

ACCOUNTING ISSUER'S STATEMENT
DOCUMENTS INCLUDING MATERIAL FACTS AND INFORMATION
ARMENIAN DEVELOPMENT BANK OPEN JOINT STOCK COMPANY

ARMECONOMBANK OJSC

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Annual Report 2019, 22 May 2020

Class of placed securities	common shares (stock security)
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number of securities	1,883,333
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privileged shares	424,600
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nominal value of securities (currency) common shares- AMD 10,400,

privileged shares- 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 Quarterly report of managerial bodies is fair and true."

Authorized signatories:

Artak Araqelyan (name, surname)	Deputy CEO-Treasurer (position)	(signature)	22.05.2020 (date)
Onik Chichyan (name, surname)	Deputy for Corporate and Retail Business (position)	(signature)	22.05.2020 (date)
Ruben Badalyan (name, surname)	Deputy CEO for Operations (position)	(signature)	22.05.2020 (date)
Astxik Manrikyan 22.05.2020 (date) (name, surname)	Deputy CEO for International Operations and Development (position)	(signature)	
Mikayel Poghosyan (name, surname)	Chief Accountant (position)	(signature)	22.05.2020 (date)
Hayk Avetisyan 22.05.2020 (date) (name, surname)	Head of Strategy and Risk Management Department (position)	(signature)	
Vrej Jhangiryan (name, surname)	Head of Legal Department (position)	(signature)	22.05.2020 (date)
Arpine Pilosyan (date) (name, surname)	Deputy CEO for Technologies and Security (position)	(signature)	22.05.2020
Aram Khachatryan (date) (name, surname)	CEO (position)	(signature)	22.05.2020



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Financial Statements and Independent Auditor's
Report

ARMECONOMBANK open joint stock company

31 December 2019

Contents

	Page
Independent auditor's report	1
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	6
Statement of cash flows	9
Accompanying notes to the financial statements	Error! Bookmark not defined.

Independent auditor's report

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To the Shareholders and Board of Open Joint Stock Company “Armeconombank”:

We have audited the accompanying financial statements of “Armeconombank” OJSC (the “Bank”), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the attached financial statements from the Bank’s audited financial statements as at December 31, 2019, are consistent with the audited financial statements in accordance with the principles specified in Note 1.

Financial Statements

The summary financial statement do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Therefore, reading the summary financial statement does not replace reading the audited financial statements of the Bank and the auditor’s report on them.

Audited financial statements and our conclusion

We express an opinion on these, May 20, 2020, financial statements based on our audit.

The conclusion also covers the key issues of the Audit, which, in our professional judgment, were most significant during the audit of the financial statements for the reporting year. These issues relate to the classification of financial assets and the recording of impairment losses in accordance with IFRS 9. These issues were considered in the context of the audit of the financial statements as a whole, and in order to form an opinion on the financial statements. We do not provide a separate opinion on these issues.

Management’s responsibility for the financial statements

Management is responsible for the comprehensive preparation of the audited financial statements in accordance with the principles specified on Note1.

Auditor's responsibility

Our responsibility is to express an opinion, based on the procedures we conducted our audit in accordance with IFRS 810 “Tasks applicable to the Audit Statement on the Summary Financial Statements; on those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Armen Hovhannisyan
Director

Grant Thornton Amyot LLC
20 May 2020
Yerevan

Statement of comprehensive income

In thousand Armenian drams	2019	2018
Interest and similar income	21,254,908	17,664,310
Interest and similar expense	(10,946,133)	(8,922,279)
Net interest income before interest on impairment losses	10,308,775	8,742,031
Impairment losses on interest financial assets	(336,781)	(435,226)
Net interest income	9,971,994	8,306,805
Net income from financial assets and liabilities measured at fair value through profit or loss	676,385	169,791
Fee and commission income	2,483,631	2,125,762
Fee and commission expense	(627,209)	(489,913)
Net foreign currency income	758,011	851,058
Net benefit from the de-recognition of financial assets measured at fair value through other comprehensive income	765,247	741,354
Reversal of impairment of other assets	(22,855)	18,969
Other incomes	302,155	268,002
Net non-interest income	4,335,365	3,685,023
Operating costs	14,307,359	11,991,828
Staff costs	(4,687,563)	(4,144,498)
Depreciation of fixed assets	(1,353,219)	(665,863)
Amortization of intangible assets	(73,734)	(50,283)
Other expenses	(3,694,567)	(4,478,468)
Operating costs	(9,809,083)	(9,339,112)
Profit before income tax	4,498,276	2,652,716
Profit expenses	(1,172,233)	(574,690)
Income for year	3,326,043	2,078,026

