

ACCOUNTING ISSUER'S STATEMENT

ARMENIAN ECONOMY DEVELOPMENT BANK OPEN JOINT STOCK COMPANY

ARMECONOMBANK OJSC

23/1 Amirvan Str., 0002 Yerevan, Republic of Armenia

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Quarterly report No 1 2025, 15 April 2025

Class of securities placed: common shares (stock security) and preference share (stock security)

Number of securities: common shares – 12,119,719 preference share- 424,600

Nominal value of securities (currency): common share – AMD 2,080
preference share – AMD 15,000

“To the best of our knowledge the financial statements give a true and fair view of ARMECONOMBANK OJSC's assets and liabilities, financial state, income and expenses, and the information included in the interim report of managerial bodies is fair and true”.

Authorized signatories:

<u>Ruben Badalyan</u> (name, surname)	<u>Deputy CEO for Finance</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Onik Chichyan</u> (name, surname)	<u>Deputy CEO for Corporate and Retail Business</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Vahe Ghazaryan</u> (name, surname)	<u>Deputy CEO for Operations</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Astghik Manrikyan</u> (name, surname)	<u>Deputy CEO for International Operations and Development</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Arpine Pilosyan</u> (name, surname)	<u>Deputy CEO for Technologies</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Nona Galstyan</u> (name, surname)	<u>Chief Accountant</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Hayk Avetisyan</u> (name, surname)	<u>Head of Strategy and Methodology Department</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Vrej Jhangiryan</u> (name, surname)	<u>Head of Legal Department</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
<u>Hakob Matevosyan</u> (name, surname)	<u>Head of Risk Management Department</u> (position)	<u>(signature)</u>	<u>15.04.2025</u> (date)
	<u>CEO</u> (position)		<u>(date)</u>
<u>Artak Arakelyan</u> (name, surname)		<u>(signature)</u>	<u>15.04.2025</u> (date)

Interim Report
On Financial State
31 March 2025
ARMECONOMBANK OJSC 23/1 Amiryan Str.,
Yerevan

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	Name	No tes	As of the end of current interim period (unaudited)	As of the end of previous fiscal year (unaudited)
1	Assets			
1.1	Cash and their equivalents	13	64,715,432	63,821,616
1.2	Standardized bank precious metal bars and coins		566,673	531,149
1.3	Due from banks and other financial institutions	14	4,554,519	6,800,474
1.4	Reverse repurchase agreements	14.1	14,915,942	14,217,780
1.5.1	Other financial assets calculated at amortized cost	18	0	9,087,066
1.6	Loans and advances at amortized value provided to customers	16	357,784,784	342,101,456
1.7	Financial assets at fair value rated through other comprehensive income	17	406,225	1,013,634
1.7.1	Securities pledged under repurchase agreements	17.1	75,557,785	66,906,556
1.9	Non-current assets held for sale		2,823,959	2,855,368
1.10	Fixed assets	20	15,598,812	15,823,392
1.10	Intangible assets	20	1,045,106	1,064,637
1.10	Right-of-use assets	20.1	1,928,906	2,070,902
1.12	Other assets	21	1,910,604	1,365,013
	Total assets		541,808,747	527,659,043
2	Liabilities			
2.1	Liabilities to banks and other financial institutions	22	77,405,850	74,939,160
2.2	Loans and borrowings from international financial institutions		49,440,255	53,700,903
2.3	Loans from the Central Bank of RA and RA Government	22.2	41,403,499	39,458,541
2.4	Repurchase agreements	22.3	71,995,627	63,046,386
2.5	Liabilities to customers	23	190,770,313	191,353,018
2.6	Subordinated loan	23.1	6,170,823	6,104,831
2.7	Liability for current tax		1,203,206	1,117,096
2.8	Securities issued by the Bank	24	16,719,722	14,115,869
2.9	Financial liabilities measured at fair value calculated through profit/ loss	25	212,248	119,575
2.10	Amounts payable	26	640,185	651,905
2.11	Deferred tax liabilities	11	1,201,889	1,093,219
2.12	Reserves	30	58,136	67,641
2.13	Lease liabilities	40	1,546,594	1,669,847
2.14	Other liabilities	27	2,686,579	2,952,329
	Total Liabilities		461,454,926	450,390,320
3	Capital			
3.1	Chartered capital	28	31,578,015	31,578,015
3.2	Share premium		7,762,974	7,762,974
3.3	Reserves			
1 3.3	Primary reserve		4,190,000	4,190,000
2 3.3.	Fair value reserve		(80,660)	(183,297)
3 3.3.	Other reserves		6, 628,278	6,681,896
3.4	Undistributed profit (loss)		30,275,214	27,239,135
	Total capital		80,353,821	77,268,723
	Total liabilities and capital		541,808,747	527,659,043

