acba

ANNUAL REPORT

2024

2024

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STRATEGIC REPORT

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STRATEGIC REPORT
1. OVERVIEW

1.OVERVIEW

1.1 ACBA BANK AT A GLANCE

WHO WE ARE

“ACBA BANK” Open Joint Stock Company (hereinafter referred to as “Acba bank”, “Acba” or “the Bank”) is one of Armenia’s leading financial institutions — a universal bank rooted in cooperative values and guided by a mission to contribute to the sustainable development of Armenian society through unique and innovative solutions.

Established in 1996 within the EU’s “TACIS” program and in strategic partnership with French Crédit Agricole group, we began our activities as the “Agricultural Cooperative bank”, playing a pivotal role in supporting the country’s post-independence revival. Today, Acba bank has evolved into one of the market leaders across retail, SME, corporate and agricultural finance, maintaining the most extensive rural network presence in the country.

Anchored by our foundational values of mutualism, trust, responsibility and innovation, we remain dedicated to empowering individuals, enterprises and communities throughout Armenia while advancing digital banking capabilities, expanding access to affordable finance and driving sustainable long-term economic growth.

AT A GLANCE:

ASSETS ↗ +18.9%
AMD **931.7** bln
(**USD** 2,350 mln)

LIABILITIES ↗ +18.1%
AMD **768.3** bln
(**USD** 1,937 mln)

CAPITAL ↗ +22.8%
AMD **163.4** bln
(**USD** 412.1 mln)

LOAN PORTFOLIO, INCLUDING FINANCIAL LEASE ↗ +16.8%
AMD **629.3** bln
(**USD** 1,651 mln)

FINANCIAL LEASE PORTFOLIO ↗ +11.6%
AMD **93.1** bln
(**USD** 234.8 mln)

DEPOSITS AND ISSUED BONDS PORTFOLIO ↗ +18.9%
AMD **623.5** bln
(**USD** 1,572.3 mln)

NET PROFIT ↗ +1.3%
AMD **28.8** bln
(**USD** 72.5 mln)

ROA
ROA
(RETURN ON ASSETS)
3.4 %

ROE
ROE
(RETURN ON EQUITY)
19.4 %

CAR
CAR
(CAPITAL ADEQUACY RATIO)
22.2%

↙ -1.3 P.P.
CIR
(COST-TO-INCOME RATIO)
46.6 %

FitchRatings
CREDIT RATING
BB- LONG-TERM STABLE OUTLOOK

STRATEGIC REPORT
1. OVERVIEW

AT A GLANCE:

ACTIVE CLIENTS
640,000+
↗ +15%

acba digital PLATFORM USERS
450,000+
↗ +42%

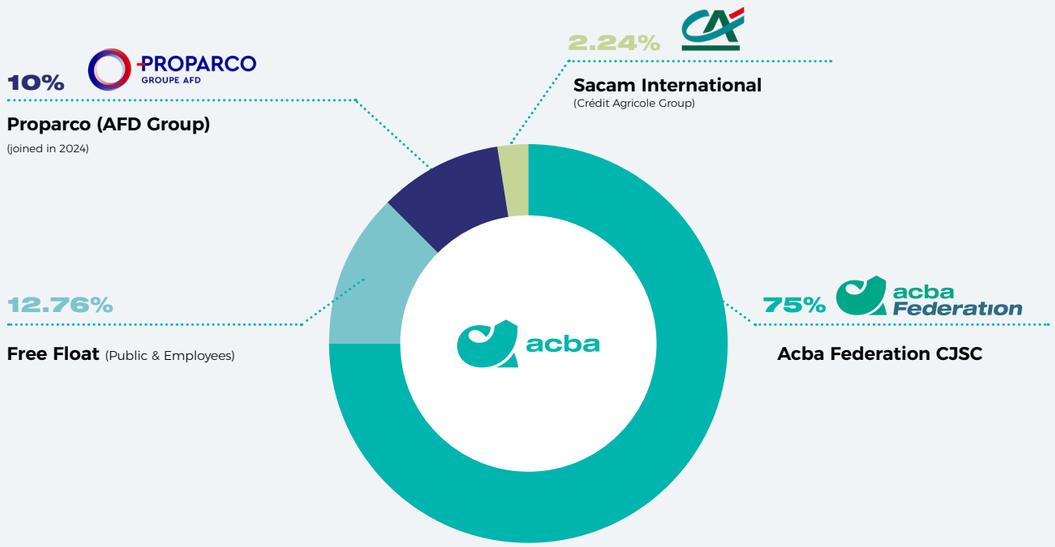
CARDS ISSUED
780,000+
↗ +38.3%

BRANCHES
65

EMPLOYEES
1,779

POS TERMINAL
40,000+
↗ +4.4%

OWNERSHIP STRUCTURE



Acba Federation represents more than **75,000** co-operative farmers from across Armenia, ensuring the Bank stays rooted in the country's rural and regional priorities. The 2024 equity participation of **Proparco**, a member of the **Agence Française de Développement (AFD) Group**, marks a turning point in ACBA's strategic alignment with global sustainability and development goals.