Statement of profit or loss and other comprehensive income

In thousand Armenian drams	2019	2018
Other comprehensive financial result		
<i>Items that are not subsequently reclassified in profit or loss</i>		
Asset revaluation	485,717	-
Profit tax on non-reclassifying items	(91,222)	4,306
Adjustment as a result of tax rate change	83,620	-
Net profit from items that are not subsequently reclassified in profit or loss	478,115	4,306
<i>Items that are subsequently reclassified in profit or loss</i>		
<i>Real Value Reserve Movement "Debt Instruments"</i>		
Profit from revaluation of debt instruments measured at fair value through other comprehensive income	1,305,635	368,625
Profit or loss reclassified net amount from the sale of debt instruments measured at fair value through other comprehensive income	(772,630)	(633,682)
Changes in reserves for debt loss	(173,887)	18,811
Profit tax on reclassified items	(28,183)	49,249
Profit from financial instruments measured at fair value through		

other comprehensive income	330,935	(196,997)
Other after tax comprehensive financial result for the year	809,050	(192,691)
Total comprehensive profit for the year	4,135,093	1,885,335
Earnings per share	1.37	1.00

Statement of comprehensive financial position

In thousand Armenian drams	2019	2018
<i>Assets</i>		
Cash and cash equivalents	44,050,205	38,158,045
Derivative financial assets	7,522	17,468
Requirements for financial institutions	14,189,783	13,175,950
Reverse repurchase agreement	6,222,111	3,882,703
Loans and changes given to customers	176,106,613	133,629,775
Investment securities		
- Investment securities at fair value through other comprehensive income	25,027,524	19,752,226
- Investment measured at amortized cost		
Securities	479,397	-
Fixed assets	12,262,246	10,330,854
Intangible assets	525,828	506,593
Other assets	1,811,297	2,243,783
Total assets	280,682,526	221,697,397
<i>Liabilities and equity</i>		
<i>Liabilities</i>		
Derivative financial liabilities	9,313	-
Debt securities issued	4,452,356	2,060,960
Repurchase terms	25,623,028	20,519,048
Other borrowed funds	91,923,477	64,200,798
Liabilities to customers	113,366,878	95,828,768
Current tax liabilities	390,244	273,836
Deferred tax liabilities	922,445	849,982
Subordinate loan	719,787	3,382,149
Other liabilities	3,817,289	1,568,539
Total liabilities	241,224,817	188,684,080

Statement of comprehensive financial position

In thousand Armenian drams	December 31, 2019	December 31, 2018	
Equity			Share
capital	25,635,343	22,266,343	General
reserve	3,105,000	3,000,000	Real value
reserve	1,832,155	1,501,220	Other
reserves	3,409,549	3,055,334	
Undistributed earnings	5,475,662	3,190,420	Total
equity	39,457,709	33,013,317	
Total liabilities and equity	280,682,526	221,697,397	

The financial statements were approved on May 20, 2020

Aram Khachatryan
CEO

Mikayel Poghosyan
Chief Accountant

Seal

Statement of changes in equity

In thousand Armenian drams

	Share capital	General reserve	Real value reserve	Fixed assets revaluation reserve	Undistributed earnings	Total
Balance as of January 31, 2018	22,266,343	3,000,000	1,501,220	3,055,334	3,190,420	33,013,317
Profit for the year	-	-	-	-	3,326,043	3,326,043
Other comprehensive financial result						
Fixed assets revaluation	-		-	485,717	-	485,717
Adjustment of the reserve from depreciation or disposal of fixed assets	-	-	-	(123,900)	123,900	-
Net change in fair value during the year	-	-	1,305,635	-	-	1,305,635
Revalued net profit or loss on the sale or debt instruments measured at fair value through other comprehensive income	-	-	(772,630)	-	-	(772,630)
Changes in the expected debt loss provision	-	-	(173,887)	-		(173,887)
Income tax component of other comprehensive income	-	-	(71,824)	(91,222)	-	(163,046)
Adjustment as a result of change in tax rate	-	-	43,641	83,620	-	127,261
Comprehensive financial result	-	-	330,935	354,215	3,449,943	4,135,093

for the year						
Issuance of preferred shares	3,369,000	-	-	-	-	3,369,000
Allocation to the reserve	-	105,000	-	-	(105,000)	-
Dividends to shareholders	-	-	-	-	(1,059,701)	(1,059,701)
Total transactions with owners	3,369,000	105,000	-	-	(1,164,701)	2,309,299
Balance as for December 31, 2019	25,635,343	3,105,000	1,832,155	3,409,549	5,475,662	39,457,709

