

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

23/1 Amiryan Str. 0002 Yerevan Republic of Armenia

Tel: (374 10) 510910, 8686

E-mail: bank@aeb.am

Annual Report 2020, 30 April 2021

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

Number of securities 1,897,938

Preference Shares 424,600

Nominal value of securities (currency) common shares- AMD 10,400,

Preference 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."

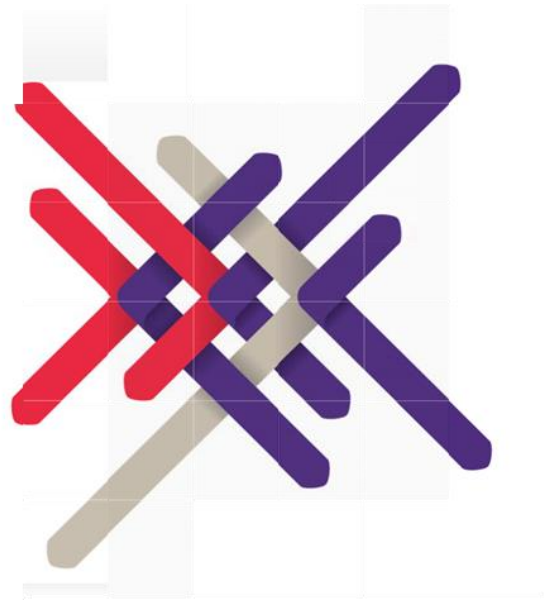
Authorized signatories:

Artak Araqelyan (name, surname)	Deputy CEO-Treasurer (position)	(signature)	30.04.2021 (date)
Onik Chichyan (name, surname)	Deputy for Corporate and Retail Business (position)	(signature)	30.04.2021 (date)
Ruben Badalyan (name, surname)	Deputy CEO for Operations (position)	(signature)	30.04.2021 (date)
Astxik Manrikyan (name, surname)	Deputy CEO for International Operations and Development (position)	(signature)	30.04.2021 (date)
Arpine Pilosyan (name, surname)	Deputy CEO for Technologies and Security (position)	(signature)	30.04.2021 (date)
Mikayel Poghosyan (name, surname)	Chief Accountant (position)	(signature)	30.04.2021 (date)
Hayk Avetisyan (name, surname)	Head of Strategy and Risk Management Department (position)	(signature)	30.04.2021 (date)
Vrej Jhangiryan (name, surname)	Head of Legal Department (position)	(signature)	30.04.2021 (date)
Aram Khachatryan (name, surname)	CEO (position)	(signature)	30.04.2021 (date)

Summary Financial Statements and Independent Auditor's Report

ARMECONOMBANK OPEN JOINT STOCK COMPANY

31 December 2020



Contents

Indipendant auditor's report	3
Summary statement on the profit and loss and other comprehensive financial results	5
Summary statement on the financial state	7
Summary statement on the changes in equity	9
Summary statement on the cash flows	11
Note 1	13

Independent Auditor's REPORT

Գրանք թողնելու ՓԲԸ
ՀՀ, ք.Երևան 0015
Երևանի Պաշտպանության
Գործողության Գործունեության
Հ. + 374 10 50 09 64/61

TO THE SHAREHOLDERS AND BOARD OF OPEN JOINT STOCK COMPANY
“ARMECONOMBANK”:

Opinion

We have audited the accompanying financial statement of “ARMECONOMBANK” OJSC (the “Bank”), which comprises the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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, 2020, are consistent with the audited financial statements in accordance with the principles specified in Note 1.

Financial Statement

The summary financial statement do not contain all the disclosures required by International Financial Reporting Standards (IFRS), which were used in the preparation of the audited financial statements of the Company.

Audited financial statements and our conclusion

We express an opinion on these, April 19, 2021, 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 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 Note 1.

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 misstatements.