OUR KEY STRENGTHS

- **EXTENSIVE ACCESSIBILITY.** One of Armenia's largest branch networks enhanced with comprehensive self-service infrastructure, complemented by the advanced acba digital banking platform offering multifunctional capabilities
- **BROAD CUSTOMER BASE.** Comprehensive service delivery across all market segments, maintaining strong customer confidence throughout all regions
- **AGRICULTURAL LEADERSHIP.** Over 20 years of specialized expertise with approximately one-third market share
- **CORPORATE GOVERNANCE.** Commitment to international standards compliance, supported by international institutional investors in our shareholder structure
- **GROUP STRUCTURE.** Integrated financial group encompassing Amundi-Acba and Acba Leasing, with a reliable major shareholder presence through Acba Federation
- **BRAND RECOGNITION.** Acknowledged by customers as a **transparent, reliable and socially responsible institution**

- **FINANCIAL STRENGTH.** High capital adequacy ratios with AMD portfolio predominance in both deposits and lending
- **SUSTAINABILITY COMMITMENT.** Including integration of ESG (Environmental, Social and Governance) standards and green financing initiatives
- **LEASING MARKET LEADERSHIP.** Market's largest participant through Acba Leasing, delivering diverse financial solutions

OUR MISSION AND VALUES

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT OF SOCIETY THROUGH UNIQUE AND INNOVATIVE SOLUTIONS

What makes us unique is not only our financial strength, but also its unwavering commitment to **people, communities and long-term development**. Our work is anchored in five core values:

- **Customer Care.** putting people first
- **Social Responsibility.** empowering inclusive progress
- **Loyalty.** building long-term trust
- **Transparency.** providing clear and accessible information to all stakeholders
- **Innovation.** shaping the future of banking

These values inform not only how we serve clients, but how we engage with shareholders, employees, partners and society at large.

OUR STRATEGIC FOCUS

- **Digital Transformation and Platform Development.**
  Continuously deepen our digital leadership by transforming acba digital internet banking into a comprehensive digital ecosystem, delivering complete self-service functionality and next-generation digital services to our customers.
- **Enhanced Customer Service Excellence.**
  Elevate customer satisfaction through the development of personalized services, innovative product packages and accessible service delivery across all market segments.
- **Sustainability and ESG.**
  Prioritize green financing, inclusive economic growth and environmentally compliant lending practices by integrating sustainability principles into our banking policies and operational practices.
- **Operational Efficiency Enhancement and Cost Optimization.**
  Strengthen operational effectiveness through process automation, cost management and strategic resource allocation.
- **Credit Process Enhancement, Automation and Profitability Growth**
  Advance credit process improvements, acceleration and profitability enhancement through the implementation of AI-powered credit scoring models and automated lending systems.

STRATEGIC REPORT
1. OVERVIEW

1.2 OUR HISTORY

Acba bank's story began in **1996**, at a time when Armenia was navigating the early years of independence. Founded with the support of **Crédit Agricole** group and the backing of the **European Union's TACIS program**, the Bank was created to revitalize Armenia's struggling agricultural sector. Its first name — the **"Agricultural Cooperative Bank"** cooperative bank— reflected its core mission: supporting rural communities, farmers and agricultural cooperatives. Notably, Acba was the sole cooperative bank operating not only in Armenia but across the entire CIS region, representing a unique banking model built upon the principles of mutual support and shared development.

From these strong cooperative roots, Acba has grown into one of Armenia's most prominent universal banks, playing a transformative role in the country's financial development.

1996

"Agricultural Cooperative Bank" cooperative bank is **founded** with a mandate to support rural development and agriculture

2000

Co-founding of **Armenia Card (ArCa)** national payment system in partnership with the Central Bank of Armenia and other commercial banks

2001

Launch of **ArCa** card issuance and servicing operations

2002

Full membership in **Visa** international payment and settlement system

2003

Establishment of **"Acba Leasing" credit organization,** expanding financial lease services

2006

French **Crédit Agricole Bank** became a shareholder and strategic partner, resulting in the Bank's rebranding to **"Acba-Credit Agricole Bank" CJSC**

2009

Membership in **Mastercard** international payment and settlement system

2010

The Bank became the exclusive issuer of **American Express** cards in Armenia, as well as commenced issuance of **Mastercard** products

2011-12

Development of payment and settlement channels and expansion of branch network in regional areas

2013

Formation of **Amundi-Acba Asset Management**, a joint venture with leading French asset management firm **Amundi**, to manage local pension funds

2015

Launched **ACBA MOBILE** and **ACBA TICKET** banking applications and established the **Stepan Gishyan Charitable Foundation** in partnership with Crédit Agricole and the family of the Bank's late CEO, Stepan Gishyan

2017

Launch of **digital transformation** through a strategic partnership with global technology leader **SAP**; Acba bank, Acba Leasing and Amundi-ACBA were officially recognized as a **Financial Group** by the Central Bank of Armenia; **Acba Federation** became the Bank's largest shareholder, succeeding the 10 ACRU NGOs that were its original founding shareholders

2019

Introduced **UnionPay** card services in Armenia through a strategic partnership with **UnionPay International**

2020

Launched **acba digital** platform and initiated a comprehensive transformation in **corporate governance** and **ESG** integration.

2021

Successfully implemented the **Employee Stock Ownership Plan (ESOP)**; rebranded and renamed to as **"ACBA BANK" OJSC**; completed a successful **IPO** followed by listing on the **Armenia Securities Exchange (AMX)**, marking the Bank's transition to a publicly traded company

2023

Launched **Acba Business Club** to foster business development, facilitate networking and promote collaboration and new growth opportunities

2024

Proparco (AFD Group) became a shareholder, reinforcing the Bank's ESG and sustainability agenda; also co-founded **"imID"** company, a provider of electronic identification, authentication and trust services, in partnership with local banks and telecom companies

From its foundation as a rural development cooperative bank to its current position as a publicly traded universal financial institution with over **640,000** clients, Acba bank's history reflects a consistent commitment to its core values of mutual aid, community development, sustainable growth and innovative solutions.

