of Prospectus.**

None

**b. Description of current essential investments, including regional distribution of that investments (internal, foreign) and financial sources (internal, external).**

None

**c. information on the Bank's future essential investments towards performance of which the Bank's management has assumed relevant obligations as well as their funding sources (internal and external).**

None

## **4. BUSINESS DESCRIPTION**

### **1) Main activity**

**a. description of the Bank's operations and main activity as well as principal factors affecting the basic types of sold products and provided services during historic financial period.**

ARMECONOMBANK is one of the developing chains in the banking system of RA that operated with profit during the last seventeen years. The above mentioned is noteworthy, taking into consideration general situation of RA economy development and the tendency in the banking system.

The most important activity of financial mediation for the Bank is the attraction and allocation of funds, combined with a range of other banking services.

As a universal bank, ARMECONOMBANK operates in all fields of banking services. The Bank has a stable position both in foreign currency, security and interbank markets. As a universal institution, the Bank is active in fields of lending, servicing of new tools of transfers or plastic cards.

The Bank is eligible to execute the following operations set by RA laws and other legal acts:

- a/ accept demand and term deposits,
- b/ provide commercial and consumer loans, including mortgage loans, financing of debt or commercial transactions, factoring,
- c/provide banking guarantees and letters of credit,
- d/ open and manage accounts, including accounts with correspondent banks,
- e/ make other payment services and/ or service customers' accounts,
- f/ issue, buy {discount), sell and service securities or make similar transactions,
- g/execute investment and subscription operations,
- f/ provide financial agent {representative) services, manage others' securities and investments (trust {warranting) management),
- g/ buy, sell and manage banking gold, standardized gold bars and coins,
- h/ buy and sell {exchange) foreign currency, including signing of AMD and foreign exchange futures, options and similar other transactions,
- ha/ execute financial leasing,
- hb/ keep valuable metals, stones, gold items, securities, documents and other items,
- he/ render financial and investment consultation,
- hd/ establish and service informational system of customers' creditworthiness, execute debt collection activity,
- he/ realize insurance policies and/or agreements, execute insurance agent operations set by the law,
- hf/ execute other operations set by RA Legislation on Banks and Banking activity.

The Bank executes the above mentioned operations both in AMD and foreign currency.

With permission of the Central Bank RA, the Bank executes such operations or transactions that derive from or are closely related to banking operations.

The Bank executes the above mentioned operations based on the agreements setting the rights, duties, responsibilities, rates, privileges, penalties, obligations of the parties that do not contradict RA Legislation.

The Bank is eligible to sign agreements on behalf of the latter, acquire property or non-property rights, incur liabilities, act as a plaintiff or a respondent in the court.

Without the prior approval of the Central Bank, the Bank is not eligible to make such transactions

in the result of which the Bank's participation:

a/ is 4.99% and more in other entity's Chartered capital,

b/ exceeds 15% of the Bank's Total capital in other entity's Chartered capital,

c/ exceeds 35% of the Bank's Total capital in all other persons' Chartered capital,

The above mentioned is regulated by RA Legislation on Banks and Banking activity.

The Bank is eligible to open correspondent accounts in other banks.

The Bank defines itself the rates of deposits, loans and fees.

The Bank guarantees its customers' and correspondent banks' deposit, account and transaction confidentiality and integrity.

Customers' funds (included citizens' deposits) may be arrested or confiscated only in compliance with RA Legislation.

Below the basic types of sold products and rendered services during historic financial period are presented:

### **Resource attraction**

The Bank accepts term and demand deposits from individuals and legal entities both in AMD and foreign currency.

The Bank offers its customers deposits in accordance with purposes, terms, interest rates and interest payment frequency.

### **Loans and other allocations of resources**

The Bank executes the following types of lending: commercial loans, business loans (including credit lines, overdrafts, guarantees, letters of credit), mortgage loans, car loans, consumer loans against pledge of real estate, Lombard credits, credit lines with plastic cards as well as other consumer loans.

### **Foreign currency and security purchase and sell**

The Bank executes purchase and sale of foreign currency, state bonds of RA.

### **Treasury service**

The Bank executes Treasury service of RA Ministry of Finance and is a debt paying agent.

### **Banking transfers**

The Bank joined S.W.I.F.T. international system since 1996.

As of 31.12.18 the Bank has correspondent accounts in 18 local and international banks, which gives an opportunity to provide the Bank's customers with payment service in any currency and payment instrument.

Taking into consideration the increase in money transfers by individuals, the Bank attaches particular importance to the improvement and expansion of money transfer system. Emphasizing the role of money transfer system expansion, the Bank is a member of the following international fast transfer systems: "MoneyGram", "Ria Money Transfers", "IntelExpress", "Unistream", "Convers Transfers" "Golden Money Transfer", "Faster" and "MoneyTun" giving its customers a wide selection.

### **Plastic cards**

Provision and servicing of plastic cards, the issuance and servicing system improvement of which is one of the priorities of the Bank's development, taking into consideration the growing demand among population in current conditions and the state policy of fostering non-cash payments.

As a shareholder of "Armenian Card" (ArCa) company and a member of the system, the Bank issues ArCa GOLD PARADOX, ArCa Classic, ArCa Classic MIR, ArCa pension, ArCa Junior, ArCa ADIDAS bank payment cards.

During 2002 the Bank became an affiliate member of MasterCard payment system. The Bank issues MasterCard ARMECs Standard, MasterCard ARMECs Gold, MasterCard Maestro, MasterCard Standard, MasterCard Gold cards.

In 2011 the Bank joined VISA international payment system and issues VISA INFINITE, VISA PLATINUM, VISA GOLD, VISA CLASSIC, VISA CLASSIC PRO BONO, VISA CLASSIC PLUS, VISA ELECTRON and VISA ELECTRON pension cards.

During the accounting period the Bank continued its works in card servicing, technical upgrading and updating.

As of 31.12.2018 the Bank issues and services Master, Visa and ArCa payment system cards.

### **Public Services in Exchange for Payments**

To provide its customers with complex payment services, the Bank encourages payments from individuals and legal entities in exchange for tax, electricity, phone fee other public services. The Bank executes its services through ATMs, Self-service terminals of its Head Office and branches.

**b. If new products or services are expected, present the stage of development of new products and services to the extent permissible.**

The most important key to the effective development of the Bank is the distinct regulation and optimization of the transactions executed by the latter as well as diversity of services and the improvement of servicing quality.

The supply and provision of new services of the Bank is executed based on the study of consumers' demands in the market. Information on the new offers of the Bank can be found on the Bank's Internet home page as well as in the service centers of the Head Office and branches

In particular, it is intended to provide financial complex services, including consultations of different nature. For example, by making a financial market analysis, the Bank provides its customers with consultation on such field, contributing efficient investment activities etc. The Bank pays attention to the expansion of its services, enhancing the latter's quality and striving to provide each customer with complex services. By diversification of services, new customers from more efficiently developing fields of the economy are expected to be involved, by building a relationship on principles of personal approach. Major works are being carried out to improve payment system in order to execute corresponding to international standard quality and terms. The Bank intends to provide new services with plastic cards as well as expansion of factoring.

Works in activation of servicing fields of cheques, letters of credit and international payment instruments will be expanded, in particular Trade Facility project investment with EBRD, as a result of agreements with IFC on Provision of Trade Facilitation and Guarantee as well as with Asian Development Bank on financing of external trade credit lines:

The Bank plans investment in new technologies, for which necessary capital investments are planned, which as a result, will increase technical equipment with relevant consequences.

## **2) Basic Markets**

**a. description of basic markets of issuer's product consumption and services, presenting income from each group's products and services. Present territorial division of markets as well (internal, external, by countries, etc.),**

**b. if any exceptional factor has affected on the issuer's main activities or basic markets, submit that factor.**

ARMECONOMBANK executes in RA financial market, the tendencies of which are allocated to the development of corporate governance principles of the formation of a stable banking system, the effectiveness of monetary policy management based on the definition of regulatory standards which will result in approach to international standards both in banking services and applicable interest rate policy.

The Market develops in free market competition, within frameworks of monetary policy run by the Central Bank, RA.

In the above mentioned fields, ARMECONOMBANK offers its customers a comprehensive package of services, including servicing of deposits, loans and payments.

The Bank provides various types of loans, overdrafts etc., operates in the financial market, executing purchase and sale of securities and foreign currency, making transfers, providing and servicing plastic cards.

To make banking transactions, the Bank uses SWIFT payment system, international instant money transfer systems as well as Bloomberg systems, etc.

The Bank provides services in compliance with the law, taking into consideration the age classification, regardless of social identity and legal status.

In the accounting year as in the previous two financial years, the Bank provided 80% and more income on the expense of interest and non-interest income, in particular from investments in loans and securities, foreign exchange operations and services provided.

In 2018, the Bank continued its adopted policy by preserving the principle of mutual benefit, offering customers a comprehensive package of banking services by constantly renewing and improving the quality of services provided.