Armen Hovhannisyan
Director
Grant Thornton Amyot LLC



29 April 2021

Statement of profit or loss and other comprehensive income

In thousand Armenian drams

	2020	2019
Interest and similar income	25,846,673	21,254,908
Interest and similar expense	(13,045,872)	(10,946,133)
Net interest income before interest on impairment losses	12,800,801	10,308,775
Fee and commission income	2,565,617	2,483,631
Fee and commission expenses	(831,404)	(627,209)
Net commission and other incomes	1,734,213	1,856,422
Net income from financial assets and liabilities measured at fair value through profit or loss	(709,484)	676,385
Net foreign currency income	2,337,878	758,011
Net benefit from the de-recognition of financial assets measured at fair value through other comprehensive income	2,220,878	765,247
Other incomes	359,619	302,155
Depreciation expense	(2,277,136)	(359,636)
Staff costs	(5,017,239)	(4,687,563)
Depreciation of fixed assets	(1,425,465)	(1,353,219)
Amortization of intangible assets	(94,055)	(73,734)
Other expenses	(3,865,458)	(3,694,567)
Profit before income tax	6,064,552	4,498,276
Profit expenses	(1,268,010)	(1,172,233)
Income for year	4,796,542	3,326,043

Statement of profit or loss and other comprehensive income (continued)

In thousand Armenian drams

	2020	2019
Other comprehensive financial result		
<i>Items that are not subsequently reclassified in profit or loss</i>		
Asset revaluation	-	485,717
Profit tax on non-reclassified items	7,724	(91,222)
Adjustment as a result of tax rate change	-	83,620
Net profit from items that are not subsequently reclassified in profit or loss	7,724	478,115
<i>Items that are subsequently reclassified in profit or loss</i>		
<i>Real Value Reserve Movement "Debt Instruments"</i>		
Net profit/ loss from change in fair value	(2,697,936)	533,005
Changes in reserves for debt loss	384,328	(173,887)
Profit tax on reclassified items	417,522	(28,183)
Net profit from financial instruments measured at fair value through other comprehensive income	(1,896,086)	330,935
Other after tax comprehensive financial result for the year	(1,888,362)	809,050
Total comprehensive profit for the year	2,908,180	4,135,093
Earnings per share	2.07	1.37

Statement of comprehensive financial position

In thousand Armenian drams

31.12.2020

31.12.2019

Assets

Cash and cash equivalents	42,572,757	44,050,205
Derivative financial assets	16,538	7,522
Requirements for financial institutions	13,755,753	14,189,783
Reverse repurchase agreement	10,175,600	6,222,111
Loans and changes given to customers	193,337,215	176,106,613
Investment securities		
- Investment securities at fair value through other comprehensive income	39,673,737	25,027,524
- Investment measured at amortized cost	4,543,305	479,397
Fixed assets	12,804,374	12,262,246
Intangible assets	581,733	525,828
Other assets	3,328,915	1,811,297
Total assets	320,789,927	280,682,526

Liabilities and equity

Liabilities

Derivative financial liabilities	11,549	9,313
Debt securities issued	6,185,733	4,452,356
Repurchase terms	38,125,044	25,623,028
Other borrowed funds	115,700,441	91,923,477
Liabilities to customers	112,495,410	113,366,878
Current tax liabilities	790,950	390,244
Deferred tax liabilities	467,873	922,445
Subordinated loan	1,311,068	719,787
Other liabilities	4,106,240	3,817,289
Total liabilities	279,194,308	241,224,817

Statement of comprehensive financial position (continued)

In thousand Armenian drams	31.12.2020	31.12.2019
<i>Equity</i>		
Share capital	25,955,663	25,635,343
Emission income	180,180	
General reserve	3,275,000	3,105,000
Fair value reserve	(63,931)	1,133,155
Other reserves	3,319,815	3,409,549
Undistributed earnings	8,928,892	5,475,662
Total equity	41,595,619	39,457,709
Total liabilities and equity	320,789,927	280,682,526