1.3 STRATEGIC INVESTOR ENTRY: PROPARCO

In 2024, **Proparco**, the private sector financing arm of the **Agence Française de Développement (AFD) Group**, became a strategic shareholder in Acba bank, acquiring 1**0% of the Bank's equity** through a targeted capital increase.

This milestone marks a new chapter in Acba's growth — reinforcing our strategic focus on **sustainability, inclusion** and **long-term development**. Proparco's entry brings not only capital but also decades of experience in financing responsible and impactful private sector initiatives across emerging markets.

WHY PROPARCO?

From trusted partnership to strategic investor status: Proporco's participation as a strategic investor was founded upon its strong alignment with the Bank's core values and sustainable development commitment. As a recognized international institution with strong **ESG** credentials, Proparco enhances Acba's ability to:

- Expand **sustainable financing** initiatives, including climate and green lending
- Deepen integration of **ESG principles** into risk, governance and strategy
- Strengthen international **credibility** and **transparency** among institutional partners
- Increase access to **the best global practices** in development-oriented banking

A SHARED VISION FOR IMPACT

This investment builds on Acba's long-standing relationship with French development institutions, dating back to its original foundation with Crédit Agricole. It reflects our shared commitment to:

- **Driving economic growth**
- **Supporting rural and underserved communities**
- **Strengthening Armenia's financial ecosystem**
- **Empowering individuals and SMEs**

This partnership substantially supports Acba bank's strategic priorities, particularly in advancing sustainable finance and positioning the Bank as one of the national leaders in responsible banking.

1.4 CHAIRMAN'S STATEMENT



RAFAYEL SARGSYAN
CHAIRMAN OF THE BOARD

"ADVANCING GOVERNANCE. ANCHORING STRATEGY"

Dear colleagues,

On behalf of the Board, it is with great pride that I reflect on our continued journey to strengthen governance, align with international best practices and position Acba for long-term resilience and sustainable value creation.

2024 was a strong year for Acba bank—both in governance and financial performance. The Bank delivered excellent results across key metrics, confirming the strength of our business model, customer relationships and prudent risk management. These results provide a solid foundation for reinvestment, sustainable growth and capital distribution aligned with our dividend policy.

At the same time, we made important strides in governance. The creation of the Strategy Committee marked a turning point in the Board's strategic involvement, sharpening our oversight of capital structure, ESG, digital transformation and key business priorities. We also finalized the Board Self-Assessment Policy, a comprehensive framework that will institutionalize performance evaluations starting this year – promoting accountability, transparency and continuous improvement at the Board level.

Our committees remained highly active throughout the year, refining policies and enhancing controls across audit, risk, compliance, nominations and remuneration. A new Board Remuneration Scheme, grounded in fairness and European benchmarking, is set to take effect in 2025. We have also initiated steps to restore shareholder authority over Board compensation decisions, affirming our commitment to shareholder rights and alignment with the Corporate Governance Code adopted in August 2024.

These developments and other important initiatives are presented in detail in the renewed and comprehensive

Board Report enclosed with this Notice. I encourage all shareholders to review the Report carefully to gain full insight into the work of the Board and its Committees throughout 2024.
Looking ahead, our focus in 2025 will be on implementing the full Board evaluation process, continuing governance alignment with the Corporate Governance Code and enhancing the strategic engagement of the Board. Particular emphasis will be placed on strengthening group-wide governance and refining our long-term oversight of sustainability and risk.

I would like to extend my heartfelt gratitude to the clients of Acba bank for their continued trust, to our employees and executive management for their dedication and professionalism and to my fellow Board members for their active engagement and commitment to our shared mission.

On behalf of the entire Board, I thank you for your continued confidence and support. It is your trust that empowers us to lead with integrity, foresight and purpose—and to build a governance model worthy of ACBA's mission and values.

Warm regards,
Rafayel Sargsyan
Chairman of the Board
ACBA BANK OJSC

STRATEGIC REPORT
1. OVERVIEW

1.5 CEO'S STATEMENT



HAKOB
ANDREASYAN
CHIEF EXECUTIVE OFFICER

"SUSTAINABLE GROWTH. SMARTER BANKING. DEEPER IMPACT."

Dear colleagues,

Hard times bring not only challenges but also new opportunities. At Acba bank, we believe that by combining sustainable values, innovation and a responsible approach, we can turn challenges and difficulties into opportunities. This 2024 report is presented with a deep understanding of the complexities and opportunities that have shaped the economic and socio-political environment of the reporting year. Armenia has continued to develop despite unstable regional and global challenges, demonstrating resilience and potential. From an economic perspective, 2024 was a year of steady growth and financial prudence. Economic activity reached 8.0%, while inflation was at 1%. Despite the complex geopolitical situation involving international sanctions and border tensions, our country managed to sustain continuous growth. Against this backdrop, Acba bank not only contributed to the stability of Armenia's economy but also continued to serve as one of the driving forces behind its development.

