

ARMECONOMBANK OPEN JOINT-STOCK COMPANY FINANCIAL STATEMENTS IN AMD

31 December 2025

Baker Tilly Armenia CJSC
22 Hanrapetutyán street
0010 Yerevan, Armenia
[Tel:+374 \(10\) 544-301/307/309](tel:+37410544301307309)
Email:
info@bakertillyarmenia.com
www.bakertilly.am

*10.04.2026
N 012609*

I CONFIRM

*Baker Tilly Armenia CJSC
CEO*

V. Gevorgyan

Independent auditor's report

To the Shareholders of ARMECONOMBANK Open Joint Stock Company:

Opinion

We have audited the financial statements of ARMECONOMBANK OJSC (Bank), which comprise the statement of financial position as at 31 December 2025 and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the explanatory notes attached to financial statements, including a summary of significant parts of accounting policies.

In our opinion, the accompanying financial statements fairly present the financial position of the Bank as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in "*The Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Bank in accordance with the "*Code of Ethics for Professional Accountants*" (the "IESBA Code")

published by the Board of International Ethics Standards of Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the abuse of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of

accounting and, based on the audit evidence obtained, assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the relevant disclosures in the financial statements or, if such disclosures are not sufficient to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Audit responsible
Sh. Tashchyan

10 April 2026

Statement of profit or loss and other comprehensive financial result

For the year then ended 31 December 2025

In thousand AMD	Note	2025	2024
Interest income calculated through effective interest rate method	5	54,129,242	46,223,799
Interest and similar expenses	5	(31,504,627)	(27,540,052)
Net interest income		<u>22,624,615</u>	<u>18,683,747</u>
Fee and commission income	6	10,535,449	7,705,470
Fee and commission expenses	6	(3,752,748)	(2,472,701)
Net commission and other income		<u>6,782,701</u>	<u>5,232,769</u>
Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss		(383,030)	(59,010)
Net income from foreign currency operations	7	3,640,112	2,847,204
Net profit from the de-recognition of financial assets measured at fair value through other comprehensive financial result		380,642	370,645
Other income	8	1,449,801	779,342
Expense/(Reversal of expense) for credit losses	9	(1,515,072)	2,563,699
Loss from derecognition of financial assets measured at amortized cost	10	-	(3,631,059)
Staff costs	11	(8,595,383)	(7,599,024)
Depreciation of fixed assets	21	(2,344,887)	(2,203,995)
Amortization of intangible assets	22	(292,939)	(259,540)
Other expenses	12	(6,278,306)	(5,231,322)
Profit before taxation		<u>15,468,294</u>	<u>11,133,456</u>
Expenses on profit tax	13	(2,916,640)	(2,129,144)
Profit of the year		<u>12,551,654</u>	<u>9,004,312</u>

Statement of profit or loss and other comprehensive financial result (continued)

Other comprehensive income

*Items that are not subsequently
reclassified or may further be
reclassified as profit or loss*

Net change of fair value of investment securities measured through other comprehensive financial result		1,823,715	693,407
Net profit transferred to profit or loss from the realization of investment securities measured through other comprehensive financial result in fair value		(1,127,808)	(313,157)
Changes in the reserve of expected credit loss		(11,986)	(141,090)
Profit tax on reclassified items		(123,105)	(43,049)
Total items that are reclassified as or may further be reclassified as profit or loss		560,816	196,111
Other comprehensive financial result for the year without profit tax		560,816	196,111
Total comprehensive financial result for the year		13,112,470	9,200,423
		<hr/>	
		6,244,490	2,659,222
Earnings per share	14	0.96	0.71

Notes represented on pages 1 to 40 constitute an integral part of these financial statements.