In the accounting year the Bank continued its active cooperation with international financial organizations, that resulted in extending and entrenching of existing programs as well as cooperation in the field of new banking services launched.

In 2018, within the framework of EBRD “Eastern Partnership Women in Business Program”, ARMECONOMBANK OJSC and EBRD signed USD 2 mln. equivalent AMD loan agreement. The funds attracted under the agreement will be directed to the on-lending and development of women-led micro, small and medium enterprises. ARMECONOMBANK OJSC and EFA Financial Institutions Debt Fund PTE. Ltd investment company, a Singapore-based company managed by Singapore« EFA Group company, signed a loan agreement in the amount of USD 2.5 mln. ARMECONOMBANK OJSC attracted USD 8 mln. and EUR 3 mln. from BlueOrchard Microfinance Fund, S.A., an investment company located in Grand Duchy of Luxembourg and managed by Swiss BlueOrchard Finance S.A. The funds attracted under the mentioned agreements will be directed to the financing of small and medium-sized enterprises in Armenia.

In 2019, ARMECONOMBANK OJSC and “INCOFIN CVSO CVBA-SO” investment company, a company managed by “INCOFIN Investment Management” and located in Belgium, signed a loan agreement in the amount of USD 3.0 mln. The funds attracted under the agreement will be directed to the financing of micro and small enterprises located in Armenia. AMD loan agreement equivalent to USD 10 mln. was signed between ARMECONOMBANK OJSC and EBRD, which was followed by a successfully completed program signed between the parties in 2018, within the framework of EBRD “Eastern Partnership Women in Business Program”.

At the present stage of its development, the Bank gives importance to the adequate level of competitiveness in the following market segments:

- lending of small and medium enterprises,
- business loans,
- consumer loans,
- mortgage loans,
- international trade services, including money transfers, letters of credit, guarantees,
- deposit attraction (differentiated according to terms, currency and frequency of interest payment),
- servicing of public service payment,
- provision and servicing of plastic cards.

In the market segment of commercial loans and payment servicing, the contention between banks is very tough, in which case the Bank is expected to provide complex financial services including consultation which is one of the Bank's strategic priorities.

Based on tendencies of resource attraction and allocation as well as appraised opportunities, the Bank considers retail banking services, accessibility and availability of banking services for a wide range of consumers, in the result of which the Bank will establish its firm position in RA banking market.

The Bank, pursuing its adopted policy on expansion and deepening of relations with international financial organizations, will continue its strategy of attracting resources from international financial markets, which presumes active cooperation with organizations executing international financial projects in RA. The Bank will continue its cooperation with EBRD, IFC, German-Armenian Foundation, Black Sea Trade and Development Bank, the Asian Development Bank “BLUEORCHARD MICROFINANCE FUND” LLC, “SYMBIOTICS” SA, “MICRO, SMALL & MEDIUM ENTERPRISES BONDS” SA., INCOFIN CVBA investment companies within the framework of international projects. Negotiations will be conducted with other international institutions with expectation of cooperation.

### c. Description of the Bank's Competitive Position.

The Bank's competitive privileges include the following:

- ◆ Efficient system of the Bank's management, in which functional tasks of each organizational unit is set out and the limits of liability is defined.
- ◆ Efficient system of risk management, high level of its reliability, which enables early identification of emerging risks, the nature of their possible impact and offers options to neutralize them.
- ◆ Efficient system of corporate management, within frameworks of which fiduciary responsibility of the Bank's Board and Executive Board members are fixed.
- ◆ New innovative banking services and successful trials of such projects. One of the key factors in increasing the Bank's competitiveness is the appropriation of components and services necessary for information technology, construction based on the best trial of international standards and practice of technologies, in the result of which innovative and efficient products are being developed and invested.
- ◆ Efficient system of quick response to external factors, in particular processes and banking servicing in the real sector of the economy as well as adequate response to the changes of interest rates and tariffs in the servicing field. For the purpose the Bank carries out marketing studies and surveys and holds regular meetings with the customers. Therefore, the Bank runs tariff and interest rate flexible policy and offers more available and competitive market conditions and tariffs.
- ◆ Intensive development of the Bank's geography and branch network in all regions of the country. The number of the Bank's branches amounted to 52, bringing the services provided by the Bank to the wider range of customers.
- Efficient cooperation with international financial institutions and consistent execution of such projects. The Bank executes such projects with a number of organizations, including the European bank of Reconstruction and Development (EBRD), IFC, German-Armenian Foundation, Black Sea Trade and Development Bank, the Asian Development Bank, <<BLUEORCHARD MICROFINANCE FUND>> LLC investment company, <<SYMBIOTOCS>> SA, <<MICRO, SMALL & MEDIUM ENTERPRISES BONDS>> SA, INCOFIN CVBA financial institutions and the scope will be expanded in the future.
- Sufficient capacity and experience of human resources in the top and middle circle of the Bank's management, which is capable of solving the tasks set by the Bank's long-term development project.
- Sufficient level of activity regulations in all circles of the Bank's management.
- A wide spectrum of banking services and servicing, the Bank's firm and stable position in retail servicing fields, due to which the Bank dynamically and constantly expands the volume of its services and servicing.
- Extraction of customers by the Bank into target groups in accordance with features of

business fields and in case of individuals in accordance with social, geographic, age and other criteria in the result of which complex, high-quality scope of banking services is offered equivalent to each group.

- Training programs for employees responsible for customers' service, which also improves the servicing quality and increases the number of customers.
- Sufficient rating of ARMECONOMBANK OJSC acting as a shareholding company and the growing rating.

Several basic indicators of the Bank's shares in the market are presented below:

NQ	Indicator	Share in the market/%/
1	Total assets	4.48%
2	Loan investments	4.37%
3	Total liabilities	4.50%
4	Liabilities to customers	3.37%
5	Total Capital	4.35%

## 5. STRUCTURE OF THE BANK'S GROUP

1) If the Bank is a member of a group present briefly the structure of the group and the position of the Bank in that group,

The Bank is not a member to any group. The bank is informally a number of "SIL CONCERN" LLC. The Bank's main shareholders and founders of "SIL CONCERN" LLC Sukiasyan family have stakes in the following companies.

Name of the company	Location
1. "Narek" LLC	Yerevan, 30/1 M. Khorenatsi
2. "Sil Concern" LLC	Yerevan 0018, 3/62 Tigran Mets

3."Yerevan Alraghac" OJSC	Yerevan, 2 Nar-Dos
4."Sport Time" LLC	Yerevan 0018, 3/62 Tigran Mets
5. "Yerevan Zovq Compnay"	Yerevan, 99 Artashesyan
6. "Saturn Shinmontazh"	Yerevan, 3/62 Tigran Mets
7. "Bjni Group" LLC	Charencavan, 8 Gortsaranayin
8 "Noy Group" LLC	Yerevan, 4 Getar
9. "Sil insurance" CJSC	Yerevan, 39 Tigran Mets
10. "Sil mineral water " LLC	Yerevan, 4/8 Getar
11. "Grzo International"	Yerevan, 49 Tigran Mets
12."Araj" LLC	Yerevan, 4/8 Getar
13. "Poliplast" OJSC	Yerevan. Odessa street
14. "GRZO Plaza" LLC	Yerevan, 3/60 Tigran Mets
15. "Melnica Plaza" LLC	Yerevan 2 Nar-Dos
16 "Yerevan furniture"	Yerevan, 62 Chelyuskintiner
17. "Gorvetka Van" LLC	Yerevan, 4 Gorvetka
18."Davos international" LLC	Yerevan 5 Mazmanyanyan street

2) Submit the list of the Bank's subsidiaries, including the name, the country of its establishment, the size of the Bank's participation in each subsidiary.

The Bank does not have subsidiaries.

## 6. THE BANK'S FIXED ASSETS

1) Submit information on the main fixed assets at the Bank's disposal ( buildings, land, devices, equipment, etc.), including leased property. If any fixed asset does not belong to the company with the right of property or if the latter is restricted (in particular in case of pledge), then give a brief description on the conditions and usage limitations of that fixed assets. Specify also the financing sources of planned substantial fixed assets (internal, external). Fixed asset is considered to be substantial if its value exceeds 10% or more of the issuer's balance sheet value.

None

**2) Describe the possible changes that may restrict the usage of the Bank's fixed assets:**

None

**7. THE BANK'S CAPITAL RESOURCES (LIABILITIES)**

**1) information on the Bank's equity as well as on current and non-current liabilities,**

As of 31.12.2018 the Bank's liabilities amounted to AMD 221,697.2 min., 14.9% or AMD 33,013.3 of which amounted the equity and 85.1% the total liabilities.

67.4% or 22,266.3 min. Of the equity amounted to the chartered capital, 9.1% or 3,000.0 min. amounted to the main reserve, 13.8% or 4,556.6 min. amounted to the revaluation reserves and 9.7% or 3,190.4 min. amounted to the undistributed profit.

Total liabilities include the liabilities to customers, banks and other financial institutions that amounted to 50.8% or 95,828.8 min., 34.0% or 64,200.8 min. and 1.8% or 3,382.1 min. of the total respectively.