OVERVIEW OF OUR FINANCIAL RESULTS

Despite external uncertainties, Acba bank maintained a strong financial position in 2024. Here are the main highlights:

- Net profit amounted to **28.8 bln AMD**,
- Assets grew to **931.7 bln AMD**, reflecting an **18.9%** increase,
- Capital increased by **22.8%**, reaching **163.4 bln AMD**,
- Loan portfolio expanded by **16.8%**, reaching **629.3 bln AMD**, while the portfolio of deposits and issued bonds grew by **18.9%**, reaching **623.5 bln AMD**,
- Acba leads the market in the number of **POS terminals (holding 44.2% of the market)**, **ATMs (**17.2%

market share) and issued bank cards **(19.7% market share)**. The bank also holds a **30.1%** share in financing the country's agricultural sector.

These results reflect the trust of our customers and partners, the effectiveness of our business model and the high level of teamwork within our organization.

TURNING CHALLENGES INTO NEW OPPORTUNITIES

In anticipation of the challenges of 2024 and beyond, Acba bank significantly strengthened its ties with internationally renowned organizations by signing record-breaking loan agreements and risk-sharing deals:

- **Proparco** became Acba's shareholder, acquiring **10%** of the bank's shares.
- Acba extended its exclusive partnership with **American Express,** reaffirming its position as the sole issuer of AMEX cards in Armenia.
- Acba signed a **€55 million** loan agreement with the **European Investment Bank (EIB)**, marking the EIB's first direct and significant loan to a commercial bank in Armenia.
- The bank signed a **$50 million** agreement with the **U.S. International Development Finance Corporation (DFC)**, the first of its kind for Armenian commercial banks.
- Acba secured a **$50 million** loan agreement with J**apan International Cooperation Agency (JICA)**, marking JICA's first partnership in Armenia.
- The bank signed Armenia's largest risk-sharing agreement with the I**nternational Finance Corporation (IFC)** for **$50 million**.
- The **European Bank for Reconstruction and Development (EBRD)** signed its first-ever **€50 million** risk-sharing agreement in Armenia with Acba.

These milestones demonstrate not only trust towards Acba bank but pave the way for new opportunities, facilitating further investments in Armenia's economy and the introduction of innovative products.

VISION FOR THE FUTURE

The future holds both opportunities and challenges for us. Digital transformation and the world's daily developments will reshape our customers' expectations, financial management methods and the very essence of banking.
In the near future, we will continue the consistent implementation of our digital transformation strategy, introducing new tools and initiating a number of innovative projects aimed at enhancing customer experience and improving operational efficiency.
In particular, we will continue to focus on the digital transformation of the bank and the development of digital platforms, improving the quality of customer service, enhancing the efficiency of internal processes, reducing costs, improving credit processes, automation, increasing profitability, as well as investing in Sustainable Development and ESG (Environmental, Social and Governance) standards.
All of this will allow us to be more competitive and an even greater driver of Armenia's economic development.
With this strategy, we look to the future with a clear goal of becoming the bank of choice, driven by the needs of our customers and working together to create a financially stable, efficient and secure environment.
New structural changes, the role of our employees and continuous improvement will ensure our competitiveness and progressive development. Acba bank moves confidently toward the future, ready to contribute to the development of Armenia's financial and banking sector.
Together, we have the power to be the locomotive and the driving force of progress.
Sincerely,

HAKOB ANDREASYAN
CEO
ACBA BANK OJSC

STRATEGIC REPORT
2. BUSINESS OVERVIEW

2.BUSINESS OVERVIEW

2.1. BUSINESS MODEL SUMMARY

Acba bank's business model is built on our cooperative foundation and strategically aligned with our long-term mission **TO CONTRIBUTE TO THE SUSTAINABLE DEVELOPMENT OF ARMENIAN SOCIETY THROUGH UNIQUE AND INNOVATIVE FINANCIAL SOLUTIONS.**
Operating as a universal bank, we combine strong territorial coverage, digital capabilities, development-oriented financing and deep customer relationships to deliver lasting value to our stakeholders.

The Bank delivers comprehensive services across four core customer segments: retail, agricultural, SME and corporate.

Credit operations hold a central position within the Bank's service portfolio, with lending activities conducted nationwide. Advanced automation tools have been integrated into our lending processes and continue to undergo continuous enhancement. Looking ahead, Acba will prioritize the optimization of lending operational efficiency, thereby driving improved credit portfolio profitability.

Expanding our stable deposit base represents a cornerstone of Acba's strategic operations, encompassing the systematic growth of demand and term deposits from both retail and corporate clients aligned with our business objectives. The Bank maintains a continuous bond issuance program, providing customers with diversified savings alternatives. Our forward strategy includes sustained bond offerings in both AMD and foreign currencies. The strategic emphasis on deposit base growth, particularly AMD-denominated deposits, is aligned with our projected asset expansion, notably in credit investments.

Card operations constitute a pivotal component of Acba bank's business portfolio. Throughout 2024, we achieved substantial growth in both card volumes and transaction activity. Acba currently leads the market in card issuance volume, operating as the sole institution issuing across 5 card systems while uniquely servicing 6 distinct payment systems. The Bank maintains active oversight of emerging card product innovations and anticipates further acceleration of card operations through the deployment of next-generation digital solutions.

Digital business development is considered one of the cornerstones of the Bank's advancement. Through the acba digital internet banking system, it is possible to easily, quickly and efficiently utilize banking services from anywhere at any time. From this perspective, Acba bank focuses on implementing contemporary solutions aligned with customers' evolving needs, continuous development and improvement of digital platforms aimed at enhancing service quality and increasing convenience. Important platforms for digital business development also include local and international transfer channels and the ATM-terminal network, where the Bank is the market leader by deployment volume.

