

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 2 2025, 15 July 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><br>(name, surname)   | <u>Deputy CEO for Finance</u><br>(position)                           | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Onik Chichyan</u><br>(name, surname)    | <u>Deputy CEO for Corporate<br/>and Retail Business</u><br>(position) | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Vahe Ghazaryan</u><br>(name, surname)   | <u>Deputy CEO for Operations</u><br>(position)                        | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Arpine Pilosyan</u><br>(name, surname)  | Deputy CEO for Technologies<br>(position)                             | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Nona Galstyan</u><br>(name, surname)    | <u>Chief Accountant</u><br>(position)                                 | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Vrej Jhangiryan</u><br>(name, surname)  | <u>Head of Legal<br/>Department</u><br>(position)                     | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Hakob Matevosyan</u><br>(name, surname) | <u>Head of Risk Management</u><br><br><u>Department</u><br>(position) | (signature) | <u>15.07.2025</u><br>(date) |
| <u>Artak Arakelyan</u><br>(name, surname)  | <u>CEO</u><br>(position)  | (signature) | <u>15.07.2025</u><br>(date) |

|       | Name   | No<br>tes | As of the end of current<br>interim<br>period (unaudited) | As of the end of<br>previous fiscal year<br>(unaudited) |
|-------|--|-----------|---|---|
| 1     | Assets   |           |   |   |
| 1.1   | Cash and their equivalents   | 13        | 78,790,984  | 63,820,315  |
| 1.2   | Standardized bank precious metal bars and coins                              |           | 456,386   | 531,149   |
| 1.3   | Due from banks and other financial institutions                              | 14        | 3,914,545   | 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 provided to customers at amortized value                  | 16        | 377,765,984   | 342,101,456   |
| 1.7   | Financial assets at fair value rated through other comprehensive income      | 17        | 407,984   | 1,013,634   |
| 1.7.1 | Securities pledged under repurchase agreements                               | 17.1      | 77,532,418  | 66,906,556  |
| 1.9   | Non-current assets held for sale   |           | 2,808,420   | 2,855,368   |
| 1.10  | Fixed assets   | 20        | 15,583,642  | 15,823,392  |
| 1.10  | Intangible assets  | 20        | 997,449   | 1,064,637   |
| 1.10  | Right-of-use assets  | 20.1      | 2,188,231   | 2,070,902   |
| 1.12  | Other assets   | 21        | 2,391,096   | 1,365,013   |
|       | Total assets   |           | 577,723,981   | 527,657,742   |
| 2     | Liabilities  |           |   |   |
| 2.1   | Liabilities to banks and other financial institutions                        | 22        | 78,275,202  | 74,939,160  |
| 2.2   | Loans and borrowings from international financial institutions               |           | 65,044,545  | 53,700,903  |
| 2.3   | Loans from the Central Bank of RA and RA Government                          | 22.2      | 38,395,980  | 39,458,541  |
| 2.4   | Repurchase agreements  | 22.3      | 86,555,305  | 63,046,386  |
| 2.5   | Liabilities to customers   | 23        | 196,086,183   | 191,353,019   |
| 2.6   | Subordinated loan  | 23.1      | 6,249,454   | 6,104,831   |
| 2.7   | Liability for current tax  |           | 697,771   | 1,134,862   |
| 2.8   | Securities issued by the Bank  | 24        | 18,504,182  | 14,115,869  |
| 2.9   | Financial liabilities measured at fair value calculated through profit/ loss | 25        | 228,334   | 119,575   |
| 2.10  | Amounts payable  | 26        | 721,066   | 651,905   |
| 2.11  | Deferred tax liabilities   | 11        | 1,028,601   | 1,103,051   |
| 2.12  | Reserves   | 30        | 70,087  | 67,641  |
| 2.13  | Lease liabilities  | 40        | 1,819,106   | 1,669,847   |
| 2.14  | Other liabilities  | 27        | 2,794,574   | 2,922,019   |
|       | Total Liabilities  |           | 496,470,390   | 450,387,609   |
| 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   |           |   |   |
| 3.3.1 | Primary reserve  |           | 4,641,000   | 4,190,000   |
| 3.3.2 | Fair value reserve   |           | (171, 832)  | (183,297)   |
| 3.3.3 | Other reserves   |           | 6, 574,661  | 6,681,896   |
| 3.4   | Undistributed profit (loss)  |           | 30,868,773  | 27,240,545  |
|       | Total capital  |           | 81,253,591  | 77,270,133  |
|       | Total liabilities and capital  |           | 577,723,981   | 527,657,742   |