The Bank publishes its interim quarterly and annual reports on the Bank's web site: [www.aeb.am](http://www.aeb.am) , in section "Reports" , where one can find more comprehensive information on the Bank's equity and total liabilities.

**2) sources and amounts of cash flows as well as describe that cash flows,**

Cash flows of the Bank generate from the main operations of the latter i.e. deposit attraction, security buy and sell, foreign currency buy and sell, payment services, transfers, etc.

Title	2017	2018
Cash flows from operations before changes in operational assets and liabilities	2,019,430	3,093,275
Net cash used/earned from operations before taxation	762,780	(22,577,911)
Net cash used/earned from operations	691,161	(23,346,896)
Net cash from investment operations (used in investment operation)	(6,230,416)	483,035
Net cash from financial operations	9,316,467	25,440,162
Net increase of cash and its equivalents	3,765,002	2,369,576
Cash and its equivalents at the beginning of the year	32,059,829	35,824,831
Cash and its equivalents at the end of the year	35,824,831	38,194,407

The Bank publishes its interim quarterly and annual reports on the Bank's web site: [www.aeb.am](http://www.aeb.am), in section Reports, where one can find more comprehensive information on the Bank's cash flows.

**3) whether the Bank has a claim to attract borrowings,**

Banking activity represents financial intermediation: resource attraction and allocation, therefore, it can be stated that resource attraction is the primary and main goal of the Bank.

**4) capital resource usage restrictions that can directly or indirectly affect the Bank's activity.**

None

## **8. RESEARCH ACTIVITIES AND DEVELOPMENT**

Policy on the Bank's research activities and development during the historical financial period, including the Bank's expenses on funding research and development activities. (Research and development activities that are not related to the Bank's activities can be presented as well).

None

## **9. PATENTS AND LICENSES**

Information on permits (licenses) and patents of the Bank's activity, specifying relevant types, date of issue, validity.

16.11.1992, the Bank received a license from the CB of the RA, which is unlimited.

## **10. LATEST TENDENCIES IN DEVELOPMENT**

Increase or decrease tendencies of the Bank's services, cost price and sell price for the period beginning from the latest accounting financial year up to the Prospectus submission date. Only those tendencies are presented that are essential according to the Bank and to which the investor would attach importance while making investment decisions.

Compared with the previous accounting year, changes in the Banks service volumes and tariffs are related to the internal and external changes of the economy.

For the purpose of decision making on investment of the reasonable investor, the Bank submits increase in asset-liability indicators and profit for the accounting year, which reflect the efficiency of strategy executed by the Bank's management.

The main indicators and profit of assets and liabilities:

(AMD thous.)

Resource attraction	31.12.2016	31.12.2017	31.12.2018	Increase / decrease 31.12.2018-31.12.2017	
				AMD	%
Liabilities to banks and other financial institutions	44,307,708	60,043,107	84,719,846	24,676,739	41.1
Liabilities to customers	66,795,292	91,703,898	95,828,768	4,124,870	4.5
Subordinated debt	5,400,172	6,409,601	3,382,149	-3,027,452	-47.2
Securities issued by the Bank	-	1,068,764	2,060,960	992,196	92.8

(AMD thous.)

Resource allocation	31.12.2016	31.12.2017	31.12.2018	Increase / decrease 31.12.2018-31.12.2017	
				AMD	%
Loan to customers	75,047,659	104,216,558	133,629,775	29,413,217	28.2
Investment securities	16,048,860	21,704,806	19,752,226	-1,952,580	-9.0

(AMD thousand)

	2016	2017	2018	Increase/decrease 2018-2017	
				AMD	%
Profit	590,371	1,550,397	2,078,026	527,629	34.0

In addition to the above mentioned financial indicators the Bank, as an accounting issuer, also submits quarterly and annual reports to the owners of its securities which are posted on the Bank's website, [www.aeb.am](http://www.aeb.am) in section "Shareholders and Investors".

## 11. PROFIT PREDICTION AND APPRAISAL

**1) description of the main principles and hypotheses, the profit forecast or appraisal was based on. Profit prediction and appraisal must be juxtaposed with financial statements of the Bank's historic period.**

The information listed in this paragraph is just prediction and should not be relied on while making investment decisions.

In the coming year, 2019 the Bank plans to receive AMD 2,374.0 mln. net profit. While making predictions on profit, the Bank relied on the following basic principles:

1. Steady increase of assets, in particular on the expense of increase in profitable assets: loans and securities. Loan investment increase will be supported by new types of loans, lending of new perspective fields of economy, consumer and mortgage loans, diversification and increase of loan projects executed with international institutions.

2. Steady growth of the Bank's liabilities: demand and term resources through international projects, attraction of new resources from international institutions and steady growth of resource volumes attracted from internal market.

3. Allocation of the Bank's resources in high-efficiency assets (loans to customers), by preserving an acceptable level of risks as well as standards, regulating the banking activity, set by the Central Bank, RA.

4. Growth of prospective customers on the expense of diversification of the services provided and technological upgrade as well as offer of new banking tools relevant to international standards /loans, deposits, payment services through new technologies/.
5. As a result of the above mentioned, growth of fees from services provided and interest income.
6. The Bank's efficient territorial management, launching of new branches, renovation and upgrading of branches, modernization of technological and informational systems.

**2) the factors that can be affected by the Banks' management and the factors that cannot be affected:**

The Bank's management can affect (manage) the following basic factors affecting the Bank's activity and profit:

1. Management of resources attracted and allocated by the Bank,
2. Conservation and management of the Bank's risks,
3. Investments in modernization of the Bank's technological and informational base,
4. Human resources, including expenses on the Bank's staff remuneration, training and retraining,
5. Issuance of new products,
6. Territorial strategy,
7. Expenses on the Bank's activity,
8. Expenses on the investments of new banking products,
9. Advertisement and etc.

The Bank's management can respond but cannot affect the basic factors of the Bank's activity and profit.

1. Political, economic risk factors (change in supply and demand of banking deposits and loans as well as interest rate change resultant of the latter, depreciation and exchange rate behavior),
2. Other risks of tax and legislative change,
3. The risk of financial market stability of the country
4. Force Majeure factors (declaration of state emergency, interruption of communication, natural disasters, war, acts of authorities, etc., that make the normal functioning of the Bank impossible).

## 12. TOP MANAGEMENT OF THE BANK AND MEMBERS OF SUCH MANAGEMENT

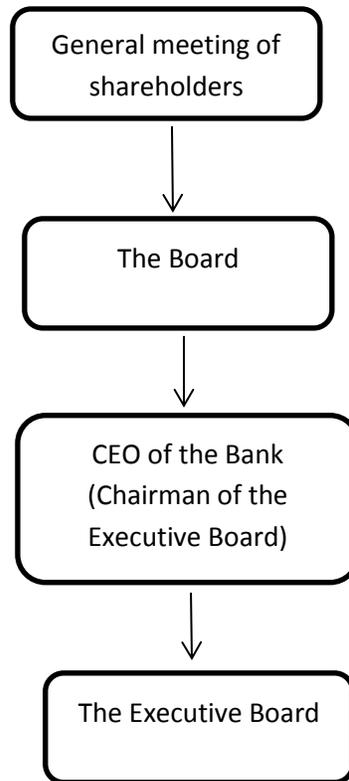
**The schematic structure of the Bank's managerial bodies and powers and responsibilities of each:**

The managerial bodies of the Bank are as follows (submitted in compliance with the Charter):

1. The general meeting of the participants is the supreme body of bank management,
2. The Board of the Bank that is elected at the general meeting of shareholders,
3. The executive director of the Bank, chairman of the Executive Board,
4. The Executive Board of the Bank.

The schematic structure of the Bank's managerial bodies is presented below:

Competency of the Bank's managerial bodies (submitted in compliance with the Charter):



The power vested in the managerial bodies of the Bank are (according to the charter):

6.7. The exclusive competency of the General Meeting is as follows:

- a. the approval of the charter of the bank, of making changes and amendments to it;
- b. reorganization of the bank;
- c. liquidation of the bank;
- d. approval of summary, interim and liquidation balance sheets, assignment of liquidation commission;
- e. the approval of the numerical strength of the board, election of board members and pre- term termination of their authorities. The approval of the numerical strength and election of board members shall be submitted to the annual general meeting exclusively. The question of the election of board members can be submitted to the special general meeting, if the latter has adopted a decision of pre- term termination of the authorities of the board or of separate members of the board;
- f. the determination of the maximum size of the announced shares (equity, stake), as well as of the increase of statutory fund of the bank;
- g. the approval of the external audit firm submitted by the board;
- h. the approval of bank's annual financial reports, distribution of profit and loss. The adoption of the decision on payment of annual dividends and approval of their size;
- i. adoption of the decision of non-use of the preemption right in acquisition of shares according to law,

- j. the approval of the procedure of holding the general meeting,
- k. the formation of the returning board,
- l. signing of major transaction on disposal and purchase of the Bank's property (exceeding 50% balance value of the Bank's assets).