Throughout our institutional history, across all business lines and corporate social responsibility initiatives, the Bank has consistently adhered to and remains committed to the following core principles:

- Contributing to **community development**
- **Conducting transparent** and **customer-centric operations**
- **Avoiding projects** that generate excessive profits but pose **significant risks to society and the environment**
- Embedding **social value creation** as a fundamental component of our operational framework

Acba remains firmly committed to its principles and does not finance activities that harm the environment or support companies involved in the production or trade of weapons and ammunition, as well as those engaged in casino and gambling operations. Furthermore, in its financing decisions, Acba carefully evaluates the social and environmental impact of the proposed activity and actively promotes the use of alternative energy sources.

STRATEGIC ALIGNMENT

Acba bank's business model is anchored in our capacity to integrate responsible financing with meaningful community development. Through strategic deployment of our resources, partnerships and technological platforms, we are committed to generating measurable financial, social and environmental value. Our business model demonstrates complete alignment with our long-term strategic roadmap, encompassing five core pillars:

- **Digital Innovation Leadership:** Advancing digital transformation and platform sophistication
- **Service Excellence:** Elevating customer experience and satisfaction standards
- **Operational Optimization:** Enhancing internal efficiency while achieving sustainable cost management
- **Credit Excellence:** Modernizing lending processes through automation and profitability enhancement
- **Sustainability Integration:** Embedding ESG principles across all business operations.

STRATEGIC REPORT
2. BUSINESS OVERVIEW

2.2. BUSINESS LINES AND SEGMENT OVERVIEW

Acba bank operates a multi-segment universal banking model, delivering tailored financial services across four core client groups:
As a full-service universal bank, Acba delivers comprehensive financial solutions across four core customer segments:

1. RETAIL **3. CORPORATE**
2. SME **4. AGRICULTURAL**

Each business line is designed to meet the evolving financial needs of clients through specialized products, relationship management and increasingly digital service channels.
Acba's business lines are underpinned by strong operational support, a nationwide branch network and a growing reliance on data, automation and AI tools to drive efficiency, personalization and risk-adjusted growth.

BUSINESS LINES

RETAIL BANKING

Retail banking focuses on meeting individual customers' financial needs by offering comprehensive solutions, including:

- **Lending.** Consumer loans, mortgage loans, overdrafts, credit lines, financial lease
- **Savings.** Current and savings accounts, term deposits, bonds and safe deposit boxes
- **Investment Opportunities.** Custody and brokerage services
- **Payment Solutions.** Visa, Mastercard, American Express, UnionPay and ArCa cards, contactless payments, extensive self-service terminal network
- **Digital Banking.** acba digital internet banking system with 24/7 accessibility, and more

In 2024, Acba's retail lending grew substantially, driven by demand for consumer and housing loans, including state-supported mortgage programs in border communities. The number of digital banking users rose by **42%** and over **60% of new cards** were ordered digitally in 2024.

SME BANKING

SME segment servicing encompasses:

- **Financing Solutions.** Loans (including under special programs), credit lines, financial lease
- **Trade Finance.** Guarantees, factoring
- **Payment Solutions.** Corporate cards, SoftPOS, E-Commerce, transfers
- **Digital Solutions.** acba digital business platform for 24/7 operations and more
- **Development Support.** Complimentary business trainings, advisory services, networking events, and more

In 2024, Acba conducted 18 free business trainings with 353 participants and expanded its Business Club and ESG training series.

CORPORATE BANKING

For corporate customers, the Bank provides the following services:

- **Business Financing.** Loans, credit lines, financial lease
- **Corporate Savings.** Business and Escrow accounts, deposits, bonds, salary funds services
- **Investment Services.** Securities registry management, custody, brokerage services, repo transactions
- **Trade Finance.** Letters of credit, guarantees, collections, factoring
- **Business Payments.** Corporate cards, SoftPOS, E-Commerce, transfers
- **Digital Solutions.** acba digital business platform for 24/7 operations, and more

AGRICULTURAL BANKING

True to our cooperative heritage, Acba continues to lead in agricultural financing. As of year-end 2024, the Bank maintained its leading position in agricultural lending, managing approximately one-third of the sector's total agricultural loan portfolio, offering farmers the following services:

- **Agricultural loans and credit lines**
- **Agricultural equipment financial lease**
- **Agricultural loan subsidization programs**
- **Cards for farmers, and more**

FINANCIAL LEASE

Leasing services are provided through Acba Leasing, our specialized credit organization, ensuring flexible financing tools for individuals, businesses and farmers. The offered leasing services include:

- **Renewable energy** (solar panels, inverters, solar water heaters)
- **Transportation vehicles** (automobiles, electric vehicles) and forklifts
- **Medical equipment (**ultrasound, X-ray machines, etc.)
- **Agricultural tractors and attachments** (tractors, mowers, rotary tillers, etc.)
- **Processing equipment** (e.g., dryers)
- **Other equipment leasing** (e.g., generators)

2024 Performance:

- **Leasing portfolio** reached **AMD 93.04 billion (+11.5% growth)**
- **"Green Leasing"** portfolio grew to **AMD 42.5 billion,** comprising **43%** of total portfolio
- The company maintained **47.5%** market share, remaining Armenia's leasing leader

SERVICE AND COMMUNICATION CHANNELS

BRANCH NETWORK

Acba bank operates one of Armenia's most comprehensive branch networks, with 65 strategically positioned locations ensuring equitable access to financial services across the entire republic. Our territorial expansion strategy encompasses both major urban centers and underserved rural markets, with particular emphasis on extending quality financial services to remote communities that have traditionally faced accessibility challenges.