Chairman of the Executive Board (CEO)

Chief Accountant

A. Arakelyan

N. Galstyan

Interim
Report On
Financial
Results
31 March 2025
ARMECONOMBANK OJSC,
23/1 Amiryan Str., Yerevan

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Name	Note	Accounting period (unaudited)	Previous period (unaudited)
Interest and similar income	3	12,523,561	10,942,520
Interest and similar expenses	3	(7,915,116)	(6,759,210)
Net interest and similar income		5,328,445	4,183,310
Income as commission and other fees	4	2,216,727	1,621,141
Expenses as commission and other fees	4	(718,780)	(550,704)
Net commission and other fees received		1,497,947	1,070,437
Dividend income		2,405	
Net income from commercial operations	5	754,697	790,721
Other operational income	6	179,378	89,324
Operational income		7,762,872	6,133,792
Net deductions to possible asset loss provisions	7	(57,476)	(381,388)
Total administrative expenses	8	(2,802,641)	(2,515,009)
Other operational expenses	9	(1,215,015)	(1,040,364)
Operational profit		3,687,740	2,197,031
Profit(loss) before taxation		3,687,740	2,197,031
Profit tax expense (compensation)	11	(485,418)	(395,546)
Profit for period		3,202,322	1,801,485

Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Gastyan

Interim Report
On other
comprehensive
income
31 March 2025
ARMECONOMBANK OJSC
23/1 Amiryan Str., Yerevan

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Name	No te	Accounti ng period (unaudited)	Previous period (unaudited)
Other comprehensive income			
Revaluations of financial assets at fair value calculated through other comprehensive income		124,957	491,663
Depreciation of financial assets at fair value measured through other comprehensive income		172	(60,550)
Income tax on revaluations of financial assets measured at fair value through other comprehensive income		(22,492)	(88,494)
Other comprehensive income after taxation		102,637	342,589
Comprehensive income		3,304,959	2,144,074

Chairman of the Executive Board (CEO)A. Arakelyan

Chief AccountantN. Gastyan

Report approval date:14 April 2025

Interim report
On changes in own
capital
31 March 2025

ARMECONOMBANK OJSC 23/1 Amiryan Str.,
Yerevan

Name of elements of own capital	Charter capital	Accounting period		Main reserve	Revaluation s of financial assets at fair value rated through other comprehensive	Profit from the revaluatio n of non- current assets	Undistr ibuted profit (loss)	Tot al	To tal capi tal
		Net amount	Share premium/lo ss						
Articles	1	3	4	5	7	9	10	12	14

Comparable interim period of the previous financial year (ascending from the beginning of the year (I table)

<i>Balance as of the beginning of the financial year 01 January 2024 (audited)</i>	28,132,240	28,132,240	2,265,076	3,952,000	(379,408)	6,896,366	19,599,449	60,465,723	60,465,723
Recalculated balance	28,132,240	28,132,240	2,265,076	3,952,000	(379,408)	6,896,366	19,599,449	60,465,723	60,465,723
Transactions with shareholders (owners) with shares (stock) including:	3,445,775	3,445,775	5,947,898	-	-	-	-		8,943,673
Investments in charter capital and other increase of chartered capital	3,445,775	3,445,775	5,497,898	-	-	-		8,943,673	8,943,673
Comprehensive income		-	-	-	842,589		1,801,485	2,144,07	2,144,074
Dividends		-	-	-		-	(222,304)	(222,304)	(222,304)
Internal movements including	-	-	-	-	-	(53,618)	53,618	-	-
A decrease in price increase from the revaluation of fixed and intangible assets		-				(53,618)	53,618	-	-
<i>Balance as of the end of interim accounting year 31/03/2024 (unaudited)</i>	31,578,015	31,578,015	7,762,974	3,952,000	(36,819)	6,842,748	21,232,248	71,331,168	71,331,168