The exclusive rights of making decisions on the matters listed hereinabove are the exclusive competency of the general meeting and cannot be deputed to the Executive Board of the Bank.

6.14. The Board of the Bank shall carry out the general management of the activities of the bank in the scope of the matters entrusted by the law with competence of the Board.

6.22. The exclusive competency of the Board is as follows:

- a. determination of core activities of the bank, including the approval of the program of perspective development of the Bank,
- b. convening annual and special sessions of general meetings, approval of agenda, ensuring the implementation of organizational works for convening and holding the meetings,
- c. appointment of the members of the Executive Body of the Bank, pre-term termination of their authorities and approval of terms and conditions of their remuneration;
- d. determination of standards of internal control in the Bank, formation of the internal audit of the Bank, approval of its annual performance plan, pre-term termination of the authorities of internal auditors and approval of terms and conditions of their remuneration,
- e. approval of the Bank's annual estimate of expenditures and of the performance,
- f. approval of administrative and organizational structure of the Bank and of the list of members of its staff,
- g. proposals to the General Meeting about the payment of dividends, as well as for each payment of dividends - drawing up the list of the bank participants with the right to receive dividends; the list shall comprise those participants, that are included in the bank registry as of the day of drawing up the list of the participants having the right to participate in the annual general meeting of the Bank,
- h. preliminary approval of Bank's annual financial reports and their submission to General Meeting,
- i. presentation of the external auditor of the Bank to the approval of general meeting,
- j. determination of the amount of payment of the external auditor of the Bank;
- k. undertaking and implementation of the measures aimed at elimination of the shortcomings detected as a result of audit or other examinations carried out in the Bank,
- l. adoption of the regulations determining the procedure of carrying out financial operations of the Bank under this Law,
- m. approval of the charters of the Bank and its independent structural subdivisions, distribution of functions between them,
- n. determination of Bank's accounting policy, i.e. determination of the principles, grounds, means, rules, forms and procedures of bookkeeping and financial reporting,
- o. use of reserve and other funds of the Bank,
- p. increase of the Chartered Capital through allocation of additional bonds and increase of nominal value of such bonds,

- q. decision making on allocation of bonds and other securities of the Bank,
- r. establishment of subsidiaries, participation in such companies and if such participation is not a major transaction,
- s. establishment of internal documents regulating the activity of the Bank's management,
- t. decision on property market value set by the Law,
- u. purchase and repurchase of allocated bonds in cases set by the Law,
- v. signing of major transaction in relation to the allocation and purchase of the Bank's property (equal to 25-50 % of balance value of the Bank's assets),
- w. establishment and termination of branches of the Bank, representations and offices,
- x. form of providing information and materials on the Bank's shareholders meeting, including means of notifying the media,
- y. resolution on remuneration of the Board members,
- z. establishment of union of trade organizations and participation, za. decision making on other matters under the law.

The decision-making on the above matters belongs to the exclusive competency of the Board of the Bank and shall not be deputed to the Bank's Executive Body.

6.29. The executive director of the bank shall have as an the exclusive right to represent the bank in the Republic of Armenia and in foreign countries, conclude transactions on behalf of the Bank, act on behalf of the bank without letter of attorney, give letters of attorney.

6.30. The executive director (chairman of the Executive Board) shall:

- a. dispose property of the Bank, including financial assets, issue orders, resolutions, give instructions in the scope of authorities and control their performance,
- b. accept for employment and dismiss the Bank employees,
- c. give incentives to the employees and use disciplinary punishment,
- d. distributes responsibilities between deputies and members of the Bank's Executive Board,

e. perform other authorities in connection with current management of the Bank envisaged by the Charter.

6.31. The directorate shall mandatorily include the chief executive director of the Bank, his deputy (deputies), and the chief accountant as well as other officials of the Bank appointed by the Board.

6.32. The Bank's Executive Board shall:

- a. submit to the approval of the Board internal regulations, regulations of separated subdivisions, the administrative and organizational structure of the Bank,
- b. execution of resolutions of the General Meeting and the Bank's Board,
- c. execute current management of the Bank's activity,
- d. organize execution of resolutions by the General Meeting, the Bank's Board and the Executive Board,
- e. hold sessions if required but not less than once a month,
- f. define tariffs of services provided by the Bank under its jurisdiction, conservation of cash servicing, AMD and other currencies of the Bank, accounting and reporting, execute control,
- g. set interest rate policy on asset-liability operations,
- h. control conservation of Legislation in the Bank and its structural subdivisions,
- i. discuss issues to be submitted to the General Meeting and the Board of the Bank,
- j. discuss materials of inspections as well as reports by heads of the Bank's departments,
- k. give instructions on rights and responsibilities of the Bank's staff and heads of other subdivisions,
- l. appoint officials of the Bank under its jurisdiction,
- m. discuss other issues submitted to the discussion of the Executive Board by the Chairman and members of the Executive Board and other structural subdivisions of the Bank.

The matters that are not ascribed to the authorities of the General Meeting, Board or internal audit subdivision by the law or the Charter shall be in the competence of the Executive Director (directorate).

**2) Name, surname, address, position, rights and responsibilities of managing bodies, activities of each outside the Bank at the time of Prospectus submission:**

Information on the Bank's management:

Position	Full name, date of birth, profession, citizenship, address	Positions held during previous 5 years	Jurisdiction and responsibilities
Chairman of the Board	Sukiasyan Saribek Albert Date of birth: 1965, Engineer-economist, candidate of economics, Nationality: Republic of Armenia Address: Zavaryan 6, 1/5b., Yerevan	Chairman of ARMECONOMBANK Board since 1998	Jurisdiction set by RA Legislation and the Bank's Charter
Bank Board Member	Hayrapetyan Ruben Ashot Date of birth: 1980 Economist Nationality: RA Address: 25/3, Mkchyan str., Yerevan	24.05.2013-22.05.2014 – Deputy CEO of ARMECONOMBANK OJSC 23.05.2014-29.06.2014- Advisor to the CEO of ARMECONOMBANK OJSC 30.06.2014-29.06.2018- ARMECONOMBANK OJSC Board Member 29.06.2018 up to date- Deputy Chairman of ARMECONOMBANK OJSC Board	Jurisdiction set by the Bank's Charter. Responsibilities: 1. General control on the Bank's Executive Board's activity 2. General control over the problems/risks/ emerged during the Bank's internal and external audit activities 3. General control on the attraction and allocation of the Bank's resources 4. General control on the effective management of the Bank's personnel 5. General control on AML/ CFT 6. General control on transactions with plastic cards
	Melikyan Aram Robert Date of birth: 1963 Economist Nationality: RA, Address: 15, 2 str. Moldovakan, Yerevan	01.08.2012-11.08.2016 – Deputy Chairman of ARMECONOMBANK OJSC Board 11.08.2016 up to date – ARMECONOMBANK OJSC Board member	Jurisdiction set by the Bank's Charter. 1. General control on the Bank's Executive Board's activity 2. General control over the problems/risks/ emerged during the Bank's internal and external audit activities 3. General control on the attraction and allocation of the Bank's resources 4. General control on AML/ CFT

			<p>5. General control on the Bank's accounting and accounting policy</p> <p>6. General control on the Bank's strategy</p>
	<p>Petrosyan Luiza Ashot Date of birth: 1982 Economist- mathematician Nationality: Republic of Armenia Address: 92-7, Gr. Artsruni, Yerevan</p>	<p>14.06.2013 up to date – ARMECONOMBANK OJSC Board member, Secretary of the Board</p>	<p>Jurisdiction set by the Bank's Charter.</p> <p>Responsibilities:</p> <ol style="list-style-type: none"> <li>1. General control on the Bank's Executive Board's activity</li> <li>2. General control over the problems/risks/ emerged during the Bank's internal and external audit activities</li> <li>3. General control on the attraction and allocation of the Bank's recourses</li> <li>4. Development coordination of the Bank's corporate governance principles</li> <li>5. General control on international operation activities</li> <li>6. General control on AML/ CFT</li> <li>7. Provision of the Board's general activity</li> </ol>
	<p>Per Fischer Date of birth: 1949 Economist Nationality: Federal Republic of Germany, Bremen Address: 4 Palmengartenstr., 60325, Frankfurt am Main</p>	<p>2003-2014 - Commerzbank AG, Head Office in Frankfurt, Head of Financial Institution CEE, CIS, Turkey, Baltic States, Mongolia, Senior Managing Director 2003 up to date- Member of the Supervisory Board, Commerzbank Eurasija, Moscow 2003 up to date - Member of the German-Ukrainian Forum, treasurer 2007 till now - Member of the Board German-Russian Forum, treasurer 2014 up to date - Member of the Board of the German-Turkey Forum 2017 till now - Member of the Supervisory Board and Independent Director of Bank CenterInvest, Rostov on Don, Russian Federation 2015 till now - Coordinator of the Working Group on economy and economical rehabilitation of the OSCE trilateral contact group</p>	<p>Jurisdiction set by the Bank's Charter.</p> <p>Responsibilities:</p> <ol style="list-style-type: none"> <li>1. Coordinator of international practice investment during the Bank's activity</li> </ol>