Ֆինանսական հաշվետվությունները հաստատվել են 2021թ. ապրիլի 29-ին

Արամ Խաչատրյան
Գործադիր տնօրեն



Handwritten signature

Statement of changes in equity

In thousand Armenian drams

	Share capital	General reserve	Real value reserve	Real value reserve	Fixed assets revaluation reserve	Undistributed earnings	Total
Balance as of January 1, 2020	25,635,343	-	3,105,000	1,832,155	3,409,549	5,475,662	39,457,709
Profit for the year	-	-	-	-	-	4,796,542	4,796,542
Other comprehensive financial result							
Djustment of the reserve from depreciation or fixed assets	-	-	-	-	(97,458)	97,458	-
Net change in fair value during the year	-	-	-	(488,852)	-	-	(488,852)
Revalued net profit or loss on the sale or debt instruments measured at fair value through other comprehensive income	-	-	-	(2,209,084)	-	-	(2,209,084)
Changes in the expected debt loss provision	-	-	-	384,328	-	-	384,328
Income tax component of other Comprehensive income	-	-	-	417,522	7,724	-	425,246
Comprehensive financial result for the year	-	-	-	(1,896,086)	(89,734)	4,894,000	2,908,180
Increase in share capital	320,320	180,180	-	-	-	-	500,500
Dividends to shareholders	-	-	-	-	-	(1,270,770)	(1,270,770)
Allocation to the reserve	-	-	170,000	-	-	(170,000)	-
Total transactions with owners	320,320	180,180	170,000	-	-	(1,440,770)	(770,270)
Balance as for December 31, 2020	25,955,663	180,180	3,275,000	(63,931)	3,319,815	8,928,892	41,595,619

Statement of comprehensive changes in equity (continued)

In thousand Armenian drams

	Share capital	General reserve	Real value reserve	Fixed assets revaluation reserve	Undistributed earnings	Total
Balance as for January 1, 2019	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
<i>Other comprehensive financial result</i>						
Asset 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
Total comprehensive financial result	-	-	330,935	354,215	3,449,943	4,135,093
Privileged 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 1, 2019	25,635,343	3,105,000	1,832,155	3,409,549	5,475,662	39,457,709

Statement of comprehensive cash flows

In thousand Armenian drams	2020	2019
<i>Cash flows from operating activities</i>		
Profit before tax	6,064,552	4,498,276
<i>Adjustments</i>		
Depreciation deductions	1,425,465	1,353,219
Amortization deductions	94,055	73,734
The alienation of fixed assets (profit)/ loss	(4,655)	(5,057)
Financial assets depreciation expense	2,277,136	359,636
Recovery of previously written off loans	(834,017)	(24,938)
Net loss/ profit from currency conversion	(824,500)	347,491
Net profit from financial assets and liabilities measured at fair value through profit loss	709,484	(676,385)
Net profit from the derecognition of financial assets measured at fair value through other comprehensive income	(2,220,878)	(765,247)
Interest receivable	(75,274)	(264,324)
Interest payable	496,244	399,442
<i>Cash flow changes in operating assets and (Liabilities) / decrease of operating assets</i>	<u>7,107,612</u>	<u>5,295,847</u>
Derivative financial assets	(716,264)	695,644
Requirements for financial institutions	1,449,591	(1,098,335)
Reverse repurchase agreements	(4,048,770)	(2,341,684)
Loans to customers	(7,858,758)	(43,469,640)
Other assets	(3,556,642)	561,445
<i>Increase of operating liabilities</i>		
Repurchase terms	12,483,844	5,110,728
Liabilities to customers	(5,063,351)	17,538,661
Other liabilities	(290,478)	165,112
Net cash flows used for operating activities before profit tax	<u>(493,216)</u>	<u>(17,542,222)</u>
Paid profit tax	(896,630)	(1,019,147)
Net funds used for operating activities	<u>(1,389,846)</u>	<u>(18,561,369)</u>

Statement of comprehensive cash flows (continued)