Chairman of the Executive Board (CEO)  
  
Chief Accountant

A. Arakelyan  
  
N. Galstyan

Report approval date: 14 July 2025

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

Thous.AMD

| Name   | Note | Current interim period (unaudited) | Reporting period (unaudited) | Comparab le current interim period of the previous financial year (unaudited ) | Previou s period (unaudi ted) |
|--|------|------------------------------------|------------------------------|--|-------------------------------|
| Interest and similar income                      | 3    | 13,240,629                         | 25,764,190                   | 11,412,729   | 22,355,249                    |
| Interest and similar expenses                    | 3    | (7,733,786)                        | (14,928,902)                 | (6,813,367)  | (13,572,577)                  |
| Net interest and similar income                  |      | 5,506,843                          | 10,835,288                   | 4,599,362  | 8,782,672                     |
| Income as commission and other fees              | 4    | 2,639,956                          | 4,856,683                    | 1,877,072  | 3,498,213                     |
| Expenses as commission and other fees            | 4    | (954,975)                          | (1,673,755)                  | (578,223)  | (1,128,927)                   |
| Net commission and other fees received           |      | 1,684,981                          | 3,182,928                    | 1,298,849  | 2,369,286                     |
| Dividend income                                  |      | 722                                | 3,127                        | 6,037  | 6,037                         |
| Net income from commercial operations            | 5    | 1,171,633                          | 1, 926,330                   | 805,830  | 1,596,551                     |
| Other operational income                         | 6    | 295,072                            | 474,450                      | 124,107  | 213,431                       |
| Operational income                               |      | 8,659,251                          | 16,422,123                   | 6,834,185  | 12,967,977                    |
| Net deductions to possible asset loss provisions | 7    | (1,773,672)                        | (1,831,148)                  | 161,807  | (219,581)                     |
| Total administrative expenses                    | 8    | (3,003,376)                        | (5,806,017)                  | (2,785,609)  | (5,300,618)                   |
| Other operational expenses                       | 9    | (1,290,975)                        | (2,505,989)                  | (1,128,612)  | (2,168,976)                   |
| Operational profit                               |      | 2,591,228                          | 6,278,969                    | 3,081,771  | 5,278,802                     |
| Profit(loss) before taxation                     |      | 2,591,228                          | 6,278,969                    | 3,081,771  | 5,278,802                     |
| Profit tax expense (compensation)                | 11   | (773,407)                          | (1,258,825)                  | (666,237)  | (1,061,783)                   |
| Profit for period                                |      | 1,817,821                          | 5,020,144                    | 2,415,534  | 4,217,019                     |

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Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Gastyan

Report approval date: 14 July 2025

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

Thous.AMD

| Name   | No<br>te | Current<br>interim period<br>(unaudited) | Accounting<br>period<br>(unaudited) | Comparable<br>current interim<br>period of the<br>previous<br>financial year | Previous<br>period<br>(unaudited) |
|--|----------|--|-------------------------------------|--|-----------------------------------|
| Other comprehensive income   |          |  |                                     |  |                                   |
| Revaluations of financial assets at fair value calculated through other comprehensive income             |          | (110,448)                                | 14,508                              | (50,564)   | 440,979                           |
| Depreciation of financial assets at fair value measured through other comprehensive income               |          | (736)                                    | (526)                               | (56,270)   | (116,820)                         |
| Income tax on revaluations of financial assets measured at fair value through other comprehensive income |          | 20,013                                   | (2,517)                             | 9,118  | (79,376)                          |
| Other comprehensive income after taxation  |          | (91,171)                                 | 11,465                              | (97,806)   | 244,783                           |
| Comprehensive income   |          | 1,726,650                                | 5,031,609                           | 2,317,728  | 4,461,802                         |

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Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Gastyan