		2016 up to date - Member of the Supervisory Board and Independent Director of Bank Belarus, Minsk, Republic of Belarus 26.06.2018 up to date – ARMECONOMBANK OJSC Board Member	
	Khachaturyan Vahagn Garnik* Date of birth: 1959 Economist Nationality: Republic of Armenia Address: 5 Zakyan str., apart. 10, Yerevan	2002 till now - Center for Political, legal and economic researches and forecasts 2002-2018 - Preparation and attendance of international and local seminars and conference, analytical, scientific works jointly with Cato, Atlas and German Friedrich Ebert Foundation 14.06.2019 up to date ARMECONOMBANK OJSC Board Member	Jurisdiction set by the Bank's Charter. Responsibilities: 1. General control on the Bank's Executive Board's activity 2. General control over the problems/risks/ emerged during the Bank's internal and external audit activities 3. General control on the attraction and allocation of the Bank's resources 4. Development coordination of the Bank's corporate governance principles 5. General control on international operation activities 6. General control on AML/ CFT

**\* Selected by the Bank's Shareholder's Annual General Meeting dated 14.06.2019 and is in the process of registration by RA CB in compliance with the demands of RA legislation.**

Members of the Board	Position	
	In the Bank	During the previous 5 years outside the Bank
Sukiasyan Saribek Albert	Chairman of the Board	Board member in "SIL GROUP" LLC
Hayrapetyan Ruben Ashot	Deputy Chairman of the Board	-
Melikyan Aram Robert	Member of the Board	Founder of " Arparagon International" LLC
Petrosyan Luiza Ashot	Member of the Board, Secretary of the Board	-
Per Fischer	Member of the Board	Member of the Supervisory Board, Commerzbank Eurasija, Moscow Member of the German-Ukrainian Forum, treasurer Member of the Board of the German-Turkey Forum

		<p>Member of the Supervisory Board and Independent Director of Bank CenterInvest, Rostov on Don, Russian Federation</p> <p>Coordinator of the Working Group on economy and economical rehabilitation of the OSCE trilateral contact group</p> <p>Member of the Supervisory Board and Independent Director of Bank Belarus, Minsk, Republic of Belarus</p>
Khachatryan Vahagn Garnik	Member of the Board	<p>2002 up to date - Center for Political, legal and economic researches and forecasts</p> <p>2002-2018 - Preparation and attendance of international and local seminars and conference, analytical, scientific works jointly with Cato, Atlas and German Friedrich Ebert Foundation</p>

**\* Selected by the Bank's Shareholder's Annual General Meeting dated 14.06.2019 and is in the process of registration by RA CB in compliance with the demands of RA legislation.**

Position	Full name, date of birth, profession, citizenship, address	Positions held during previous 5 years	Jurisdiction and responsibilities
Executive director (Chairman of the Executive Board)	<p>Khachatryan Aram Davit Date of birth: 1983 Architect Nationality: RA Address: Lomonosov str., house 36, city of Etchmiadzin</p>	<p>06.10.2006-01.09.2008 – Leading specialist of International Operations Department 01.09.2008-14.02.2011- Member of the Internal Audit, Information Technologies auditor 14.02.2011-06.09.2011 - ARMECONOMBANK OJSC Deputy Chief Accountant-Head of Consolidated Reports Division 06.09.2011-07.03.12 - "Sil Insurance" ICJSC Deputy CEO 23.09.2011-07.03.2012- "Sil insurance" ICJSC CEO 07.03.2012 -01.06.2012 - Deputy Head of Internal Audit Department of ARMECONOMBANK OJSC 21.06.2012-10.07.2017 - ARMECONOMBANK OJSC Head of Internal Audit Department 17.07.2012-07.09.2017- "Sil insurance" ICJSC Deputy Chairman of the Board, Member of the board 10.07.2017 up to date - CEO, Chairman of the Executive board</p>	<p>Jurisdiction set by RA Legislation and the Bank's Charter Responsibilities: 1. disposes the Bank's property, including financial assets and concludes transactions on behalf of the Bank, 2. represents the Bank in the Republic of Armenia and in foreign countries 3. acts without letter of attorney, 4. gives letter of attorney, 5. signs agreements, including job agreements 6. submits the candidacy of his deputies to the approval of the Board, 7. submits the Executive Board's Regulation to the approval of the Board, 8. under his jurisdiction gives instructions, compulsory orders and controls the execution of the latter, 9. distributes responsibilities between deputies and members of the Bank's Executive Board, 10. accepts for employment and dismiss the Bank employees in compliance with Legislation, 11. gives incentives to the employees and uses disciplinary punishment in compliance with the Board's Procedure, 12. perform other authorities in connection with current management of the Bank envisaged by the Charter,</p>
	<p>Badalyan Ruben Anatoly Date of birth: 1979 Economist Nationality: RA Address: 23 apart., 31 bld., Narekatsi str., Yerevan</p>	<p>07.02.2011-01.06.2015 - Deputy CEO, Deputy Chairman of the Executive Board 01.06.2015-07.10.2016 - Deputy CEO, Treasurer, Deputy to Chairman of the Executive Board 07.10.2016 up to date - Deputy CEO for Operations, Deputy Chairman of the Executive Board</p>	<p>Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)</p>
	<p>Chichyan Onik Gevorg Date of birth: 1979 Economist Nationality: RA</p>	<p>09.09.2013-04.05.2014 – ARMECONOMBANK OJSC “ARABKIR” BRANCH Manager 05.05.2014-22.05.2014 - Head of</p>	<p>Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1</p>

Members of the Executive Board	Address: 75 h., 11 Nork Marash str., Yerevan	Loans Department of ARMECONOMBANK OJSC 23.05.2014-01.06.2015- Deputy CEO, Deputy Chairman of the Executive Board 01.06.2015 till now - ARMECONOMBANK OJSC, Deputy Chairman of the Executive Board Deputy CEO for Corporate and Retail Business	subparagraph, 12 paragraph, 3 Section, Prospectus)
	Arakelyan Artak Armenak Date of birth: 1981 Candidate of Economic Sciences, Economist Nationality: RA Address: 3 apart., 38 bld., Vazgen Arajin str., city of Etchmiatsin	06.10.2010-01.06.2015 - Head of Territorial Management Department 07.02.2011-01.06.2015 - Member of the Executive Board of ARMECONOMBANK OJSC 01.06.2015-07.10.2016 - ARMECONOMBANK OJSC Deputy Chairman of the Executive Board, Deputy CEO for Operations 07.10.2016 up to date - Deputy Chairman of the Executive Board, Chief treasurer, Deputy CEO,	Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)
	Manrikyan Astghik Mesrop Date of birth: 1982 Master's in orientalist, Master's in business administration Nationality: RA	09.09.2011-01.06.2015 - Acting Head of the International Operations Department of ARMECONOMBANK OJSC (Deputy Chairman of the Executive Board)	Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)
	Arpine Pilosyan Date of birth: 1983 Economist: Nationality: RA Address: 12/12, Galshoyan str., Yerevan	06.06.2012-31.05.2015 - ARMECONOMBANK OJSC, Head of Internal Observations Division 01.06.2015-30.06.2015- ARMECONOMBANK OJSC, Head of Internal Control Department 01.07.2015-17.08.2016 - ARMECONOMBANK OJSC, Head of Internal Observations Division, 18.08.2016-31.10.2016 - ARMECONOMBANK OJSC, Acting Deputy CEO for Technologies and Security 31.10.2016 up to date ARMECONOMBANK OJSC, Deputy Chairman of the Executive Board, Deputy CEO for Technologies and Security	Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)
	Poghosyan Mikayel Yurik Date of birth: 13 April 1971 Economist Nationality: RA Address: 36-34 16 district, Yerevan	01.07.2006-30.11.2016 - ARMECONOMBANK OJSC, Head of Inspection Supervision of Internal Audit Department 01.12.2016-20.08.2017 - ARMECONOMBANK OJSC, Deputy Head of Internal Audit Department 21.08.2017-01.08.2018 -	Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)

	ARMECONOMBANK OJSC, Financial Director- Chief Accountant 01.08.2018 up to date - ARMECONOMBANK OJSC, Chief Accountant	
Avetisyan Hayk Misha Date of birth: 1979 Candidate of Economic Sciences, Economist- mathematician Nationality: RA Address: 23 h., R. Yesayan str., city of Etchmiatsin	03.02.2011 till now- “ARMECONOMBANK” OJSC, Head of Strategy and Risk Management Department 07.02.2011 up to date - “ARMECONOMBANK” OJSC, Member of the Executive Board 21.02.2009 - “SIL INSURANCE” CJSC, Member of the Board	Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)
Jhangiryan Vrezh Gagik Date of birth: 1980 Lawyer Nationality: RA Address: 16/1 h., K. Ulnetsi str. Yerevan	01.02.2013-16.03.2014 - Head of Information Security Division of Security Department of ARMECONOMBANK OJSC 17.03.2014-31.12.2014 - Head of Information Security Division, Deputy Head of Security Department of ARMECONOMBANK OJSC 01.01.2015-19.01.2015- Head of Division of Legal Support of Banking Operations, Deputy Head of Law Department of ARMECONOMBANK OJSC 20.01.2015 up to date Head of Law Department of ARMECONOMBANK OJSC 02.02.2015 up to date - Member of ARMECONOMBANK OJSC Executive Board	Jurisdiction and responsibilities: Executes activities set by 6.32 Section, Charter (see 1 subparagraph, 12 paragraph, 3 Section, Prospectus)