Statement of comprehensive changes in equity

In thousand Armenian drams

	Share capital	Emission income	General reserve	Real value reserve	Fixed assets revaluation reserve	Undistributed earnings	Total
Balance as of December 31, 2017	13,708,745	33,438	6,000,000	1,531,277	3,157,777	4,597,371	29,028,608
Impact of IFRS 9 investment	-	-	-	166,940	-	(557,248)	(390,308)
Recalculated balance as of January 1, 2018	13,708,745	33,438	6,000,000	1,698,217	3,157,777	4,040,123	28,638,300
Profit for the year	-	-	-	-	-	2,078,026	2,078,026
Other comprehensive financial result							
Adjustment of fixed assets depreciation	-	-	-	-	(106,749)	106,749	-
Net change in fair value during the year	-	-	-	368,625	-	-	368,625

Revalued net profit or loss on the sale or debt instruments measured at fair value through other comprehensive income	-	-	-	(633,682)	-	-	(633,682)
Changes in the expected debt loss provision	-	-	-	18,811	-	-	18,811
Income tax component of other comprehensive income	-	-	-	49,249	4,306	-	53,555
Total comprehensive financial result for the year	-	-	-	(196,997)	(102,443)	2,184,775	1,885,335

Privileged shares	3,000,000	-	-	-	-	-	3,000,000
Dividends to shareholders	-	-	-	-	-	(510,318)	(510,318)
Increase of the nominal value of shares	5,557,598	(33,438)	(3,000,000)	-	-	(2,524,160)	-
Total transactions with owners	8,557,598	(33,438)	(3,000,000)	-	-	(3,034,478)	2,489,682
Balance as of December 31, 2018	22,266,343	-	3,000,000	1,501,220	3,055,334	3,190,420	33,013,317

Statement of comprehensive cash flows

In thousand Armenian drams

	2019	2018
Cash flows from operating activities		
Profit before tax	4,498,276	2,652,716
<i>Adjustments</i>		
Impairment charge for credit losses	1,353,219	665,863
Amortization and depreciation allowances	73,734	50,283
The alienation of fixed assets (profit) /loss	(5,057)	19,421
Financial assets depreciation expense	359,636	416,257
Recovery of previously written off loans	(24,938)	(738,080)
Net loss from currency conversion	347,491	38,625
Net profit from financial assets and liabilities measured at fair value through profit or loss	(676,385)	(169,791)
Net profit from the derecognition of financial assets measured at fair value through other comprehensive income	(765,247)	(741,354)
Interest receivable	(264,324)	(69,570)
Interest payable (to include IFSR 16 interest expense)	399,442	808,808
Other income	-	(8,536)
<i>Cash flow changes in operating assets and liabilities (Increase)/decrease of operating assets</i>		
Derivative financial assets	695,644	160,444
Requirements for financial institutions	(1,098,335)	(343,308)
Reverse repurchase agreements	(2,341,684)	414,226
Loans to customers	(43,469,640)	(29,768,126)
Other assets	561,445	(141,364)
<i>Increase of operating liabilities</i>		
Repurchase terms	5,110,728	6,839
Liabilities to customers	17,538,661	4,388,904
Other liabilities	165,112	333,498
Net cash flows used for operating activities before profit tax	(17,542,222)	(22,024,245)
Paid profit tax	(1,019,147)	(768,985)
Net funds used for operating activities	(18,561,369)	(22,793,230)

Statement of comprehensive cash flows

In thousand Armenian drams	2019	2018
<i>Cash flows from investment activities</i>		
Purchase of investment securities	(43,010,110)	(5,512,227)
Sale of investment securities	38,664,277	7,902,154
Purchase of fixed assets	(1,206,878)	(2,091,328)
Sale of fixed assets	357,284	379,887
Purchase of intangible assets	(92,969)	(235,758)
Net cash flows investment activities	(5,288,396)	442,728
<i>Cash flows from financial activities</i>		
Issuance of privileged shares	3,369,000	3,000,000
Prepayment for the issue of shares	500,500	-
Other borrowed funds	27,765,238	24,307,678
Receipts from issued debt securities	4,027,458	999,557
Outflows from issued securities	(1,594,443)	-
Redemption of lease liabilities	(521,466)	-
Study of subordinated loan	719,787	-
Redemption of subordinated loan	(3,375,206)	(3,000,701)
Paid dividends	(909,505)	(379,731)

