

APPROVED BY
ARARATBANK OJSC
Board of Directors Resolution No. 21/01L
from June 25, 2025
Board Chairman
Grigor Hovhannisyan_____




**CODE
of
CORPORATE GOVERNANCE**

Effective since June 25, 2025

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SECTION I. PURPOSE, SCOPE OF APPLICABILITY, RELATED DOCUMENTS AND DEFINITIONS

CHAPTER 1: PURPOSE

1. The Code of Corporate Governance of ARARATBANK OJSC shall define the goals, principles and rules of corporate governance in ARARATBANK OJSC.
2. Throughout its history, the Bank has been and will continue to be closely guided by the genuine sense of responsibility to the society, state, and environmental protection agenda.
3. The Bank plays an important role in the economy by attracting funds from savers and depositors to be disbursed to businesses and individuals that support and promote the economic growth of the country.
4. The safety and security of the Bank are essential to financial stability, and it is therefore important for effective corporate governance frameworks to exist within the Bank for ensuring the country's continued stable economic development.
5. The Bank believes that the best method of good governance relevant to the Bank's goals is the corporate governance, which ensures a clear distribution of functions and decision-making powers among the Bank's governing bodies.

CHAPTER 2: SCOPE OF APPLICABILITY

6. The requirements of the Code of Corporate Governance shall apply to all individuals and entities involved in the governance, management, and operations of ARARATBANK OJSC.

CHAPTER 3: RELATED DOCUMENTS

7. The Code of Corporate Governance shall pertain to the following documents:
 - 1) RA Law on Banks and Banking,
 - 2) RA Law on Joint Stock Companies,
 - 3) ARARATBANK Open Joint Stock Company's Meeting Regulations, approved by Resolution No. 01/02L of the Extraordinary General Meeting of Shareholders of ARARATBANK OJSC from September 22, 2022,

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- 4) ARARATBANK OJSC Board of Directors' Code, approved by the Board's Resolution No. 15/10L from November 26, 2015,
- 5) ARARATBANK OJSC Executive Board's Code, approved by Resolution No. 16/01L-H from April 15, 2021,
- 6) Procedure for Elaborating and Approving Draft Legal Acts, approved by ARARATBANK OJSC Board Resolution No.02/01L-H from January 14, 2021,
- 7) Procedure for Classification and Identification of the Bank's Information Assets, approved by ARARATBANK OJSC Board Resolution No. 27/03L-H from July 10, 2019,
- 8) ISO/IEC 27001 Information technology - Security techniques - Information security management systems – Requirements.


CHAPTER 4: DEFINITIONS AND ABBREVIATIONS

8. Main concepts used in the Code of Corporate Governance are as follows:

- 1) **the Bank:** ARARATBANK OJSC,
- 2) **the Code:** Code of Corporate Governance of the Bank,
- 3) **Corporate Governance:**
 - a. the system by which the Bank is directed and controlled,
 - b. an important element in improving economic efficiency and growth, as well as strengthening investor confidence,
 - c. the entire set of relations between the Bank's Executive Body, the Board, shareholders and other stakeholders,
 - d. corporate governance shall also set principles and tools that define the Bank's goals and ways to achieve them, as well as to control the Bank's activities,
- 4) **the Meeting:** General Shareholders' Meeting,
- 5) **the Board:** Board of Directors of the Bank,
- 6) **the Executive Body:** Executive Board and/or Chief Executive Officer of the Bank.

CHAPTER 5: AMENDMENTS AND SUPPLEMENTS

9. Edition 02: The Code has been completely amended.

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CHAPTER 6: ANNEXES

10. There are no annexes to the Code.


SECTION II. DESCRIPTION

CHAPTER I. GENERAL PROVISIONS

11. The Bank's corporate governance framework shall clearly define the roles and responsibilities of the Board of Directors and the Executive Board.

12. Board's responsibilities:

1. Leadership and Strategic Oversight:
 - Define and monitor the long-term strategic direction of the bank.
 - Ensure alignment between the Bank's mission, values, and risk appetite.
2. Independence and Objectivity:
 - Maintain an appropriate number of independent non-executive directors.
 - Chair and key committees (Audit, Risk, Remuneration) are often required to be independent.
3. Appointments and Succession Planning:
 - Appoint and remove the CEO and Executive Board members.
 - Oversee succession planning for key executives.
4. Risk Governance:
 - Approve the overall risk appetite framework.
 - Ensure that a robust risk management system is in place.
 - Supervise the Chief Risk Officer and receive independent risk reports.
5. Integrity of Financial Reporting:
 - Ensure the integrity of the bank's financial statements and disclosures.
 - Oversee and interact with the internal and external audit functions.
 - Approve and review financial statements in accordance with applicable standards.
6. Remuneration Oversight:
 - Set and monitor executive remuneration policies.
 - Align incentives with long-term risk-adjusted performance.
7. Stakeholder and Shareholder Accountability:
 - Uphold fiduciary duties to shareholders.
 - Ensure transparent communication with all stakeholders, including regulators and the public.