Members of the Executive Board	POSITION	
	In the Bank	During previous 5 years outside the Bank
Khachatryan Aram Davit	Chairman of Executive Board, CEO	-
Badalyan Ruben Anatoly	Deputy CEO for Operations, Deputy Chairman of Executive Board	-
Onik Chichyan Gevorg	Deputy CEO for Corporate and Retail Business, Deputy Chairman of Executive Board,	-
Artak Araqelayn Armenak	Deputy Chairman of Executive Board- Treasurer, Deputy CEO- Treasurer	-
Astghik Manrikyan Mesrop	Deputy Chairman of Executive Board, Deputy CEO for International Operations and Development	-
Arpine Pilosyan	Deputy Chairman of the Executive Board, Deputy CEO for Technologies and Security	-
Poghosyan Mikayel Yurik	Chief Accountant, Member of the Executive Board	-
Hayk Avetisyan Misha	Head of Strategy and Risk Management Department, Executive Board member	21.01.2009 up to date Board member at SIL INSURANCE ICJSC
Vrezh Jhangiryan Gagik	Executive Board member, Head of Law Department	-

**3) relation between managerial bodies (whether they are members of the same family):**

No relation between managerial bodies.

**4) the following information on each member of management:**

**a. profession (qualification),**

**b. the position held by a member of the Bank's managerial body in companies or organizations during previous five years by the time of Prospectus submission. Positions in the Bank's subsidiaries need not be mentioned.**

Information is submitted in 2 subparagraph, 12 paragraph, 3 Section.

**c. conviction for fraud during previous 5 years by the time of Prospectus submission,**

NONE

**d. whether members of managerial body had any connection with bankruptcy, liquidation or asset management of a bankrupt person during previous 5 years by the time of Prospectus submission. Give the description of the latter, if any.**

NO

**e. whether members of managerial body have been liable by any state or regulatory body and if the court has deprived them of holding any position in issuer management body. Give the description of the latter, if any.**

NO

**5) whether a conflict of interests between members of managerial body and the staff is possible. Give the description of the latter, if any. In case of absence specify a separate paragraph.**

There is no conflict between the Bank and the management of the latter as of Prospectus submission.

**6) whether there is any agreement between key shareholders, customers, suppliers or other persons in compliance to which such person has been appointed as a managerial body of the Bank. Give the description of the latter, if any.**

NO

### 13.REMUNERATION AND INCENTIVES

1) any remuneration or incentive received by each member of the Bank's management from the Bank or its subsidiaries, including compensations (funded pension, insurance payment, purchase of stock options, etc.),

2) pension payments, in total amount, made by the Bank in favor of members of managerial body:

Position	Name, surname, patronymic	Salary and other equivalent payments received during 2018
Chairman of the Board	Sukiasyan Saribek Albert	66,113,986
Deputy Chairman of the Board	Hayrapetyan Ruben Ashot	31,527,591
Board Member	Melikyan Aram Robert	30,462,622
Board Member, Secretary of the Board	Petrosyan Luiza Ashot	30,271,950
Board Member	Per Fischer	6,047,619
CEO	Khachatryan Aram Davit	57,584,517
Deputy CEO for Operations	Badalyan Ruben Anatoly	33,938,861
Deputy CEO for Corporate and Retail Business	Chichyan Onik Gevorg	34,125,978
Deputy CEO- Treasurer	Araqelyan Artak Armenak	34,730,194
Deputy CEO for International Operations and Development	Manrikyan Astghik Mesrop	33,357,403
Deputy CEO for Technologies and Security	Pilosyan Arpine	33,067,579
Chief Accountant	Poghosyan Mikayel Yurik	29,260,823
Head of Strategy and Risk Management Department	Avetisyan Hayk Misha	25,964,907
Head of Law Department	Jhangiryan Vrezh Gagik	25,154,114

#### 14. ACTIVITIES OF MANAGERIAL BODIES

1) the beginning and end of each member of managerial body's office of a specific position:  
Submitted in 2 subparagraph, 12 paragraph, 3 section, prospectus.

2) information on whether members of the Management have agreement with the Bank or its subsidiaries to receive incentive or subsidy after the end of their office term. If there are not such agreements, then specify about the absence of the latter,

There are not such agreements.

3) in case of availability submit an information on the Bank's audit committee or salary committee, including the committee members' name, surname as well as jurisdiction and responsibilities of the committees. Such committees are made up of members of managerial bodies and aim at solving specific issues.

The Bank does not have such committees.

4) specify whether the Bank meets the demands of corporate governance principles set in the country the latter has been established (if such principles are available).

The Bank meets corporate governance principles set by RA Government and annual corporate governance statement can be found at the Bank's web site: [www.aeb.am](http://www.aeb.am), Corporate Governance section.

#### 15. EMPLOYEES

1) each annual average number of employees or such number as of the end of the year for historic financial period:

The number of the Bank's employees for historic financial period is as follows:

1017 persons as of 31.12.2016,

865 persons as of 31.12.2017.

885 persons as of 31.12.2018

2) information on equity securities of the Bank owned by each member of the Bank's managerial body as well as option availability of such securities, indicating class, number, percent in total of each security.

Full name, date of birth, profession, citizenship, address	Position	Participation in the Bank's Chartered Capital
Sukiasyan Saribek Albert	Chairman of the Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 524,719 <b>Percent in total:</b> 28.32% <b>Security class (type):</b> Preference shares (equity security) <b>Security number:</b> 178,592 <b>Percent in total:</b> 42.06%
Hayrapetyan Ruben Ashot	Deputy Chairman of the Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 138 <b>Percent in total:</b> 0.007%
Melikyan Aram Robert	Member of the Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 480 <b>Percent in total:</b> 0.026%
Petrosyan Luiza Ashot	Member of the Board, Secretary of the Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 275 <b>Percent in total:</b> 0.015%
Per Fischer	Member of the Board	-

Khachaturyan Vahagn Garnik	Member of the Board	-
Khachatryan Aram Davit	CEO (Chairman of the Executive Board)	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 424 <b>Percent in total:</b> 0.023%
Badalyan Ruben Anatoly	Deputy CEO for Operations (Deputy Chairman of the Executive Board)	-
Chichyan Onik Gevorg	Deputy CEO for Corporate and Retail Business (Deputy Chairman of the Executive Board)	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 305 <b>Percent in total:</b> 0.016%
Arakelyan Artak Armenak	Deputy CEO –Treasurer (Deputy Chairman of the Executive Board)	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 205 <b>Percent in total:</b> 0.011%
Manrikyan Astghik Mesrop	Deputy CEO for International Operations and Development (Deputy Chairman of the Executive Board)	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 313 <b>Percent in total:</b> 0.017%
Pilsoyan Arpine	Deputy CEO for Technologies and Security (Deputy Chairman of the Executive Board)	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 197 <b>Percent in total:</b> 0.011%
Poghosyan Mikayel Yurik	Chief Accountant, Member of the Executive Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 165 <b>Percent in total:</b> 0.009%

Avetisyan Hayk Misha	Head of Strategy and Risk Management Department, Member of the Executive Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 296 <b>Percent in total:</b> 0.016%
Jhangiryan Vrezh Gagik	Head of Law Department, Member of the Executive Board	<b>Security class (type):</b> ordinary shares (equity security) <b>Security number:</b> 1,199 <b>Percent in total:</b> 0.065%

**3) description of projects related to the Bank's staff opportunities to participate in the Bank's equity.**

There are not such programs.

## **16. KEY SHAREHOLDERS**

**1) name, surname of the Bank's key shareholders (except members of issuer's management), participation of each. If the Bank lacks key shareholders, then notify of the latter:**

Key shareholders of the Bank are as follows:

Sukiasyan Khachatur:

ordinary shares : 16.29%,

preference shares 23.55%

Sukiasyan Robert:

ordinary share: 16.86%,

preference shares: 15.55%

Sukiasyan Eduard:

ordinary shares: 10.66%,

preference shares: 18.84%

**2) information on whether all shares of key shareholders have equivalent right to vote,**

Each of the ordinary shares owned by all major shareholders has the same voting rights.