Net cash received from financial activities	29,981,363	24,926,803
<i>Net increase of cash and cash equivalents</i>	6,131,598	2,576,301
At the beginning of the period of cash and cash equivalents	38,158,045	35,824,831
The impact of expected debt losses	8,331	(36,362)
Impact of currency conversion on cash and cash equivalents	(247,769)	(206,725)
Cash and cash equivalents as of the end of the period	44,050,205	38,158,045
<i>Additional information</i>		
Received interests	20,990,584	18,473,118
Paid interests	(10,381,066)	(8,113,471)

Note 1

The attached financial statements, which include the summary statements on the financial condition as of December 31, 2019 of ARMECONOMBANK OJSC, the profit or loss for the year ended on the same date and other comprehensive financial statements, changes in equity and cash flows and attached statements, the footnotes taken from the financial statements of ARMECONOMBANK OJSC, which were audited on December 31, 2019, are prepared in accordance with International Financial Reporting Standards.

The summary financial statements do not include the disclosures in the notes to the audited complete financial statements.

The complete package of audited financial statements with attached notes is available on the website of ARMECONOMBANK OJSC.

Assessing the activity of ARMECONOMBANK OJSC 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.

The assessment of the Bank as an established and promising financial institution should be considered as the fact that “Moody’s Investors Service” 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 institutions and further development of the Bank.

It should be noted that “Moody’s Investors Service” international rating company improved the ratings assigned to the Bank in 2019, setting the long-term partner risk rating-Ba3, long-term/short-term deposit rating- B1/NP, perspective stable.

In the reporting year, the Bank’s statutory fund was replenished with AMD 3,369,000, the “AVAN”, “ARARATYAN” and “ROSSIA-1” branches were launched. The Bank introduced the “Union” type of loan, which allows the customer to combine the liabilities of different financial organizations in the Bank, the mortgage loan using a fixed adjustable interest rate, started issuing Contactless Visa cards.

ARMECONOMBANK OJSC was awarded “Contribution in Premium VISA Premium Benefits” by “Visa” international payment system during the “Visa Recognition Award” held in Yerevan.

The reporting year was also productive in terms of cooperation between “ARMECONOMBANK” OJSC and international financial institutions: existing projects were expanded and an agency was launched in the field of new banking services.

Thus, a USD 3,000,000 loan agreement was signed between “ARMECONOMBANK” OJSC and “INCOFIN CVSO CVBA-SO” investment company located and registered in Belgium, managed by the Belgian “INCOFIN Investment Management” company, the funds of which will be directed to small and micro business crediting. “ARMECONOMBANK” OJSC and EBRD signed a loan agreement in the amount of USD 10,000,000 with a 4-year repayment period, which followed the successful project of the

EVRD's "Women in Business" crediting program in March 2018. "ARMECONOMBANK" OJSC and the Dutch Development Bank (FMO) signed a USD 20,000,000 5-year loan agreement, the funds of which will be directed to lending to micro, small and medium enterprises, as well as mortgage and education in Armenia. A loan agreement of USD 10,000,000 was signed between "ARMECONOMBANK" OJSC and the Black Sea Trade and Development Bank, the funds of which will be directed to the crediting of micro, small and medium enterprises in Armenia. A loan agreement of USD 10,000,000 and 5,000,000 was signed between ARMECONOMBANK OJSC and "BlueOrchard Microfinance Fund "LLC directed by "BlueOrchard Finance S.A." and "Symbiotics S.A." and located and registered in the Grand Duchy of Luxembourg, as well as the "Symbiotics SICAV (Lux.)" Investment Company listed on behalf of the "SEB Microfinance Fund VII", "Global Financial Inclusion Fund" and "Hortensia Impact Investing Fund" companies directed by "Symbiotics S.A.", registered and located in the Grand Duchy of Luxembourg, the funds of which will be directed to the crediting of micro, small and medium enterprises in Armenia. "ARMECONOMBANK" OJSC is one of the effectively developing links of the Armenian banking system, which has been operating profitably for the last 20 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 crediting, 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.

The Bank manages its gross risk on the basis of an appropriate economic and mathematical model through the determination and monitoring of foreign exchange, credit, liquidity and interest rate risks and their monetary, substantial gross risk levels.