Report approval date: 14 July 2025

| <div>Interim report</div> <div>On cash flows</div> <div>30 June 2025</div> <div>ARMECONOMBANK OJSC</div> <div>23/1 Amiryan Str., Yerevan</div> <div>Thous. AMD</div> |      |                                  |                                |
|--|------|----------------------------------|--------------------------------|
| Name   | Note | Accounting period<br>(unaudited) | Previous period<br>(unaudited) |
| Cash flows from operations   |      |                                  |                                |
| Profit of the year   |      | 5,020,144                        | 4,217,019                      |
| Adjustments  |      |                                  |                                |
| Expenses on profit tax   |      | 1,258,825                        | 1,061,783                      |
| Profit(loss) from devaluation of interest –bearing assets  |      | 1,831,148                        | 219,581                        |
| Wear, amortization, devaluation  |      | 1,286,337                        | 1,198,770                      |
| Profit(loss) from alienation of fixed assets   |      | (6,041)                          |                                |
| Net profit from foreign currency conversion  |      | 88,824                           | 76,717                         |
| Net profit from financial assets measured at fair value through profit/loss  |      | 4,511                            | (33,206)                       |
| Financial assets measured at fair value through other comprehensive income, net profit   |      | (7,538)                          | (317,037)                      |
| Interests receivable   |      | 84,607                           | (1,077,436)                    |
| Interests payable  |      | (861,319)                        | 34,981                         |
| Cash inflows from operating activities before changes in operating assets or liabilities   |      | 8,699,498                        | 5,381,172                      |
| Changes in operational assets and liabilities  |      |                                  |                                |
| Increase/decrease of operational assets  |      |                                  |                                |
| Due from financial institutions  |      | 3,031,207                        | 613,217                        |
| Reverse repurchase agreements  |      | (721,382)                        | (770,410)                      |
| Loans to customers   |      | (39,654,701)                     | (35,224,255)                   |
| Other assets   |      | (793,273)                        | (237,364)                      |
| Liabilities towards financial institutions   |      | 3,499,517                        | (6,266,391)                    |
| Repurchase agreements  |      | 23,444,413                       | 28,014,640                     |
| Liabilities to customers   |      | 5,761,187                        | 10,505,549                     |
| Other liabilities  |      | (123,055)                        | 909,269                        |
| Cash used in operating activities before taxation  |      | 3,143,410                        | 2,925,427                      |
| Paid profit tax  |      | (1,175,029)                      | (1,652,447)                    |
| Net cash used in operating activities  |      | 1,368,381                        | 1,272,980                      |
| Cash flows from investment operation   |      |                                  |                                |
| Decrease(increase) in investment securities  |      | (802,954)                        | (5,677,423)                    |

|  |  |             |              |
|--|--|-------------|--------------|
| Acquisition of fixed assets  |  | (496,888)   | (780,988)    |
| Proceeds from the sale of fixed assets   |  | 77,992      |              |
| Acquisition of intangible assets   |  | (61,796)    | (121,039)    |
| Net cash (used) / ( received from operation) in investment operations              |  | (1,283,646) | (6,579,450 ) |
| Cash flows from financial operations   |  |             |              |
| Receipt of loans from the Central Bank of RA and RA Government                     |  | (1,106,289) | (1,212,501)  |
| Proceeds/ repayments from loans received from international financial institutions |  | 12,848,800  | (6,905,783   |
| Proceeds/repayments from subordinated loan   |  | 78,875      | (4,144,579)  |
| Increase (decrease) in bonds issued by the bank                                    |  | 4,807,974   |              |

|   |             |                   |                     |
|---|-------------|-------------------|---------------------|
| Issue of shares   |             |                   | 6,943,670           |
| Lease liabilities   |             | (544,653)         | (262,002)           |
|   |             |                   |                     |
| Paid dividends  |             | (981,305)         | (450,241)           |
| <b>Net cash flows from financial operations</b>                                 |             | <b>15,024,527</b> | <b>(6,251,432)</b>  |
| Impact of foreign currency conversion on cash balances held in foreign currency |             | (146,067)         | (1,514,868 )        |
| Impact of expected credit losses  |             | 7,474             | 26,498              |
| <b>Net increase of cash and its equivalents</b>                                 |             | <b>14,970,669</b> | <b>(13,045,822)</b> |
| <b>Cash and equivalents at the beginning of the year</b>                        | <b>13_2</b> | <b>63,820,315</b> | <b>71,569,317</b>   |
| <b>Cash and equivalents at the end of the year</b>                              | <b>13_2</b> | <b>78,790,984</b> | <b>58,523,363</b>   |

Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Galstyan

Report approval date 14 July 2025



Interim report  
On changes in own  
capital  
30 July 2025

ARMECONOMBANK OJSC 23/1 Amiryan Str.,  
Yerevan

| Name of elements<br>of own capital | Accounting period  |               |                           | Main<br>reserve | Revaluation<br>s of financial<br>assets at fair<br>value rated<br>through<br>other<br>comprehensive<br>financial<br>result | Profit<br>from the<br>revaluatio<br>n of non-<br>current<br>assets | Undistr<br>ibuted<br>profit<br>(loss) | Total | To<br>tal<br>capi<br>tal |
|------------------------------------|--------------------|---------------|---------------------------|-----------------|--|--|---------------------------------------|-------|--------------------------|
|                                    | Charter<br>capital | Net<br>amount | Share<br>premium/lo<br>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 | 60,465,2723 |
| Transactions with shareholders (owners) with shares (stock) including:             | 2,669,655  | 2,669,655  | 4,274,015 | -         | -          | -         | -          | 6,943,670  | 6,943,670   |
| 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   |            | -          | -         | -         | 244,782    |           | 4,217,019  | 4,461,801  | 4,461,801   |
| Dividends  |            | -          | -         | -         |            | -         | (890,197 ) | (890,197)  | (890,197)   |
| Other increase (decrease) in equity instruments , including                        | -          | -          | -         | -         | -          | -         |            | -          | -           |
| Increase/decrease in derivative tools classified as equity instruments             |            | -          |           |           |            |           |            | -          | -           |
| Advance payments received for issue of shares                                      |            | -          |           |           |            |           |            | -          | -           |



|  |            |            |           |           |           |           |            |            |            |
|--|------------|------------|-----------|-----------|-----------|-----------|------------|------------|------------|
| Increase/decrease in derivative tools classified as equity instruments           |            | -          |           |           |           |           |            | -          | -          |
| Advance payments received for issue of shares                                    |            | -          |           |           |           |           |            | -          | -          |
| Internal movements including:  | -          | -          | -         | 451,000   | -         | (100,235) | (343,765)  | -          | -          |
| Deductions to main reserve   |            |            |           | 451,000   |           |           | (451,000)  | -          | -          |
| Accumulated loss coverage accumulated on the account of general reserve          |            | -          |           |           |           |           |            | -          | -          |
| Coverage of emission loss  |            | -          |           |           |           |           |            | -          | -          |
| A decrease in price increase from the revaluation of fixed and intangible assets |            | -          |           |           |           | (107,235) | 107,235    | -          | -          |
| Internal movements of other instruments of equity                                |            |            |           |           |           |           |            | -          | -          |
| Balance at the end of interim accounting period 31/06/2025 (unaudited)           | 31,578,015 | 31,578,015 | 7,762,974 | 4,461,000 | (171,832) | 6,574,661 | 30,868,773 | 81,253,591 | 81,253,591 |

Chairman of the Executive Board (CEO)

A. Arakelyan

Chief Accountant

N. Galstyan

Report approval date 14 July 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 reporting quarter, the Bank introduced a new service enabling transfers from Armenia to foreign cards/accounts of individuals via the "MoneyTun" payment system. It also launched a savings account product and became the first in Armenia to implement the feature of making cashless payments in an offline environment using POS terminals through the deferred transaction method.

The reporting quarter was also productive in terms of the Bank's cooperation with international financial institutions. Existing programs were expanded, and cooperation was established in new areas of banking services. Specifically, a USD 20.0m loan agreement was signed between the Bank and the Black Sea Trade and Development Bank, with the attracted funds directed toward financing small and medium-sized enterprises (SMEs) in Armenia.

Loan agreements equivalent to USD 6.0m in AMD were signed between the Bank and five investment companies of the Grand Duchy of Luxembourg, managed by Swiss-based Symbiotics Investments SA, with the funds aimed at financing micro, small, and medium-sized enterprises (MSMEs) and/or low- and middle-income households in Armenia.

Additionally, loan agreements totaling USD 22.5m were signed between the Bank and eight investment companies of the Grand Duchy of Luxembourg, managed by Swiss-based responsAbility Investments AG. These funds will be used to finance micro, small, and medium-sized enterprises in Armenia.

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.

A comparable analysis of bank system and loan portfolio per growths in lending sectors, duration levels and dynamics of other indicators is 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 also help to 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.