In thousand Armenian AMD

	2020	2019
<i>Cash flows from investment activities</i>		
Purchase of investment securities	(71,594,255)	(43,010,110)
Sale of investment securities	52,563,591	38,664,277
Purchase of fixed assets	(1,238,234)	(1,206,878)
Sale of fixed assets	47,447	357,284
Purchase of intangible assets	(149,960)	(92,969)
Net cash used for investment activities	(20,371,411)	(5,288,396)
<i>Cash flows from financial activities</i>		
Issuance of privileged shares	-	3,369,000
Increase in share capital	500,500	-
Prepayment for issue of shares	261,430	500,500
Other borrowed funds	17,449,791	27,765,238
Receipts from issued debt securities	3,212,956	4,027,458
Outflows from issued securities	(1,737,517)	(1,594,443)
Repayment of lease obligations	(520,837)	(521,466)
Receipt of subordinated loan	560,522	719,787
Repayment of subordinated loan	(41,830)	(3,375,206)
Paid dividends	(1,210,144)	(909,505)
Net cash received from financing activities	18,474,871	29,981,363
Net increase/ (decrease) in cash equivalents	(3,286,386)	6,131,598
Cash equivalents at the beginning of the term	44,050,205	38,158,045
Impact of changes in depreciation provision on cash equivalents	(2,692)	8,331
Impact of currency conversion on cash and cash equivalents	1,811,630	(247,769)
Cash and cash equivalents as of the end of the period	42,572,757	44,050,205
<i>Additional information</i>		
Received interests	25,771,399	20,990,584
Paid interest	(12,354,633)	(10,381,066)

Note 1

The attached financial statements, which include the summary statements on the financial condition as of December 31, 2020 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, 2020, 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- www.aeb.am.

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.

In the reporting year, the Bank’s chartered capital was replenished by AMD 320,320,000, the “ARTASHISYAN” and “QANAQER” branches were launched. The bank launched the "Online Banking" program, the new version of the "Mobile Banking" application, introduced.

The Bank has launched the new version of “Online Banking” and “Mobile Banking” application, started to extend “Startup” loan, which grants an opportunity to ensure necessary financing for newly established business. The Bank extended “Online loan” loan type, started to issue Contactless MasterCard cards, signed a new agreement on the rendering of payment services with ПАО СБЕРБАНК, which provides cardholders of ПАО СБЕРБАНК with an opportunity to execute transfers through the mobile application of ПАО СБЕРБАНК to any cardholder of ARMECONOMBANK. The Bank started to issue cards without “PIN” codes. As a result, the customers activate the card by themselves through an ATM simultaneously selecting the preferred “PIN” code (the activation and identification of PIN code is carried out by sending a one-time password to the phone number).

To launch this feature, all scenarios of the ATMs were changed to ensure the provision of the PIN code to the customer.

The opportunity to change the status of the card with the mandatory receipt of the PIN code has been introduced, which is a change of “PIN” code forgotten/lost by the customers through the change of the card’s status (by the application of the mentioned process, the Bank saves both the value of non-embossed cards on each forgotten/lost PIN code and the amount subject to payment to “Armenian card” CJSC for the envelop of PIN code)

During “Asian Banking & Finance Awards 2020” annual ceremony, the Bank was granted “The corporate and investment bank of the year in RA” award. Asian Development Bank granted the bank “Leading partner bank in Armenia” award for the transactions executed during a year within the framework of Trade Finance program.

The reporting year was also effective in terms of cooperation with international financial and credit institutions: the existing projects were extended and cooperation was established in the field of new banking services. Thus, "ARMECONOMBANK" OJSC and the Dutch Development Bank (FMO) signed the second loan agreement in the total amount of USD 10 million and EUR 5 million, which will be directed to the target groups: SMEs, women and young customers, "Green" and agricultural programs, "ARMECONOMBANK" OJSC and "Asian Development Bank (ADB)" signed a \$ 15 million loan agreement, which will be directed to the on lending of micro, small and medium enterprises. The 6th loan agreement was signed in the total amount of USD 10.7 million equivalent Armenian drams aimed at developing social and green programs.

“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 individual 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 5-10%), 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 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.