DIGITAL BANKING PLATFORM: acba digital

The acba digital internet banking system continuously transforms customer interaction methods, offering:

- **Account Management.** 24/7 account opening for individuals and businesses, international transfer receipt
- **Savings and Investments.** Deposit arrangements, bond and Acba bank share trading
- **Digital Lending.** Online credit limit viewing and remote loan acquisition
- **International Transfers.** Fast transfers via Visa Direct and Mastercard Send systems
- **Additional Services.** Insurance arrangements, pension account tracking, certificate and income report generation
- **Modern Interface.** User-friendly new design for web and mobile platforms

PAYMENTS AND CARDS

As the exclusive American Express partner in Armenia and comprehensive issuer across five international card networks (Visa, Mastercard, American Express, UnionPay, ArCa), Acba occupies a leading position in the card market. The Bank continues to expand its card offerings, ensuring solutions tailored to each customer's needs and access to advanced payment technologies.

2024 Achievements:

- **Digital Progress.** 113% growth in online card orders
- **American Express Expansion.** Market share tripled from 5% to 14.6%
- **Innovative Payments.** Significant growth in contactless and QR code transactions

CALL CENTER AND CRM TOOLS

Customer engagement is reinforced by a responsive contact center, AI-enhanced CRM tools and integrated service workflows across physical and digital touchpoints.

BUSINESS CLUB AND ADVISORY PLATFORMS

Acba supports client development beyond banking, offering community platforms and strategic advice through Acba Business Club and non-financial services.

STRATEGIC REPORT
2. BUSINESS OVERVIEW

2.3. KEY PERFORMANCE HIGHLIGHTS AND STRATEGIC MILESTONES

In 2024, Acba bank delivered strong operational and strategic results, underscoring its resilience, innovation and commitment to long-term value creation.

The Bank's performance reflects the successful execution of its strategy across financial, technological and governance domains.

FINANCIAL AND OPERATIONAL PERFORMANCE

ASSETS
AMD **931.7** bln
↗ +18.9%

GROSS LOAN PORTFOLIO (INCLUDING FINANCIAL LEASE)
AMD **629.3** bln
↗ +16.8%

CUSTOMER DEPOSITS
AMD **623.5** bln
↗ +18.9%

LEASING PORTFOLIO
AMD **93.1** bln
↗ +11.6%

NET PROFIT
AMD **28.8** bln
↗ +1.3%

CAPITAL
AMD **163.4** bln
↗ +22.8%

RETURN ON ASSETS (ROA)
3.4 %
ROA

RETURN ON EQUITY (ROE)
19.4 %
ROE

CAPITAL ADEQUACY RATIO (CAR)
22.2%
CAR

STRATEGIC REPORT
2. BUSINESS OVERVIEW

FINANCIAL AND OPERATIONAL PERFORMANCE

LCR

LIQUIDITY COVERAGE RATIO (LCR)
321 %

NSFR

NET STABLE FUNDING RATIO (NSFR)
127.4%

↗ +15.1%

ACTIVE CLIENTS
640,000+

↗ +38.3%

CARDS ISSUED
780,000+

↗ +42%

acba digital PLATFORM USERS
450,000+

BRANCHES
65

EMPLOYEES
1,779

DIGITAL CARD ORDERS
60.5%

STRATEGIC MILESTONES AND INSTITUTIONAL STRENGTHENING

- **PROPORCO'S ENTRY:**
  Acba welcomed Proporco to its shareholder base, acquiring **10%** of the Bank's shares, thereby strengthening the Bank's ESG commitment and capital base.

- **CAPITAL INCREASE AND SHARE RESTRUCTURING:**
  To strengthen its charter capital, Acba bank issued **485,000** new ordinary shares in 2024, offering them to existing shareholders with pre-emptive rights and through closed subscription. In cases where a shareholder waived their pre-emptive right, the corresponding shares were offered to **Proparco**.

  As part of this process, the Bank's largest shareholder, **"ACBA FEDERATION" CJSC**, made a strategic decision to waive its pre-emptive rights in favor of Proparco. This enabled **Proparco** to subscribe to the shares that would have otherwise been allocated to **"ACBA FEDERATION" CJSC**, thereby supporting the entry of a new strategic investor.

  As a result, **AMD 7.275 bln** was raised through additional share issuance. At the same time, the Bank made a strategic decision to allocate **AMD 29.925 bln** from its retained earnings of previous years to increase its charter capital. As a result, the Bank's outstanding shares totaled **5,985,000** common shares at year-end, share par value increased from **AMD 10,000** to **AMD 15,000**, and share equity grew from **AMD 55 bln** to **AMD 89,775,000,000**

- **LAUNCH OF INVESTOR RELATIONS FUNCTION:**
  Management agreed on the establishment of a dedicated Investor Relations function to enhance shareholder engagement and elevate market transparency standards.

- **GOVERNANCE ADVANCEMENTS:**
  o The Board directed the Bank's adoption of the **Armenian Corporate Governance Code** (completed in 2025)

  o **Group governance** implementation was initiated for unified oversight of subsidiaries

  o A **Strategy Committee** was established at the board level to strengthen strategic direction.