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 rates change risk
- Liquidity risk
- Foreign currency risk

- Price risk
- Operating risk

Credit risk

Credit risk is the potential risk of delay or non-repayment of the loan, accrued interest or part of it due to the terms of the contract due to the deterioration of the borrower's financial condition, devaluation of the collateral and other similar reasons.

The effects of various possible changes in the structure of the Bank's loan portfolio on the current performance of the Bank are analysed and evaluated through stress testing and consideration of various possible scenarios. Within the framework of the analysis of the above-mentioned stress scenarios, the calculation and analysis of the critical points of norm violation is carried out, which provides information on the probability of norm violation as a unique credit risk assessment.

In order to monitor the quality of the loan portfolio, an analysis of the dynamics of the ratios of the weighted average interest rates and the share of non-performing loans by types of loans is carried out, as well as a monthly study of loan flows (between classes) migration flows and their changes.

Due to the effective credit risk management system, the bank's loan portfolio continues to maintain the traditional high quality and low risk level.

Interest rates change risk

Interest rate risk is the probability of a negative impact of changes in market interest rates on a bank's net interest income or economic value of capital.

In international practice, the risk of interest rate changes using the widespread GAP model is assessed on the basis of an analysis of the imbalance and maturity gaps of interest-sensitive assets and liabilities. Based on the "Facilitation model", interest rate is assessed and using asset-weighted maturities of assets and liabilities, using facilitation as an instrument for assessing the sensitivity of current values of assets and liabilities to changes in interest rate.

An analysis is also made of the breakdown of assets and liabilities denominated in individual currencies in terms of the effect of changes in their interest rates on net interest income.

These models allow to realize an optimal management of assets and liabilities through analysis of assets and liabilities facilitation by hedging interest rate risk.

On a quarterly and annual basis, an analysis of interest rate changes is carried out on the Bank's net interest income and capital, as well as stress testing, the results of which are included in the notes and other reports attached to the Bank's interim and annual financial statements.

Liquidity risk

Liquidity risk is the probability that the bank will not be able to meet the demands of its creditors in time frames without incurring additional losses.

Based on the application of the time gap principle, the methodology for estimating and managing liquidity ratios introduced in the Bank provides an opportunity to assess the impact of assets and liabilities on assets based on time series of accumulated liquidity ratios of up to 90 days and up to 1 year, for making optimal liability management decisions.

The stress test scenario model allows to assess the impact of various possible shock situations on liquidity ratios by analysing the demand for early repayment of a certain share of the time deposit of individuals and legal entities and the repayment (as in the case of different new shares) changes and the possibility of their violation. The calculation of critical violations of norms allows to obtain alternative liquidity risk assessments of the bank, analysing the impact of early demand and demand for repayment of demand liabilities of individuals and legal entities on the norms and the probabilities of their violation.

The economic-mathematical model for assessing the risk of demand and time deposits involved by the Bank, based on quantitative analysis, allows to assess the levels of demand and time deposits of individuals and legal entities. Within the framework of the developed methodology, a scenario analysis of stress tests is

carried out, which includes the effects of demand and outflow of time deposits of the largest 10% of individuals and legal entities, as well as from the above 4 groups of customers (individuals and legal entities investing time deposits, demand deposits and legal entities) the total impact of the outflow of 1% of each deposit on economic standards. In the framework of liquidity management, the scenario analysis of outflow of large legal entities and individuals who have invested more than a certain threshold, as well as the funds of their groups, as a result of which the impact of outflow of funds on current levels of standards is assessed.

Foreign currency risk

Foreign exchange risk is the probability of incurring losses of the Bank as a result of exchange rate fluctuations.

Foreign exchange risk management in the bank is carried out using the VAR methodology accepted in international practice, as well as the methods of scenario analysis of stress tests. In stress tests scenario analyses it is observed the effect of sharp fluctuations in the exchange rate on standards. Stressful scenarios of devaluation of the Armenian Dram are considered, as well as the worst-case scenario is the combination of fluctuations of individuals exchange rates, in which case the possible damage will be the maximum. The economic-mathematical model for estimating the maximum possible losses from fluctuations in foreign exchange rate changes based on the VAR methodology used for currency risk management makes it possible to assess the risk of possible losses due to the Bank's open positions.

The impact of exchange rate fluctuation on the Bank's profitability is assessed on a quarterly and annual basis through a stress test scenario analysis, the result of which are included in the notes to the Bank's interim and annual financial statements.

Price risk

Price risk is the risk of financial losses incurred by the Bank as a result of unfavourable changes in the market prices of capital instruments listed on the stock exchange at the current market price in the bank's balance sheet due to both the equity instruments and its issuer and market capitalization (in case of a long or short position on the given capital instrument).