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8. Board Effectiveness and Evaluation:

- Regularly assess the performance of the Board and its committees.
- Conduct external board evaluations.

13. Executive Board's responsibilities:

1. Operational Execution:

- Implement the strategy and business plan approved by the Board.
- Manage bank operations, including credit, treasury, customer service, and HR.

2. Risk Management Implementation:

- Design and enforce risk management systems and controls.
- Monitor day-to-day risks, report breaches or material developments.

3. Regulatory and Legal Compliance:

- Ensure compliance with all relevant financial and prudential regulations.
- Interact with regulators as necessary and submit timely reports.

4. Financial Management and Controls:

- Prepare budgets, forecasts, and financial statements.
- Establish and maintain sound internal financial and operational controls.

5. Organizational Leadership:

- Lead the organizational culture, employee engagement, and ethical standards.
- Promote a healthy compliance culture in line with the Code of Conduct.

6. Reporting to the Board:

- Provide timely, accurate, and complete reports to the Non-Executive Board on performance, risk, compliance, and any material incidents.

7. Stakeholder Relations (Operational Level):


- Manage relationships with customers, suppliers, and operational partners.

CHAPTER 2: CORPORATE GOVERNANCE RULES AND PRINCIPLES

14. The following principles shall constitute the core of the Corporate Governance Code of the Bank:

Accountability, Independence, Risk Oversight, Transparency, Board Diversity and Evaluation, Ethics and Conduct.

Both the Board of Directors and the Executive Board have direct responsibility in upholding and implementing these principles in accordance with their specific mandate:

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Principle	Board of Directors	Executive Board
Accountability	Accountable to shareholders and public	Accountable to the Board of Directors
Independence	Must include independent members	Not independent – part of management
Risk Oversight	Sets risk appetite; monitors exposure	Implements controls; manages risk
Transparency	Ensures disclosure and integrity	Provides data for reporting
Board Diversity & Evaluation	Monitors diversity, runs board assessments	Builds diverse teams; subject to assessment
Ethics and Conduct	Sets tone at the top	Leads by example; embeds ethics culture

15. In the exercise of their functions, the Bank's governing bodies shall be bound by the following principles:

1) The shareholder's right to participate in the Bank's governance process:

The Bank, as a single whole, shall ensure fairness and equity in the treatment of all shareholders of the same class, enabling them to effectively exercise their right to participate in the governance of the Bank, to vote, to form and uphold a sound judgement on matters put on the Meeting's agenda,

2) The shareholder's right to nominate candidates to the Board:

The Bank's corporate governance framework shall promote the effective participation of the shareholder in the process of nomination and selection of candidates to the Board,

3) Board Remuneration Policy:


Shareholders shall be given opportunity to express their opinions on the remuneration of the Board members, including through voting at the Meeting,

4) Equal treatment of shareholders:

- Proportional access to dividends (based on the number and class of shares they hold),

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- Fair and equal treatment in voting, participation, and information rights,
- 5) Protection against unfair practices like selective disclosure or favoritism;
- corporate governance system of the Bank shall protect minority shareholders from abuse by majority shareholders or shareholders with a controlling interest,
- 6) The Bank shall be guided by an effective and constructive Board, which will be able to play its role of contributing to the long-term sustainable success of the Bank, creating value for shareholders and providing support to the Bank's beneficiaries,
- 7) “Tone at the top” principle:
- The Board shall establish corporate values that create expectations for running the entire business based on legitimate ethical considerations and overseeing the observance of those values by the Executive Board and other employees through:
- a. raising risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees shall be obliged to assist the Bank in operating within the defined risk appetite and risk limits,
 - b. ensuring that appropriate steps have been or are being taken to ensure that the corporate values, professional standards or rules of conduct set by the Board as well as the related documents are fully communicated within the Bank,
 - c. ensuring that all employees, including members of the Executive Board, are aware that unacceptable behavior and misconduct will be followed by respective disciplinary or other action,
- 8) Transparent formation of the Board and its professionalism,
- 9) Proper risk management:
- The internal control and risk management system of the Bank shall ensure an objective and fair overview of the Bank's current and prospective

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situation and facilitate informed and reasonable decision-making in the Bank,

10) Organization of work of the Internal Audit Department, Compliance Assurance Group and Risk Management Department ensuring their unhindered and transparent activities.

CHAPTER 3: BOARD MEMBER RESPONSIBILITIES

16. Core competences of the Board members include but are not limited to:

1) Banking and Financial Acumen

- Deep understanding of banking operations, including lending, deposit management, and payment systems,
- Knowledge of balance sheets, capital adequacy, and liquidity management,
- Familiarity with financial statements, audits, and performance indicators.

2) Risk Management Expertise

- Experience in identifying, evaluating, and overseeing major types of risk: credit, market, operational, liquidity, reputational, and cyber,
- Understanding of risk appetite frameworks, internal controls, and regulatory capital requirements (e.g., Basel III/IV).