2.4. MARKET POSITION AND COMPETITIVE STRENGTHS

As one of Armenia's leading financial institutions, Acba bank combines strong capitalization, market leadership and institutional credibility. Thanks to this, Acba is consistently ranked among Armenia's top banks by assets, loans, deposits and profitability indicators. The unique combination of cooperative roots and modern universal banking creates the Bank's distinctive positioning in Armenia's dynamic competitive landscape.

MARKET SHARE AND RANKINGS

(as of December 31, 2024)



As one of the leading institutions in Armenia's financial system, Acba bank continuously monitors international innovation trends, customers' daily evolving requirements and evaluates prospective market developments. Acba bank has its established position in providing non-financial services to business customers. Professional courses aimed at business management efficiency, thematic events, promotion of Armenian producers' products in the Bank's branches, and other initiatives have their positive impact on business sector development.

STRATEGIC REPORT
2. BUSINESS OVERVIEW

Through extensive daily operations, the Bank has secured competitive advantages across multiple areas and, according to external independent research findings, Acba is perceived as:

- A reliable and authoritative financial institution with sustained investment in the country's and society's development
- A responsible institution through its "green" activities and being considered a good employer
- An ethical, transparent bank whose offered services are accessible and free of hidden charges
- An agricultural-focused financial institution that assists and supports Armenia's agricultural development
- A customer-centric bank with professional staff and excellence in customer service. The Bank's processes are flexible and fast—without queues—and individual terms are offered
- A bank with convenient branches and extensive service network, as well as a highly demanded mobile application in the market
- A modern, digital bank with 24/7 service

COMPETITIVE STRENGTHS

	ADVANTAGE	DESCRIPTION
1	**EXTENSIVE BRANCH AND DIGITAL ACCESSIBILITY**	Acba has one of the largest branch networks in Armenia, including a comprehensive network of ATMs and payment terminals, as well as a leading digital platform—acba digital.
2	**CARD SERVICES LEADERSHIP**	Leading in the Armenian market by card volume and the only bank servicing 6 international payment systems, including exclusive American Express representation.
3	**TOP OF MIND BRAND RECOGNITION (TOM)**	In 2024, Acba secured first place in Top of Mind (TOM) brand recognition as the bank immediately recalled by customers.
4	**LOYAL AND EXTENSIVE CUSTOMER BASE**	The Bank serves all customer segments, enjoying trust across all regions.
5	**SIGNIFICANT AMD SHARE IN CREDIT AND DEPOSIT PORTFOLIOS**	Maintains a stable deposit base with high local currency deposit and loan ratios, mitigating currency risks.
6	**AGRICULTURAL FINANCE LEADERSHIP**	Has over 20 years of experience and approximately 1/3 market share in agricultural financing.

COMPETITIVE STRENGTHS

	ADVANTAGE	DESCRIPTION
7	**HIGH CUSTOMER SATISFACTION AND AFFORDABLE PRICING**	Perceived by customers as a reliable bank with fair pricing policies.
8	**DIGITAL LEADERSHIP AND AI IMPLEMENTATION**	The acba digital internet banking system has comprehensive functionality, while AI-powered models are applied in lending processes.
9	**ORGANIZATIONAL CLARITY AND GROUP STRUCTURE**	Acba operates as a financial group including Amundi-Acba and Acba Leasing, with a reliable major shareholder in Acba Federation.
10	**STRONG CORPORATE GOVERNANCE AND INTERNATIONAL INVESTOR PRESENCE**	The Board is committed to aligning Bank operations with international governance best practices, specialized committees operate under the Board, and shareholders include Proparco (AFD Group) and SACAM International (Crédit Agricole Group).
11	**ACBA BUSINESS CLUB AND NON-FINANCIAL SERVICES**	Free business education programs and advisory services are provided to SMEs, promoting business community development.
12	**POSITIVE WORK CULTURE AND HIGH INTERNAL RATING**	2024 recorded reduced employee turnover, increased satisfaction and improved "desirable employer" rating.

STRATEGIC REPORT
3. STRATEGIC OBJECTIVES AND PRIORITIES

3. STRATEGIC OBJECTIVES AND PRIORITIES

3.1. OUR PURPOSE AND STRATEGY FRAMEWORK

At Acba bank, our strategy is shaped by a clear purpose and a long-standing commitment to sustainable progress. Based on the legacy of cooperative roots and commitment to community development, we aim to be more than a financial institution — we strive to be a trusted partner in the lives and growth journeys of our clients across Armenia.

OUR PURPOSE

TO CONTRIBUTE TO THE SUSTAINABLE DEVELOPMENT OF ARMENIAN SOCIETY THROUGH UNIQUE AND INNOVATIVE SOLUTIONS.

This purpose drives every aspect of our operations — from product innovation to client relationships, from rural development to ESG integration.

Our customers remain the cornerstone of our organizational mission, with our primary focus dedicated to serving their needs while enhancing societal well-being through improved quality of life and business advancement.

As an institution rooted in mutual aid principles, we are committed to delivering comprehensive financial tools and resources that support diverse societal segments—individuals, enterprises and communities—throughout their various life and business cycles. Our solutions transcend traditional product offerings designed solely for profit generation. Instead, they emerge from deep understanding of both explicit and latent customer needs, leveraging innovative technologies, methodologies and strategic thinking.