Interim period of the current year
(ascending from the beginning of the year)
(II table)

<i>Balance as of the beginning of the financial year 01 January 2025 (unaudited)</i>	31,578,015	31,578,015	7,762,974	4,190,000	(183,297)	6,681,895	27,239,136	77,268,723	77,268,723
Recalculated balance	31,578,015	31,578,015	7,762,974	4,190,000	(183,297)	6,681,895	27,239,136	77,268,723	77,268,723
Comprehensive income		-	-		102,637		3,202,322	3,304,959	3,304,959
Dividends		-	-	-		-	(219,861)	(219,861)	(219,861)
Internal movements including:	-	-	-	-	-	(53,618)	53,618	-	-
A decrease in price increase from the revaluation of fixed and intangible assets		-				(53,618)	53,618	-	-
<i>Balance at the end of interim accounting period 31/03/2025 (unaudited)</i>	31,578,015	31,578,015	7,762,974	4,190,000	(80,660)	6,628,277	30,275,215	80,353,821	80,353,821

Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Galstyan

Report approval date 14 April 2025

Name	Note	Accounting period (unaudited)	Previous period (unaudited)
Cash flows from operations			
Profit of the year		3,202,332	1,801,485
Adjustments			
Expenses on profit tax		485,418	395,546
Profit(loss) from devaluation of interest –bearing assets		57,476	381,388
Wear, amortization, devaluation		655,366	591,782
Profit(loss) from alienation of fixed assets			
Net profit from foreign currency conversion		97,739	4,140
Net profit from financial assets measured at fair value through profit/loss		79,326	13,216
Financial assets measured at fair value through other comprehensive income, net profit		(7,538)	(253,589)
Other income		(80,045)	
Interests receivable		1,404,031	(1,704,122)
Interests payable		(1,264,902)	582,891
Cash inflows from operating activities before changes in operating assets or liabilities		4,629,193	1,812,737
Changes in operational assets and liabilities			
Increase/decrease of operational assets			
Due from financial institutions		2,326,321	2,175,602
Reverse repurchase agreements		(772,681)	(915,113)
Loans to customers		(16,759,901)	(12,088,949)
Other assets		(578,146)	3,799
Liabilities towards financial institutions		2,644,864	(5,966,836)
Repurchase agreements		8,944,665	15,049,140
Liabilities to customers		(270,893)	(753,333)
Other liabilities		634,666	(1,091,399)
Cash used in operating activities before taxation		123,590	155,600
Paid profit tax		(303,166)	(270,190)
Net cash used in operating activities		(179,576)	(114,590)
Cash flows from investment operation			
Decrease(increase) in investment securities		(101,900)	(8,127,647)
Acquisition of fixed assets		(118,933)	(510,173)
Proceeds from the sale of fixed assets		5,801	
Acquisition of intangible assets		(42,634)	(64,647)
Net cash (used) / (received from operation) in investment operations		(257,666)	(8,702,467)

Cash flows from financial operations			
Receipt of loans from the Central Bank of RA and RA Government		2,467,833	199,425
Proceeds/ repayments from loans received from international financial institutions		(3,523,336)	(5,169,373)
Proceeds/repayments from subordinated loan		78,875	(923,007)
Increase(decrease) in bonds issued by the bank		2,734,961	2,059
Issue of shares			3,659,800
Lease liabilities		(268,300)	(262,002)
Paid dividends		(253,393)	(226,311)
Net cash flows from financial operations		1,254,641	(2,719,409)
Impact of foreign currency exchange rate fluctuations on cash balances held in foreign currency		68,419	(1,140,875)
Impact of expected credit losses		7,998	40,061
Net increase of cash and its equivalents		893,816	(12,637,280)
Cash and equivalents at the beginning of the year	13_2	63,821,616	71,569,317
Cash and equivalents at the end of the year	13_2	64,715,432	58,932,037

Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Galstyan

Report approval date 14 April 2025

Estimating ARMECONOMBANK’s (hereinafter- the Bank) performance over the accounting quarter, we have to admit that over the accounting trimester the Bank has ensured essential growth of main indicators and important qualitative shifts.

During the accounting quarter the Bank implemented “Simple” deposit type.

The accounting trimester was also effective in terms of cooperation of the Bank with international financial and lending institutions. The existing programs expanded and cooperation was developed in the field of new banking services.

ARMECONOMBANK OJSC will steadily continue its progress in the area of implementation and development of new loan projects and adoption of new markets of resource attraction.

ARMECONOMBANK OJSC performs activity in all bank service sectors. The bank holds its firm positions in foreign currency, security and interbank markets. The Bank is also active in lending, service rendering, new types of transfers and plastic card service sectors.

The existence of an optimal risk management system significantly contributes to increasing the efficiency of measures aimed at the implementation of the Bank's long-term and short-term goals.

The risk management culture in the bank is subject to continuous improvement, based on the objectives of stable, reliable and safe operations under the conditions of an acceptable level of risks and an optimal risk-income ratio.

The risk management system of the Bank is based on Basel Committee Agreements on Banking Supervision and ISO/IEC 27001 (Information Security Management System) provisions of international standard and other similar requirements, which are considered to be one of the guarantees of effective operation of the system.

Acceptable levels of risks are defined by the competent management bodies (risk appetite) within the framework of which the implementation of activities will ensure stable and effective development for the Bank as a result of the implementation of current and strategic goals.

The risk management process includes phases aimed to identify, assess, control, communicate-report and respond to possible risks in the bank’s operations. The application of economic and mathematical modelling, regulation, analyses, forecast of processes as well as the ongoing improvement of the internal control system allows the Bank to ensure the optimal risk-income ratio through the risk management system, excluding or minimizing the losses caused by possible risks during the Bank's activity and ensuring the requirements of the current regulatory framework.

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.

The Bank’s gross risk is managed by an appropriate economic-mathematical model through identification and monitoring of risk appetite of foreign currency, credit, liquidity, and interest rate risks and their aggregate – gross risk level.

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

- Credit risk;
- Interest rate risk;
- Liquidity risk;
- Foreign currency risk;
- Price risk
- Operational risk.

Credit Risk

Credit risk is the possible danger of repayment of a loan, accrued interest, or a part thereof later than due under the agreement conditioned by worsening of the borrower’s financial condition, devaluation of the collateral and other similar reasons.

Stress tests and different possible scenarios are applied to analyze and estimate the impact of various possible changes in credit portfolio on the current indicators of the Bank. Within the framework of the aforementioned stress scenario analysis, calculation and analysis of the critical points for deviations from the standards is also performed to provide data on the probability of deviations for the day as a unique estimate of credit risk.

On the purpose of monitoring the quality of the loan portfolio, correlation dynamics analysis between average weighted effective interest rates and the ratios of non-performing loans per loan types, as well as monthly studies on migration flows and their changes in classification of loans (among classes) are carried out.

Thanks to the efficient risk management system the quality of the bank’s loan portfolio remains high and the risk level- low.

Interest Rate Risk

Interest rate risk is the probability of negative impact of market interest rate fluctuations on net interest income or economic value of the capital.

By means of GAP model, widely used in international practice, interest rate risk is assessed based on the analysis of disbalance between assets and liabilities that are sensitive to interest rate fluctuations and time gaps.

The interest rate risk based on the Duration Model is assessed using the average weighted time indicators of assets and liabilities, reviewing the duration as an instrument for assessing the sensitivity of present values of assets and liabilities towards the interest change.