3) Regulatory and Legal Knowledge

- Familiarity with the regulatory landscape (e.g., AML/CFT, KYC, consumer protection, data privacy),
- Awareness of corporate governance codes, banking law, fiduciary duties, and ethical obligations.

4) Strategic Thinking and Business Judgment

- Ability to critically assess and approve the Bank's long-term strategy,
- Competence in evaluating new business models, innovation (e.g., fintech), and M&A opportunities,
- Sound judgment and decision-making under uncertainty or crisis.

5) Corporate Governance and Ethics

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- Strong grasp of governance principles, board responsibilities, and stakeholder accountability,
- Personal integrity, ethical leadership, and independence of mind,
- Understanding of conflicts of interest, whistleblower protection, and transparency requirements.

6) Audit and Financial Reporting Oversight

- Knowledge of auditing principles, accounting standards (e.g., IFRS), and audit committee duties,
- Ability to oversee external and internal audit functions and ensure integrity of disclosures.

7) Digital and Technological Awareness

- Familiarity with digital transformation, cyber risks, fintech trends, and IT governance,
- Especially important in modern banks facing competition from digital-only players.

8) Leadership and Board Dynamics

- Skills in collective decision-making, consensus-building, and chairing committees,
- Ability to challenge management constructively and contribute to diverse viewpoints.

17. Board members shall adequately discuss and outline the Bank's strategy and key development directions. The Board shall be provided with a suitable environment for the discussion of strategies.

18. Board members shall act in a fully informed and faithful manner, reasonably and in good faith in the best interests of the Bank and shareholders and in view of the interests and expectations of the Bank's stakeholders.


19. The Board's ethical commitment:

The Board shall adhere to high ethical standards as a means of building confidence in the Bank and managing its corporate reputation.

20. Rights of Board members to receive information and professional counselling:

For proper execution of duties, Board members shall be provided with access to up-to-date and reliable information, as well as professional counselling.

CHAPTER 4: PERFORMANCE EVALUATION AND REMUNERATION

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Board performance evaluation and remuneration principle:

21. Official evaluation of the activities of the Chairman and members of the Board, as well as of the committees adjunct to the Board shall be implemented and published on an annual basis. Each member of the Board shall also undertake an annual self-evaluation and shall report on their annual work results.

Executive Body performance evaluation and remuneration principle:

22. On an annual basis, the Board shall evaluate the performance of the Chief Executive Officer – and through him that of the Executive Board as a collegial body - with due regard to the professional competence of its members and their ability to cooperate with each other and manage the human resources and risks inherent in the Bank’s operation.

Remuneration proportionality principle:

23. The Board shall approve the remuneration of employees afforded by the RA legislation and shall oversee the development and deployment of the remuneration policy, systems and related control processes. The amount of remuneration shall be individualized and shall in particular be based on “high-risk-high-reward” and “low-risk-low-reward” approach.

CHAPTER 5: INFORMATION AND PUBLIC AWARENESS POLICY

24. The Bank's corporate governance system shall ensure the Bank's transparency, including the timely disclosure of credible and relevant information on its financial position, results of operations, the Bank's social, environmental, ethical impact, ownership and management structures, and other essential aspects.
25. The Bank's transparency is necessary for making informed decisions regarding the Bank by its shareholders, other stakeholders and the general public.

The Bank’s accountability and transparency of activities:

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26. Disclosure of information by the Bank shall include, but not be limited to, the publication of annual statements.
27. The Bank shall ensure timely publication of the information subject to disclosure on its official website.

CHAPTER 6: EXTERNAL AUDIT


28. The Bank shall be subject to external audits by an independent, competent audit company meeting the requirements of international standards for auditing, ethics and independence, to provide external and objective assurance to the Board, shareholders and other stakeholders that the Bank's financial statements present fairly, in all material respects, its financial position and results of operations.
29. The Bank shall have a procedure for selecting an audit company to perform external audits, which shall define the criteria applicable to the audit company, audit partner rotation periods, rules and timeframes for organizing, holding and summing up tender results.
30. The Board or the Board's Audit Committee shall hold regular meetings with the Bank's external auditor.
31. The external auditor shall be accountable to shareholders and shall exercise due professional care in the performance of audits.

SECTION III. RESPONSIBILITY FOR INFRINGING THE REQUIREMENTS OF THE CODE, FINAL PROVISIONS

CHAPTER 1: RESPONSIBILITY FOR INFRINGING THE REQUIREMENTS OF THE CODE

32. The Bank employees involved in the processes set out in the Code shall be held personally liable for inaccurate and improper implementation of job responsibilities assigned to each of them under the Code, internal legal instruments of the Bank, employment contracts and financial liability agreements.

CHAPTER 2: FINAL PROVISIONS

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33. The Staff of the Bank shall control and the Internal Audit Department shall supervise the implementation of the requirements of the Code.