**3) as far as the bank is aware, information on whether the bank is directly or indirectly under the control. If yes, indicate the name (name, surname) of the supervisors and other information needed for identification, the nature of the supervision (on the basis of which the person (s) controls the bank).**

Within the frame of the RA Law "On Securities Market" "Armeconombank" OJSC is:

1. Under the supervision of the Sukiasyan family, as they are owners 72.13% of ordinary shares of ARMECONOMBANK OJSC, of 100.0% of Preferred Shares:

Sukiasyan Saribek: ordinary shares - 28.32% (6 Zavaryan Str., Apt. 1-5),

Sukiasyan Khachatur - ordinary shares - 16.29%, participation in preferred shares - 50.0% (6 Zavaryan

Ave., Yerevan, Apt. 1-5),

Robert Sukiasyan - participation in ordinary shares - 16.86%, participation in preferred shares - 10.0% (6 Zavaryan Ave., Yerevan, Apt. 1-5),

Edward Sukiasyan - participation in ordinary shares - 10.66%, participation in preferred shares - 40.0% (6 Zavaryan Str., 1-5 Yerevan).

## 17. TRANSACTIONS WITH INTERCONNECTED PERSONS

Transactions with affiliates with the Bank were carried out based on market conditions and interest rates.

	2018		
	Shareholders	Main management staff	Subsidiary company and companies where the bank has investments
<b>Loans to customers</b>			
Loans subject to be paid as of January 01, gross	1,031,923	153,058	-
<b>Loans subject to be paid as of December 31, gross</b>	<b>2,664,389</b>	<b>138,134</b>	-
Reduced loan impairment reserve	(85,521)	(2,666)	-
<b>Loans subject to be paid as of December 31,</b>	<b>2,578,868</b>	<b>138,134</b>	-
Interest income on loans	273,803	17,799	
Deductions (restorations) on losses, impairment on loans			
<b>Loans to financial institutions</b>			
Loans subject to be paid as of January 01, gross	100,000	-	-
<b>Loans to be paid to financial institutions as of December 31, gross</b>	<b>67,482</b>	-	-
Reduced loan impairment reserve	(7)	-	-
<b>Loans to be paid to financial institutions as of December 31</b>	<b>67,475</b>	-	-
Interest income on loans provided to financial institutions	6,875		
<b>Amounts payable to customers</b>			
Deposits as of January 01	845,554	369,357	-
<b>Deposits as of December 31</b>	<b>677,395</b>	<b>446,312</b>	
Interest income on deposits	1,567	25,006	-
<b>Liabilities to financial institutions</b>			
Liabilities to financial institutions as of January 01	186,479	-	-
<b>Liabilities towards financial institutions as of December 31</b>	<b>177,455</b>	-	-
Interest expense	23,587	-	-
<b>Subordinated debt</b>			
Subordinated debt as of January 01	6,409,601	-	-
<b>Subordinated debt as of December 31</b>	<b>3,382,149</b>	-	-
Interest expense	547,408	-	-

<b>Proceeds from the issue of preference shares</b>				
As of January 01	-	-	-	-
Surpluses	3,000,000	-	-	-
<b>As of December 31</b>	<b>3,000,000</b>	-	-	-
<b>Acquisition of fixed assets</b>	<b>36,627</b>	-	-	-
<b>Provided guarantees</b>	<b>83,791</b>	-	-	-
<b>Other expenses</b>				
Commission expenses	478	-	-	-
Advertisement expenses	41,593	-	-	-
Insurance expenses	132,896	-	-	-
Collection fees	-	-	-	-
Expenses on operational leasing	413,568			
Business trip expenses	40,465	-	-	-
Other expenses	-	-	-	-

## 18. INFORMATION ON THE BANK'S ASSETS AND LIABILITIES, FINANCIAL STATE, INCOME AND EXPENSES

### 1) Historic financial information

Annual financial reports approved by independent auditors for historic financial period as well as independent auditors' complete conclusion:

Listed in the Appendix of the Bulletin

### 3) Essential changes in the Bank's financial state:

There has been no significant change in the issuer's financial position since the last (most recent) financial statement included in the prospectus until the date of prospectus registration.

INDICATORS		th. AMD	
		31.12.2018	31.03.2019
1	Total assets	221,697,397	228,259,064
2	Total liabilities	188,684,080	190,744,770
3	Equity capital	33,013,317	37,514,294
4	Net profit (loss) before reduction of expenses of dividends	2,652,716	682,771
5	Net interest income (interest income-interest expense)	8,742,031	2,260,541

### 4) Information on judicial, arbitration and administrative proceedings

Description of judicial, arbitration and administrative proceedings is submitted 12 months prior to Prospectus registration, that have had an essential impact on the issuer's financial state and profitability:

As of 31.12.2018, the Bank is not involved in litigation, arbitration and / or administrative litigation that may have a material effect on the Bank's financial position or profitability and / or have had a material impact.

As a reporting issuer, the Bank submits the owners of its securities Reports on Essential Facts and Events that are posted on the Bank's web site [www.aeb.am](http://www.aeb.am), section "Shareholders and Investors".

## 5) Tax privileges

There are not tax privileges set for the issuer.

## 19. ADDITIONAL INFORMATION

### 1) Chartered Capital

**Information in compliance with accounting balance by the end of historic financial period:**

- a. Chartered Capital: AMD 25,635,343,200;
- b. number of declared shares: 2,000,000 ordinary shares; 228,479 preference shares
- c. number of issued and completely paid shares: 1,852,533 ordinary shares, but not completely 424,600 preference shares;
- d. value per ordinary share: AMD 10,400, nominal value per share: AMD 15,000 ;
- e. number of shares issued by the Bank or its subsidiary: 0.

## 2) Charter

**a. purpose and activity of the Bank, specifying section of the Charter where information on the latter can be found.**

The Bank shall have the right to carry out banking activities stipulated by the Legislation since the moment of obtaining license for banking activities, granted by the Central Bank of the Republic of Armenia.

1.5 paragraph, Charter.

**b. brief description of laws, regulations and/or articles of the Charter, regulating rights and obligations of the Bank's managerial bodies,**

The rights and obligations of the Bank's governing bodies are set out in Chapter 6 of the Charter, which are set forth in Section 12, Section 12 of the Prospectus, as well as Articles 21 and 21<sup>10</sup> of the RA Law on Banks and Banking.

**c. description of rights and obligations of owners of the Bank's shares of each class as well as restrictions related to those securities:**

1. Information of the Chartered Capital of the Bank can participate natural and legal persons both of the Republic of Armenia and foreign countries.

2. The Shareholders of the Bank are obliged:

a. not to divulge confidential information related to activities of the Bank;

b. the Shareholders may also bear other obligations envisaged by the Bank Charter and not contradicting the RA Legislation

c. not to conduct activities which may cause damage to the Bank;

3. Each common share of the Bank gives its Shareholder equal rights. Shareholder owning common shares is entitled to:

a. participate in the Shareholders' General Meeting with right of voting on all the matters falling under the General Meeting competence;

- b. participate in management of the Bank;
- c. receive dividends out of profit gained in the result of the Bank activities;
- d. receive any information concerning the Bank activities as prescribed by Law.
- e. authorize third person for representation of his/her/its rights at the Bank Shareholder's General Meeting;
- f. submit proposals at the Bank Shareholders' General Meeting;
- g. vote at the Bank Shareholders' General Meeting to the extent of votes obtained according to the number of shares paid up in full and belonging to him/her;
- h. bring a suit to the court for the purpose of appeal of decisions taken by the Bank Shareholders' General Meeting, which conflict with the law;
- i. receive the part of the Bank property due to him/her in case of the Bank liquidation;
- j. to receive right of repurchase of shares belonging to him/her if
  - a resolution on the reorganization of the Bank cancellation of right of preference or making a major transaction has been made and the particular shareholder has voted against the reorganization of the Bank cancellation of right of preference or on making a major transaction or has refused to participate in such voting.
  - Additions or amendments have been made in the Charter or a new edited Charter has been approved in the result of which the rights of mentioned shareholders have been limited and he/she voted against or didn't participate in the voting of the item.
- j. enjoy other rights stipulated by the Bank Charter.

4. 1 Shareholder owning preference shares is entitled to:

- a. participate in the Bank Shareholders' General Meeting without voting right;
- b. receive dividends out of profit gained in the result of the Bank activities in the order and amount defined by the Shareholders' General Meeting;

- c. receive any information concerning the Bank activities as prescribed by Law;
  - d. receive a part of the Bank property due to him/her in case of the Bank liquidation.
- d. what measures should be taken for changes in Shareholders' rights:

Shareholders' rights are set by chapter 4, Charter. An offer in the meeting agenda, for changes in Shareholders' rights, must be submitted as follows:

In compliance with Procedure of Preparation and Chairing of ARMECONOMBANK OJSC Annual Meeting:

1. The Bank's shareholder with at least 2% of voting right shall be empowered to provide not more than 2 suggestions on the agenda of the Meeting within 30 days after the Bank's financial year is over and propose nominations for the membership for the company's Supervisory Board, moreover, the number of the nominees shall not surpass the number of members established for such bodies.
2. Recommendations on the Agenda are made in writing together with grounds for the recommendation, the name (first name, last name) of the shareholder and the number of the shares under his management.
3. While making recommendations on the nominee for the Bank's Supervisory Board membership, the details required under paragraph 7.5.2 of Procedure are also mentioned.
4. The Supervisory Board shall discuss the recommendations and come to a resolution within 15 days after.