The analysis of gaps of assets and liabilities expressed in individual currencies is performed to assess the impact of interest rates on net income.

Within the CAAP, predictions of stress changes of market interest rates are carried out and the impact on the Bank’s capital adequacy standards on a 3-month horizon is assessed.

The mentioned models enable to hedge the interest rate risk through optimal management of assets and liabilities through analysis of durations of assets

and liabilities.

Liquidity Risk

Liquidity risk is the probability that the bank may not be able to timely satisfy the claims of its borrowers without suffering additional losses.

A methodology of assessment and management of liquidity indicators based on maturity gaps concept has been implemented in the bank; allows assess the impact of maturity gaps of assets and liabilities on the bank’s liquidity based on temporal ranges of the cumulative liquidity indicators for instant, up to 90 days, and up to 1-year, which becomes a good basis for making optimal decisions on management of assets and liabilities.

The stress testing scenario model allows assessing the impact of various possible shock situations on liquidity standards by analyzing changes in standards and the likelihood of their violation in the event of early withdrawal of a certain share of term deposits of physical and legal entities and the withdrawal of a certain share of demand liabilities (as well as in case of various possible combinations of the aforementioned shares). The calculation of critical points of standard deviation allows to obtain alternative values of the bank’s liquidity risk by analyzing the impact of pre-term withdrawal of term deposits from individuals and legal entities and on-demand liabilities on the standards and the probability of their deviations.

The Bank also analyzes the behavioral changes of its depositors. For this purpose, the stability of the Bank’s depositors, deposit withdrawals and reinvestments, as well as the attraction of new deposits are assessed on a monthly basis. As part of liquidity risk management, the assessment and forecasting of the Liquidity Coverage Ratio (LCR) for the upcoming six months is also carried out. The forecast is based on projected changes in the outflow of funds attracted from legal entities and individuals, derived from the Bank’s historical data. Additionally, the Bank’s future lending capacity is assessed. Within the framework of liquidity management, scenario analyses are also conducted on the outflow of funds from large individual legal and physical persons, as well as groups of clients, who have placed funds exceeding certain threshold volumes. These analyses help evaluate the impact of potential outflows on the current levels of regulatory ratios. The bank also carries out analyses of obligations, the structure of on-demand funds and changes, comparisons of indicators of bank system and similar indicators.

Foreign Currency Risk

Foreign exchange risk is the probability that the bank may incur losses due to exchange rate fluctuation.

Foreign currency risk management is carried out by VAR methodology accepted in international practice, as well as through the methods of analysis of scenario of stress tests. In the analyses of scenario of stress tests the impact of sharp fluctuations of foreign currency exchange rate on the standards is reviewed. Stress scenarios of AMD valuation and devaluation are considered, as well as the worst scenario combination option of exchange rate fluctuations per individual currencies, in which case the possible loss will be the maximum are reviewed.

The economic-mathematical model for assessing possible maximum losses from fluctuations in foreign exchange rates, developed on the basis of the VAR methodology used for the purpose of foreign exchange risk management, makes it possible to assess the risk of possible losses caused by the Bank’s open positions.

The impact of foreign currency change risk on the Bank’s profit is also evaluated quarterly and annually by means of scenario analysis of stress tests, the results of which are included in notes of interim and annual financial reports published by the Bank.

Price Risk

Price risk is the jeopardy to incur financial losses from adverse changes in current market prices of securities reflected in the bank’s balance sheet, conditioned by equity instrument and its issuer, as well as factors related to general fluctuations of market prices of securities in circulation (taking into account the long or short positions of given security).

The possible minimum level of price risk is assured by the following undertaken measures:

- Analysis of dynamics of structural, volume and price indicators of financial market, analysis of liquidity of separate financial instruments, revelation of existing tendencies,
- Assessment of possible losses,
- Application of hedging instruments,
- Establishment of limits of financial instruments (per type of security operation, dealer, issuer, stop- loss),
- Diversification of security portfolio per issuer, industry sectors, terms, etc.