Statement on financial position

As of 31 December 2025

In thousand Armenian drams	Note	31 December 2025	31 December 2024
<i>Assets</i>			
Cash and equivalents	15	60,207,737	66,820,315
Due from financial institutions	17	8,730,198	6,800,474
Reverse repurchase agreements	18	15,198,265	14,217,780
Loans and advances to customers	19	401,238,851	342,101,456
Investment securities	20	14,281,153	10,100,701
Securities pledged under sales and repurchase agreements	20	75,108,831	66,906,555
Fixed assets	21	18,718,483	17,894,294
Intangible assets	22	1,099,796	1,064,637
Other assets	23	9,915,196	4,751,530
Total assets		604,498,510	527,657,742
<i>Liabilities and equity</i>			
<i>Liabilities</i>			
Derivative financial liabilities	16	347,762	119,575
Due from financial institutions	24	195,554,471	168,098,604
Repurchase agreements	18	73,308,675	63,046,386
Liabilities to customers	25	209,352,547	191,353,019
Debt securities issued	26	22,333,207	191,353,019
Subordinated loan	27	6,222,127	9,104,831
Liabilities on current tax		1,495,767	1,134,862
Deferred tax liabilities	13	1,185,601	1,103,051
Other liabilities	28	5,813,394	5,311,412
Total liabilities		515,613,551	450,387,609

Statement of financial position (continued)

In thousand Armenian drams	<u>Note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
<i>Equity</i>			
Share capital	29	31,578,015	31, 578,015
Seigniorage		7,762,974	7,762,974
General reserve		4,641,000	4,190,000
Fair value reserve		377,519	(183,297)
Other reserves		6,418,033	6,681,896
Undistributed profit		38,107,418	27,240,545
Total equity		88,884,959	77,270,133
Total liabilities and equity		604,498,510	527,657,742

Artak Arakelyan
CEO

Nona Galstyan
Chief Accountant

10.04.2026

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*Financial statements
31 December 2025*

Statement of changes in equity For the year then ended 31 December 2025

In thousand Armenian drams

	Share capital	Share income	General reserve	Reserve for the change in fair value of the investment securities	Fixed assets revaluation reserve	Undistributed earnings	Total
Balance as of January 01, 2025	31,578,015	7,762,974	4,190,000	(183,297)	6,681,896	27,240,545	77,270,133
Profit for the year	-	-	-	-	-	12,551,655	12,551,655
<i>Other comprehensive financial result</i>							
Adjustment of the reserve from depreciation or sale of fixed assets	-	-	-	-	-	263,863	-
Net change in fair value of the investment securities calculated at fair value through other comprehensive financial result	-	-	-	1,823,715	-	-	580,816

Net amount
transferred to loss
or profit from the
sale of investment
securities measured
through other
comprehensive
income

- -
-
(1,127,808)
- - -

Net changes in the expected debt loss reserve of the investment securities measured at fair value through other comprehensive financial result	-	-	-	(11,986)	-	-	-
Income tax component of other comprehensive income	-	-	-	(123,105)	-	-	-
Total comprehensive financial result for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,816</u>	<u>(263,863)</u>	<u>12,815,518</u>	<u>13,112,471</u>
Increase of share capital	-	-	-	-	-	-	-
Allocation to the reserve	-	-	451,000	-	-	(451,000)	-
Dividends to shareholders	-	-	-	-	-	(1,497,645)	(1,497,645)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>451,000</u>	<u>-</u>	<u>-</u>	<u>(1,948,645)</u>	<u>1,497,645</u>
Balance as of December 31, 2025	<u>31,578,015</u>	<u>7,762,974</u>	<u>4,641,000</u>	<u>377,519</u>	<u>6,418,033</u>	<u>38,107,418</u>	<u>88,884,959</u>

Notes represented on pages 1 to 40 constitute an integral part of these financial statements.

Statement of changes in equity (continued)

In thousand Armenian drams

	Share capital	Share income	General reserve	Reserve for the change in fair value of the investment securities	Fixed assets revaluation reserve	Undistributed earnings	Total
Balance as of January 01, 2024	28,132,240	2,265,076	3,952,000	(379,408)	6,896,366	19,599,449	60,465,723
Profit of the year	-	-	-	-	-	9,004,312	9,004,312
<i>Other comprehensive financial result</i>							
-							
Adjustment to the reserve due to depreciation or disposal of fixed assets	-	-	-	-	(214,470)	214,470	-
Net change in fair value of the investment securities measured at fair value through other comprehensive financial result	-	-	-	693,407	-	-	693,407
Net amount transferred to loss or profit from the sale of investment securities measured at fair value through other comprehensive income	-	-	-	(313,157)	-	-	(313,157)

