Annex 2

STATEMENT ON POSSIBLE CUSTOMER RISKS ASSOCIATED WITH OPERATIONS IN THE FINANCIAL MARKET

1. This Statement includes a description of the risks that may arise from the activities in the financial market.
2. The terms used in the Statement shall have the meaning defined by and used in the RA Law on Securities Market, other laws and normative legal acts and the Procedure for provision of brokerage services (hereinafter the Procedure) approved by ARARATBANK OJSC (hereinafter the Bank or the Broker) unless clearly and explicitly provided otherwise by the specific application of a particular concept. In the interpretation of the provisions contained herein, the concepts set forth in the Procedure shall prevail.
3. Other terms used herein, but not defined in the legal acts referred to in Paragraph 2 of the Statement, shall be interpreted in the light of customary business practice and international experience.
4. The Customer confirms that he/she has reviewed the Statement by signing the Brokerage Services and Brokerage Account Agreement with the Bank. The Customer is aware of and acknowledges the potential risks related to the operations in the financial instruments market, as well as other risks that may arise from investments in financial instruments.
5. Investments in financial instruments are not guaranteed by the Deposit Guarantee Fund.
6. For the purposes of this Statement, the concept of "risks" arising from financial instrument market activities includes the possibility of the occurrence of specific cases, situations or processes that may result or lead to the loss of customer assets.
7. Due to the variety of cases, situations, and processes referred to in Paragraph 6 of the Statement, the risks listed in the Statement are not exhaustive and do not disclose the entire information on the risks associated with investing in the financial instruments market. The purpose of the Statement is to assist the Customer in understanding the risks associated with investing in the financial instruments market, determining the level of risk acceptance and conducting a genuine evaluation of its own financial capacity and goals.
8. The purpose of the Statement is not to urge the Customer to refuse to invest in the securities market, but to help the Customer properly assess the risks of the field and give responsible consideration to the definition of the investment strategy.
9. The Bank does not guarantee the Customer's income from transactions executed in the financial instruments market based on the Customer's orders. The Customer independently decides on the choice of transactions and investment strategy in the financial instruments market.
10. Transactions in the financial instruments market can lead to financial losses. Past experience and expertise do not guarantee future financial performance. The financial success of others does not guarantee the same results for the Customer.

11. Even relatively small fluctuations in the exchange rate during margin trading can have a significant impact on the Customer's trading account due to leverage effect. Unfavorable changes in the market may cause losses in the amount exceeding the amount originally credited to the brokerage account, or any additional amounts that may be credited to the account to maintain open positions.
12. The Customer shall bear full responsibility for risk assessment, use of financial resources and choice of financial strategy.

Description of investment risks

By type of relation between the investor and the source of risk:

- direct - the source of risk and the investor are directly linked by legal relationship,
- mediated - the source of risk and the investor are not directly linked by legal relationship, however, the emergence of unfavorable circumstances at the source of risk brings with it a series of events, ultimately leading to the loss of the investor's funds and/or income.

By risk factors:

- **Economic** - Risk of adverse economic developments. The noteworthy economic risks include losses incurred by the investor due to interest rate and failure to fulfill obligations by partner, for instance, default, insolvency of the acquirer or issuer of securities, insolvency of the bank, etc.
- **Legal** change risk - Incurrence of possible losses from investments in securities due to the adoption of new legislation or changes in major legislative acts (including tax-related acts). Legislative risk also includes the possibility of losses due to the absence of normative legal acts regulating the activity of the securities market.
- **Socio-political** – Risk of radical political and economic changes in the country (especially change of political leadership and other bodies), risk of social instability (including strikes), risk of hostilities, risk of nationalization of enterprises, risk of government interference in the activities of controlled enterprises and natural monopolies (including by tariff regulation).
- **Criminal** – Risk of illegal actions, such as forgery of securities issued in paper form, fraud, unauthorized access to computer systems, etc. For the investor, this is a mediated risk.
- **Operational** (technical, technological, human resources risks) – Risk of direct or indirect losses due to malfunctions of information, electrical or other systems or imperfect market infrastructure (including operations technology, management, accounting, control processes or acts or omissions of personnel). Operational risks are grouped as follows:
  - information risks,
  - risks of using electrical and communication systems,
  - risks related to nominal securities accounting system,
  - **man-made** – risks arising from human activities, such as accidents, fires, etc.
  - **natural** – risks that do not depend on human activity, such as natural disasters - earthquakes, floods, hurricanes, etc.

By type of financial instrument:

- **Shares** – Regular trading operations with shares of companies are considered limited= risk transactions, i.e. the risk of loss to the Customer is limited to the amount spent by the Customer on the share transaction. However, it should be borne in mind that under certain circumstances, losses can originate in a relatively short period of time. In particular, there are financial risks in the stock market which are risks of real loss arising from financial transactions due to unfavorable market changes. Financial risks include currency risk, liquidity risk, price risk, issuer insolvency risk.

- **Futures** - Investing in futures is associated with a risk of losing large sums of money in a short period of time, and the amount of possible loss can be unlimited and exceed the amount initially credited to the account opened with the Bank. The reason is that trading in futures involves an opportunity to open a position on high value assets against relatively small amounts which creates both an opportunity to earn more money with less resources and a risk to lose an incomparably larger sum of money than the amount invested. If doubts exist as to whether it will be possible to manage all the above risks, it is recommended refraining from trading in securities futures.
- **Options** - Options are also ranked as risky financial instruments, and the investments and transactions in options are also associated with risks. The risks involved in trading in options presuppose a possibility of incurring substantial losses in a short period of time. The person having entered an option agreement may lose the entire amount paid for the purchased call or put option in a brief space of time or incur unlimited losses as a result of the short sale of the option. This risk lies in the nature of the option, which is a depreciable asset with a limited validity period upon the expiry of which the option may completely lose its value.
- **CFD (Contract for Difference)** – CFDs are also ranked as risky financial instruments, and the investments and transactions in CFDs are also associated with risks. The risks involved in trading in CFDs presuppose a possibility of incurring substantial losses in a short period of time. The person having entered a CFD agreement may lose the entire amount invested into the purchased CFD in a brief space of time. This risk lies in the nature of the CFD.
- **Bonds** – Bond is seen as an investment involving a relatively low level of risk, however, like all financial market instruments, it also contains key risks inherent in its operation, such as:
    - Market risk,
    - Issuer insolvency risk,
    - Liquidity risk and other risks.

Customer ______________________

(Name/Surname, Name of Entity) (Signature)