Operational Risk

Each business operation of a bank contains certain operational risk that may lead to both small and big losses for the Bank. For this reason, banks attach great importance to the efficient management of operational risk. In compliance with the Bank’s internal legal acts regulating the Bank’s risk management, operational risk is defined as the (probability) of direct or indirect losses caused by inadequate or wrong activities of the personnel, weaknesses of organization and performance of the bank’s operations, breakdowns as well as by adverse environmental activities and situations.

The implementation of an effective operational risk control system is one of the most important factors in the optimal management of this risk, which is ensured by means of daily control, assessing the appropriateness of the current regulatory level through periodic and thematic inspections, identifying the functions to be improved, identifying potential risks and notifying the responsible authorities thereof.

Taking into account the ongoing steady development strategy of the Bank, its future planned performance will be directed to strengthening and expansion of Bank’s position in RA banking market, studying the opportunity of stepping into international markets, which mainly envisages future steady growth of assets on the account of attracted resources /deposits, international loan programs/, as well as accrued profit and equity.

The bank also intends to expand its cooperation with such international financial Institutions as EBRD, IFC, German- Armenian Fund (GAF), Black Sea Trade and Development Bank, FMO, Asian Development Bank and BLUEORCHARD MICROFINANCE FUND LLC investment company, SYMBIOTICS SA, MICRO, SMALL & MEDIUM ENTERPRISES BONDS S.A., DEG – Deutsche Investitions, Entwicklungsgesellschaft mbH financial institutions, INCOFIN CVBA, EFA Financial Institutions Debt Fund PTE Ltd investment companies and other organizations. Along with lending to small and medium-sized enterprises, the implementation of joint mortgage lending programs, as well as lending programs for new sectors will

develop more quickly.

The letter of credit financing programs for foreign trade actively implemented in parallel with the credit program with international financial and credit organizations will continue.

The main part of the upcoming planned revenue growth is expected to receive from interest income, increasing the revenue generated from the provided services. In order to increase interest income from loans, new credit technologies are studied and implemented.

The income from rendered services is increased due to their diversification, expansion of the list of plastic card services, provision of individual safe deposit boxes, increase of the number of ATMs and list of service points, the number of self-service terminals installed in trade and service outlets, range of services provided through “AEB Mobile”, “AEB Online” systems and self-service terminals.

On purpose of realization of above mentioned tasks, the Bank will continue its regular technical upgrade, enhancement of Procedures, implementation of new banking technologies, paying special attention to the application of leading digital technologies in the service toolkit, which will allow to ensure faster, high quality and round-the-clock service of customers.

One of the main prerequisites of efficient development for ARMECONOMBANK OJSC is implementation of new bank technologies and leading expertise. Taking this into account the Bank will ensure the continuity of new technologies implementation process emphasizing the application of leading digital technologies in the service toolkit, which will allow to ensure fast, high quality and round-the-clock service to customers. All necessary capital investments are envisaged for the aforementioned, which, as a result will enhance technical modernization.

The provision of new clearing services, plastic/both local and international/card service, the list of services provided through self-service terminals, “AEB Mobile”, “AEB Online” services and etc will be expanded.

Under its regional policy the Bank will continue to reconstruct and renovate the existing branches.

The main negative factors that will have certain effect on bank activities are political – economic processes, that is the tendencies of further development of internal and external economy.

To mitigate the above mentioned risks, the Bank will continue to carry out a balanced attraction and investment policy, trying to forecast development tendencies as much as possible, diversifying the risk, expanding the list of services, trying to avoid loan and deposit portfolio concentrations.

The Bank pays great attention to issues related to implementation of the Bank’s new Programs, and enhancement of existing ones. Implementation and development of new technologies at the Bank has a scheduled character. The Bank constantly reviews leading international practice per separate sectors of banking services, conducts market research thereof. The bank also elaborates precise procedures for implementation of services and technologies, realizing implementation expertise as well.

Active works are carried out at the Bank to improve the quality of new services, service, taking into account the results of customer inquiries.