Net changes in the expected debt loss provision of the investment securities measured at fair value through other comprehensive financial result	-	-	-	(141,090)	-	-	(141,090)
Income tax component of other comprehensive income	-	-	-	(43,049)			
	-	-	(43,049)				
Total comprehensive financial result of the year							
				196,111	(214,470)	9,218,782	9,200,423
Increase of share capital	3,445,775	5,497,898	-	-	-	-	8,943,673
Allocation to reserve	-	-	238,000	-	-	(238,000)	-
Dividends to shareholders	-	-	-	-	-	(1,339,686)	(1,339,686)
Total transactions with owners	3,445,775	5,497,898	238,000	-	-	(1,577,686)	7,603,987
Balance as of December 31, 2024	31,578,015	7,762,974	4,190,000	(183,297)	6,681,896	27,240,545	77,270,133

Notes represented on pages 1 to 40 constitute an integral part of these financial statements.

*Financial statements
31 December 2025*

Statement on cash Flows For the year then ended 31 December 2025

	<u>2025</u>	<u>2024</u>
<i>In thousand Armenian drams</i>		
<i>Cash flows from operating activities</i>		
Profit before taxation	15,468,294	11,133,456
<i>Adjustments</i>		
Depreciation allowances	2,344,887	2,203,995
Amortization allowances	292,939	259,540
Loss arising from alienation of fixed assets	(15,592)	2,734
Loss from the devaluation of financial assets measured at amortized cost	-	3,631,059
Impairment expense (reversal of expense) on financial assets	1,515,072	(2,563,699)
Net loss from foreign currency conversion	51,042	89,754
Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss	62,550	82,267
Net profit from the de-recognition of financial assets measured at fair value through other comprehensive financial result	(430,553)	(313,157)
Interests receivable	(559,245)	(89,648)
Interests payable	1,493,678	287,255
Cash flows before changes in operating assets and liabilities	<u>20,223,072</u>	<u>14,723,556</u>
<i>(Increase)/decrease in operating assets</i>		
Derivative financial assets	-	(943)
Due to financial institutions	(1,809,380)	(1,087,392)
Reverse repurchase agreements	(1,056,352)	(1,725,119)
Loans and borrowings to customers	(61,913,586)	(53,666,600)
Other assets	(5,163,666)	(932,676)
<i>Increase/(decrease) in operating liabilities</i>		
Derivative financial liabilities	228,187	-
Liabilities to customers	17,999,528	8,541,775

Other liabilities	444,884	2,000,828
Net cash flows used for operating activities before profit tax	<u>(32,017,119)</u>	<u>(19,244,577)</u>
Paid profit tax	(2,590,935)	(2,333,065)
Net monetary facilities received from operating activities	<u>(34,608,054)</u>	<u>(21,477,642)</u>

Notes represented on pages 1 to 40 constitute an integral part of these financial statements.

Statement on cash flows (continued)

In thousand Armenian drams	2025	2024
<i>Cash flows from investment activities</i>		
Purchase of investment securities	(2,200,656)	(1,709,865)
Purchase of fixed assets	158,540	4,519
Purchase of intangible assets	(328,205)	(269,994)
Net cash used for investment activities	(2,370,321)	(1,975,340)
<i>Cash flows from financing activities</i>		
Increase in share capital	-	2,051,107
Liabilities to financial institutions	27,888,414	10,832,547
Proceeds from issued debt securities	19,123,763	4,998,075
Outflow from issued debt securities	(10,596,616)	(2,137,728)
Redemption of lease liabilities	(1,137,511)	(1,063,946)
Receipt of subordinated loan	-	4,049,609
Redemption of subordinated loan	-	(435,006)
Paid dividends	(1,473,128)	(1,295,932)
Net cash received from financing Activities / used for operations	33,804,922	16,998,726
Net increase (decrease) of cash and cash equivalents	(3,173,453)	(6,454,256)
Cash and its equivalents at the beginning of the year	63,820,315	71,569,185
The impact of changes in the devaluation reserve on cash	11,239	21,126
Impact of foreign currency conversion on cash and its equivalents	(450,364)	(1,315,740)
Cash and its equivalents at the end of the period	60,207,737	63,820,315

Notes represented on pages 1 to 40 constitute an integral part of these financial statements.

Assessing the activity of ARMECONOMBANK OJSC (hereinafter – the Bank) for the reporting year, let us state that due to the consistent implementation of the adopted strategy, corporate governance, high level of internal control system and choice of optimal risk management strategy, the Bank was able to face the existing competition and development challenges ensuring a steady growth of main indicators of activity and important qualitative shifts.