5. A resolution on the refusal can be made, if:

- the 30 day term has been broken by the particular shareholder,
- the particular shareholder does not possess 2% of voting shares,
- such recommendations does not include the necessary details established,
- the recommendations does not comply with the existing law.

6. The resolution on the refusal of the recommendation shall be forwarded to the particular shareholder within 3 days after it has been made. The resolution on the refusal can be appealed in the court.

**e. procedure of holding shareholders' current and extraordinary meetings, procedure of participation.**

Annual General Meeting of the Bank's Shareholders is held within six months after the end of the financial year in compliance with Procedure of Preparation and Chairing of ARMECONOMBANK OJSC, approved on 29.06.2018 at the Annual Meeting.

In addition to Shareholders' Annual Meeting, General Meetings of Shareholders are also held to discuss urgent issues, such meetings are considered to be extraordinary.

Extraordinary General Meetings are held by the Board's resolution, on its own initiative or on the request of the Bank's Executive Body, the Bank's external auditor or the shareholder(s) owing at least 10 per cent of voting shares.

In compliance with Procedure of Preparation and Chairing of ARMECONOMBANK OJSC Annual Meeting:

1. The General Meeting shall be attended by:

- ./ the shareholders considered as the holder of the Bank's allocated shares: 1 share providing 1 vote, as well as title holders (upon presentation of appropriate documentary evidence),
- ./ Non-shareholder members of the Board and the management body with advisory votes,
- ./ the members of the Bank's internal audit subdivision as observers,
- ./ the Bank's external auditor as a an observer, (should his/her resolution be available in the agenda of the Annual General Meeting),
- ./ the representatives of the Central Bank of Armenia as observers,
- ./ Invited entities, guests,

./ Shareholders with preferred shares, if they are discussed at the meeting:

Issues of reorganization or liquidation of the Bank, or decisions related to the amendment or amendment of

the Bank's Charter, which limit the rights of the owners of preferred shares, including defining or adding to dividends and / or liquidation value of the preferred shares. Participation in the meeting on matters set forth herein shall entitle the holder of one preference share to one vote.

2. The list of the attendees of the Bank's General Annual Meeting is composed by the Bank's responsible subdivision based on the data of the Bank's register as of the date approved by the Bank's Supervisory Board. Moreover, the date for composing the list cannot be set earlier than the one of the Annual Meeting and cannot surpass the date of the Annual General Meeting with 45 days (in case of voting by poll not less than 35 days).

3. The name-holder of the shares is required to provide details for composing the list as of the established date on the persons, whose shares are managed by him for the purpose of representing their interests.

4. The name, location (address) of each shareholder as well as the number of shares under their management is established in the list of the Bank's Shareholders with the right to attend the Annual Meeting.

5. The list of the aforementioned shareholders shall be provided to the Bank's shareholders registered in the Bank's shareholders' register. The Bank can also issue a reference to the shareholders stating they have been included in the list.

6. Any changes to the list of the Bank's shareholders can be made only for the purpose of correcting mistakes made during the drafting of the list and recovering the legal rights and interests of shareholders not included in such list.

7. The notification on the Shareholders' General Meeting convocation shall be published in "The Republic of Armenia" daily newspaper at least 15 days before the date of calling the meeting. If the mentioned newspaper is not published during that period, the notification of the Shareholders' General Meeting convocation shall be published in other newspaper approved by the Board's resolution.

8. The Bank's shareholders and other entities with the right to participate in the Meeting receive written notifications (including the materials of the Meeting and ballot-papers) by post, by E-mail or by courier at least 15 days before the Meeting.

9. The Notification on the General Meeting shall include:

- ./ The name of the Bank and its location,
- ./ The date, time and venue of the Meeting,
- ./ The date of drafting the list of shareholders entitled to participate in the Meeting,
- ./ The items included in the agenda of the Meeting,

10. The List of the materials to be provided to the shareholders, which shall include:

- ./ The Bank's Annual Report,
- ./ The resolution of the auditor on the Bank's annual finance-economical activities,
- ./ Information on the members of the Bank's Supervisory Board, possible nominations, the CEO, and Chief Accountant which shall include:

a/ First name, last name, patronymic name, and year, month and day of birth,

b/ profession and education,

c/ the positions held over the last ten years,

d/ the date of /appointment/ election to the mentioned position and the date of leaving the office,

e/ the number of reelections,

f/ the number of the Bank's voting shares belonging to the parties related with them and with him,

g/ information on corporate units where the particular person holds a managerial position,

h/ the nature of relationships with the particular bank and bank-related parties,

- ./ information on the possible nominations of the Counting Committee,
- ./ the draft of the amendments and completions to the Bank's Charter or the Charter newly edited,
- ./ other materials related to the items included in the agenda,
- ./ ballot-paper,
- ./ other materials established by law (the copy of the Shareholders' Union Agreement, information on the nominee member of the Supervisory Board, and on the participant proposed in Small Shareholders' Board),

11. The Agreement for creating a group of shareholders united to form 10% equity participation shall be presented to the Bank along with the materials indicated in paragraph 10 for the copies of it to be provided to all participants of the meeting minimum 30 days prior to either the meeting date.

This Contract shall contain the following terms and information:

- Information on the Bank's merging participants, including the number of voting shares of the Bank belonging to them,
- on the nomination of a member of the board proposed by the merging parties;

a) Name surname, patronymic, year, month, date of birth,

b) profession and education;

c) positions held during the last 10 years;

d) Voter of the Bank owned by him and his affiliates;

number of shares,

(e) information on the legal entities in which the person is;

holds leadership positions,

f) the nature of the relationship between the Bank and the Bank;

with

g) other data at the discretion of the merging parties.

12. Minority participation in the statutory fund of the Bank Information on the representative of the participants shall be provided to the Bank in the form of items of item 10 for all copies of the meeting to be provided by the Bank at least 30 days prior to the deadline for the Bank to accept the completed ballots in the event of remote voting. The inclusion of small shareholders in the Annual General Meeting shall be in accordance with the requirements of Section 6.20 of the Bank Statute.

13. The General Meeting shall also provide the necessary information and materials, together with the shareholders, ballots and agendas, when calling the General Meeting.

f. articles of law, by-laws and / or charter that require disclosure of information on participation in a bank,

Disclosure of information about the Bank during its participation in the Bank is regulated by:

- Articles 153-157 of the RA Law on Securities Market and Article 169:
- Regulation 4/15 on the Procedure for Information and Disclosure on Acquisition, Increase and Decrease of Participation in the Statutory Capital of the Reporting Issuer
- “Affiliated with the Reporting Issuer, his or her Issuer composition of information contained in the reports, form of reports and procedure for reporting on transactions made by issuers in their accounts with issuer shares, derivatives or other securities in connection with such derivatives” Regulation 4/16.

g. a description of the provisions of the Charter which lay down stricter requirements than those provided by applicable laws or other normative legal acts.

None

## 20. IMPORTANT AGREEMENTS

Substantive terms and conditions of contracts entered into by the Bank during the last two years preceding the date of issue of the Prospectus, the value of which exceeds 5% of the equity value of the Bank at the end of the reporting period.

None

## 21. PROFESSIONAL OPINION OF THE EXPERT, APPRAISER, CONSULTANT AND ACCOUNTANT AS WELL AS INFORMATION FROM THIRD PARTIES

There is no information from third parties, expert or consultant, opinions of which have been used in the statement.

## 22. OTHER INFORMATION

Statement that the information and documents (their copies) below are always available to the public during the period the Prospectus is being applied.

1) the Bank's Charter,

2) Expert conclusions or reports, independent appraisals and analytical materials, having been prepared on the Bank's demand and a part of which has been used in the Prospectus.

During the whole period of Prospectus application the Bank's Charter, interim and annual Financial reports, independent auditors annual conclusions as well as annual and interim reports-analysis, reports on essential facts and events for investors are always available to the public both in electronic or paper form. Electronic versions of the above mentioned documents are published on the Bank's website: [www.aeb.am](http://www.aeb.am), investors should apply for paper versions in the Head Office of the Bank.

## 23. PARTICIPATION IN OTHER ENTITIES' CAPITAL

Information about those individuals, where the bank directly or indirectly holds more than 5% participation of the voting rights stating the name of that persons, organizational-legal form, location, number of equity securities owned by the bank and participation size.

The issuer directly has more than 5% of participation in "SIL INSURANCE" ICJSC and "Armenian Card" CJSC.

Name- "Armenian Card" Closed Joint-Stock Company- CJSC,  
Organizational-legal form is closed joint- stock company,  
Quantity of Bank-owned equity securities is 5 ordinary shares,  
Participation size is 6.2%,  
Location - RA, Yerevan, 32/1 Garegin Nzhdeh str.

## Appendix

**Annual financial reports approved by independent audit conclusion for historical financial period,  
independent audit conclusion.**