The lowest possible level of price risk is ensured within the framework of the following measures:

- Analysis of the dynamics of structural, volumetric and price indicators of the financial market, liquidity analysis of certain financial instruments, current trends,
- Assessment of possible losses,
- Use of hedging tools,
- Setting limits on financial instruments (by type of capital instrument operation, by dealer, by issuer, stop-loss),
- Diversification of the set of capital instruments according to the issuer, branches of the economy, maturity, etc.

Operational risk

Each business process of the Bank contains a certain level of operational risk, which can lead to both small and significant losses for the Bank. Due to this fact, the importance of effective operational risk management for banks. Operational risk is defined by internal legal acts regulating the field of risk management of the Bank as a risk (possibility) of direct or indirect losses due to inadequate or incorrect actions of the Bank's staff, shortcomings in the organizations and execution of banking processes, failures, as well as unfavourable external environment actions.

The implementation of an effective operational risk control system is one of the most important factors in the optimal management of the risk, which is ensured through daily monitoring, regularity and regularity inspections, identification of regularity functions, identification of potential risks and notification to responsible authorities.

In the reporting year, the bank continues its policy in the field of customers, maintaining the principle of mutual benefit, offering customers a comprehensive package of banking services, constantly updating and diversifying it, improving the service sector.

The main competitors for ARMECONOMBANK OJSC are all the banks operating in RA, except for Mellat Bank, as well as some credit organizations in the market of credit products. The main methods during the competition are the application of new banking technologies, expansion of the types of services provided and improvement of quality, application of competitive interest rates and investment, as well as the implementation of a flexible tariff policy.

Taking into account the continuity of the bank's sustainable development strategy, the future planned activities will be aimed at strengthening and expanding the bank's position in Armenian banking markets, studying the possibility of entering international markets, which mainly envisages further stable growth of assets (annual growth of 15-20%), both at the expense of the resources involved (deposits, international credit programs), as well as the generated profit and equity.

The Bank intends to expand its cooperation with other international financial organizations, especially the EBRD, IFC, the German-Armenian Fund (GAF), the Black Sea Trade and Development Bank and FMO, the Asian Development Bank, "BLUEORCHARD MICROFINANCE FUND" LLC, "SYMBIOTICS" SA, "MICRO, SMALL & MEDIUM ENTERPRISES BONDS" S.A., DEG-Deutsche investitions- und Entwicklungsgesellschaft mbH financial institutions, "INCOFIN CVBA" investment company, "FRANKFURT SCHOOL FINANCIAL SERVICES GMBH" small business, at the same time the implementation of joint mortgage lending programs will develop faster, as well as lending programs in new spheres.

The main part of primary programmable revenue growth is expected to come from interest income, increasing the revenue generated from the services provided. In order to increase the interest income from loans, new credit technologies are being studied and introduced.

In order to increase the income from the provided services, they are diversified, the list of services with plastic cards is expanded.

To implement the mentioned tasks, the bank will continue to regularly upgrade equipment, improve procedures, introduce on the use of modern high-tech technologies in the service toolkit, which will provide faster, quality and round-the-clock customer service.

The bank will continue to provide universal banking services in order to make the most of the existing opportunities of the economy, ensuring high competitiveness in the financial-banking market.

Considering the introduction of advanced experience and new banking technologies as one of the key preconditions for effective development, the introduction of "Internet Banking" service will be completed, and "Mobile Banking" service will be continuously developed.

The provision of new payment and settlement services, the service with plastic (both local and international) cards, will be expanded.

Within the framework of the territorial policy, the expansion of the branch network will continue, aiming to ensure the bank's presence in the whole territory of the republic, as well as the reconstruction and renovation of the existing branches.

The main negative factors that can affect the bank's activities are the political and economic processes, the tendencies of further development of the country's economy.

To mitigate these risks, the bank will pursue a balance engagement and contributing policy, anticipating development trends as much as possible, diversifying risk, expanding the list of services, avoiding the concentration of credit and deposit portfolios.

The bank pays attention to the issues of contributing new banking programs, improving existing programs. The investment and development of new technologies in the bank is sort of a plan. According to the spheres of separate banking services, the world leading experience is studied, a marketing research is carried out on it, the elaboration of clear procedures for the contribution of services and technologies is ensured, also carrying out investment expertise.

The bank is constantly working on new services, improving the quality of service, taking into account the results of customers surveys.