The assessment of the Bank as an established and promising financial institution should be considered as the fact that “Moody’s Investors Service” and “Fitch Ratings” companies awarded ratings to ARMECONOMBANK OJSC, as well as the fact of receiving ISO/IEC 27001 (Information Security Management System) certificate, which opens great prospects for the Bank in terms of international recognition, further deepening of cooperation with international financial and lending institutions and further development of the Bank.

In the reporting year, the range of services provided through credit products, settlement and payment services, the “AEB Online” and “AEB Mobile” systems, and self-service terminals has been expanded.

The bank has implemented biometric authentication program in “AEB Mobile” system via “Im ID” system, the feature of accepting cashless payments with Pos terminals using the deferred transaction type, the Bank introduced the leasing product, the “Simple” deposit type, the service for topping up foreign cards/accounts of individuals from Armenia via the “MoneyTun” payment system, the savings account product, and the “MasterCard World” card, which was positioned in the market as a more advantageous card for travel and purchases abroad. It also launched a plastic card delivery service and joined the “ArcaQR” system.

The feature of purchasing the bonds issued by the Bank, online credit line with deposit pledge, granting an online salary credit line, ordering a Card delivery, making QR (ARCA QR) payments and collecting the property tax payments were implemented in “AEB Mobile” and “AEB Online” systems.

The services provided by self-service terminals expanded. In particular, implementation work was carried out with the “TeamPay” and “MePay” payment and settlement companies (account/card top-up and loan repayment), payments to the Bank via Idram were enabled, a new version for loan repayment was developed (account/card top-up), and customer identification for account and card top-ups via terminals/ImID was introduced.

The acquisition of new-generation ATMs continued, and the renewal of the Bank’s ATM fleet was completed.

Within the framework of the 11th Annual Trade Finance Awards held by the Asian Development Bank, the Bank was honored with the 'Leading partner bank 2025 of Armenia' award. During the 'Countries Under One Roof' festival, the Bank was awarded the “Leading SME Bank in Armenia” prize. At the annual closing event of the “Mastercard” international clearing system, the Bank received the “Excellence Award for promoting premium card products among a wide range of customers.”

The reporting year was also effective in terms of cooperation of ARMECONOMBANK OJSC with international financial and credit institutions. The existing programs were expanded and activities were launched in the field of new banking services.

Thus, a loan agreement in the amount of USD 20.0 million was signed between the Bank and the Black Sea Trade and Development Bank, with the attracted funds to be directed toward financing small and medium-sized enterprises (SMEs) in Armenia.

Loan agreements totaling the equivalent of USD 6.0 million in AMD were signed between the Bank and five investment companies of the Grand Duchy of Luxembourg managed by the Swiss company Symbiotics Investments SA. The attracted funds will be directed toward financing micro, small, and medium-sized enterprises (MSMEs) in Armenia and/or low- and middle-income households.

Loan agreements totaling USD 22.5 million were signed between the Bank and eight investment companies of the Grand Duchy of Luxembourg managed by the Swiss company responsibility Investments AG. The attracted funds will be directed toward financing MSMEs in Armenia.

A loan agreement in the amount of USD 30.0 million was signed between the Bank and the German Development Bank (DEG), with the attracted funds to be directed toward lending to SMEs in Armenia.

Loan agreements totaling USD 20.0 million were signed between the Bank and two investment companies of the Grand Duchy of Luxembourg managed by the Swiss company BlueOrchard Finance S.A. The attracted funds will be directed toward lending to MSMEs in Armenia.

A loan agreement in the amount of USD 30.0 million was signed between the Bank and the Dutch Development Bank (FMO), with the attracted funds to be directed toward lending to SMEs in Armenia, including women and youth entrepreneurs, as well as to the agricultural sector and green projects.

ARMECONOMBANK OJSC is one of the effectively developing links of the Armenian banking system, which has been operating profitably for the last 28 years. The mentioned is remarkable, taking into account the general situation of the

development of the RA economy and the tendencies expressed in the banking system.

ARMECONOMBANK OJSC operates in all spheres of banking services. The bank has its stable positions in foreign exchange, securities and interbank markets. The bank is active in the fields of both crediting, provision of services, new methods of transfers and plastic card services.

The existence of an optimal risk management system significantly contributes to the effectiveness of the Bank's long-term and short-term goals.

The risk management culture in the bank is constantly improving, based on the goals of developing a stable, reliable, efficient and safe activity in the conditions of an acceptable level of risks and optimal risk-income ratio.

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

Acceptable levels of risk (risk appetite) are set by the competent governing bodies, within the framework of which the implementation of activities, as a result of the realization of current and strategic goals, will ensure sustainable and effective development for the Bank.

The risk management process consists of the following stages: identification of potential risks during the Bank's activities, assessment, control, communication-reporting and response of assessed risks. As a result of the application of economic and mathematical modelling tools, process regulation, analysis, forecasting and internal control system, the Bank is able to ensure the optimal risk-return ratio through the risk management system, excluding or minimizing possible losses due to the Bank's activities and ensuring the requirements of the current normative field.

The main principles of risk management, approaches to assessment and management of individual risks, methodologies and models are defined in the internal legal acts of the bank.

In accordance with the requirements of "ARMECONOMBANK OJSC risk management policy", taking into account the risk management principles of the Basel Committee on Banking Supervision and GARP (Generally Accepted Risk Principles), the following key risk assessment and management models have been developed and implemented in the bank:

- Credit risk
- Interest rate risk
- Liquidity risk
- Foreign currency risk
- Price risk
- Operating risk
- Reputational 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. At the same time, factor analyses of margin formation and changes are carried out, as well as vintage analyses, aimed at a combined assessment of the portfolio's credit risk, profitability, and behavioral trends.

A comparative analysis of the banking system and the loan portfolio per increase tendencies of the lending sectors, level of dollarization and the dynamics of other indicators is carried out.

Thanks to the efficient loan risk management system the quality of the bank's loan portfolio continues to remain 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 also performed to assess the impact of interest rates on net income.

Within the ICAAP, 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 indicators of other banks.

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 risk that the Bank may incur financial losses due to adverse changes in the market prices of equity instruments listed on one or more exchanges and reflected on the Bank's balance sheet at current market prices. This risk is driven both by factors related to the specific equity instrument and its issuer, as well as by general fluctuations in the market prices of equity instruments (in the presence of either long or short positions in the given instrument).

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, maturity, 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.

Reputational risk

Reputational risk is the probability that negative public perception of the Bank (whether justified or not) will lead to a decrease in the number of customers, a reduction in the volume of transactions carried out with customers, costly litigation processes, and a decline in profitability. Reputational risk may also cause liquidity issues, a drop in share prices, and other adverse effects.

The Bank's reputational risk is assessed by the Risk Management Department using an expert-based approach, taking into account trends in quantitative indicators such as the Bank's share of liabilities to customers within the banking system, a decrease in the number of active customers, the volume and trends of positive and negative customer feedback on online platforms, staff turnover rates, and other relevant factors.

During the reporting year, the bank continued its adopted customer-focused policy, maintaining the principle of mutual

benefit by offering customers a comprehensive package of banking services, continuously updating and diversifying it, and improving the quality of service provision.

The main competitors for the Bank are all the banks operating in RA, except for Mellat Bank, as well as certain lending institutions in loan products market. During competition the main methods are – the use of new digital technologies, expansion of the range of provided services and increasing quality, application of competitive interest rates for deposits and investments, as well as the implementation of a flexible pricing policy.

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 /10-15% annual growth is predicted/ on the account of both attracted resources /deposits, international loan programs/, and accrued profit and equity.

The Bank plans to expand its cooperation with international financial institutions, particularly the EBRD, IFC, German-Armenian Fund (GAF), Black Sea Trade and Development Bank, FMO, Asian Development Bank, "BLUEORCHARD MICROFINANCE FUND" LLC investment company, "SYMBIOTICS" SA, "MICRO, SMALL & MEDIUM ENTERPRISES BONDS" S.A., DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH financial institution, "INCOFIN CVBA" investment company, and FRANKFURT SCHOOL FINANCIAL SERVICES GMBH. Alongside the financing of small and medium-sized enterprises, the implementation of joint mortgage lending programs is expected to develop more rapidly, as well as lending programs of new sectors.

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.

In order to make the most of the existing opportunities in the economy and ensure high competitiveness in the financial and banking market, the Bank will continue to provide universal banking services.

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.