This customer-centric approach yields distinctive solutions that address our clients' multifaceted challenges. By successfully resolving these challenges, we enable our customers to realize their aspirational futures while achieving sustained, long-term growth in both personal and professional spheres.

OUR VISION

Guided by our mission and anchored in our core values, we maintain a clear strategic vision that defines our trajectory and future aspirations. This vision is fundamentally built upon leadership excellence across multiple dimensions. As articulated in our comprehensive strategic development framework, we are committed to achieving the following objectives:

- **Market Leadership:** Establishing ourselves as the preferred banking partner through consistently delivering flexible and innovative solutions
- **Brand Excellence:** Becoming the most recognized and trusted brand within Armenia's financial services sector
- **Performance Leadership:** Achieving market leadership position through superior operational efficiency and profitability metrics
- **Agricultural Development Catalyst:** Serving as the primary driver of growth and modernization in Armenia's agricultural sector
- **Employer of Choice:** Establishing ourselves as the most desirable workplace within Armenia's financial services industry

OUR CORE VALUES

Our institutional values have been forged through decades of experience and serve as the guiding principles for every employee's conduct and decision-making. We firmly believe that adherence to these values is essential for achieving our mission and realizing our strategic vision.

CARE FOR CUSTOMERS

Customer care represents a cornerstone value that permeates every aspect of our organizational culture, embodying the fundamental human principle of genuine concern for others' well-being. This value manifests through our employees' commitment to active listening, comprehensive problem identification and intuitive understanding of both expressed and latent customer needs. Our customer-centric approach drives the delivery of tailored solutions that exceed expectations and address challenges with precision and empathy. Through this dedicated focus, we cultivate enduring partnerships built on trust, mutual respect and shared success.

SOCIAL RESPONSIBILITY

Social responsibility encompasses our institutional commitment and ethical imperative to contribute meaningfully to sustainable societal development and progress through our business operations. We prioritize environmental stewardship and sustainable practices, striving to generate positive, lasting impact on both society and the environment that extends well beyond financial returns.

LOYALTY

We demonstrate unwavering loyalty to our mission, core values and customer relationships. We deeply value the trust our customers place in us, driving our continuous commitment to service excellence and enhanced customer satisfaction. Equally important is our employees' dedication to the Bank's institutional values, policies and operational principles. This loyalty culture fosters an environment of mutual trust, professional integrity and shared commitment to our collective success.

TRANSPARENCY

Our commitment to transparency ensures comprehensive, accurate and accessible information delivery to all stakeholders—customers, investors, partners and regulatory authorities. This open communication framework empowers stakeholders to make well-informed decisions while fostering relationships built on trust, accountability and mutual understanding.

INNOVATION

Innovation represents our institutional commitment to fostering creative excellence, embracing market dynamics and continuously pursuing breakthrough solutions that drive operational efficiency and competitive differentiation in an ever-evolving landscape. This innovation mindset has become integral to our organizational DNA, manifesting through the development of cutting-edge, distinctive solutions that enhance customer experiences, streamline operations and implement forward-thinking methodologies that position us at the forefront of industry advancement.

3.2. KEY STRATEGIC PILLARS AND PROGRESS

Our strategy is anchored on five key pillars that guide our growth, innovation and impact. In 2024, we made tangible progress in each of these areas, reinforcing our leadership in the Armenian banking sector and advancing our transformation agenda.

1. CUSTOMER SERVICE QUALITY ENHANCEMENT

We continue to place the customer at the center of everything we do — from product development to service delivery and relationship management.

- Redesigned **branch service models** to improve flexibility and personalization
- Launched **new product bundles** tailored to client segments (e.g. rural youth, SME women leaders)
- Implemented a **Voice of Customer (VoC)** feedback system to guide service improvements
- Outstanding results were achieved in **Net Promoter Score (NPS)** and **Top of Mind (TOM)** indicators according to third-party research findings, reflecting profound **customer trust** and **satisfaction with our services**

2. DIGITAL TRANSFORMATION AND DIGITAL PLATFORM DEVELOPMENT

Technology is a critical enabler of our strategy. We continued our digital evolution by investing in platforms, automation and AI capabilities.

- **acba digital** mobile platform demonstrated robust growth with a **42%** increase in user base, reaching over **450,000** active users and ranking among Armenia's most frequently used financial applications
- Executed **Phase 1 of UI/UX redesign** for both mobile and web apps
- Integrated AI-driven **scoring and offer engines** for retail, agri and SME loans
- Processed **113%** more digital card orders YoY; **60.5% of new cards** issued via app
- Deployed **Robotic Process Automation** across back-office functions and leasing operations

3. SUSTAINABLE DEVELOPMENT AND ESG CRITERIA IMPLEMENTATION

ESG principles have become core to how we assess risk, develop products and engage stakeholders.

- Created a **Sustainable Development Unit** to coordinate ESG initiatives
- Trained **100% of employees** on ESG principles and sustainability culture
- Conducted **2 training rounds** for SMEs on ESG and business resilience
- Expanded green **leasing portfolio** to **AMD 42.5 billion – 43%** of total leasing

4. INTERNAL PROCESS EFFICIENCY IMPROVEMENT AND COST REDUCTION

We made structural, technological and process-level enhancements to improve efficiency, cost control and service quality.

- Launched **AI-enhanced scoring models** for automated decision-making
- Upgraded **risk appetite and stress testing systems** to strengthen early warning
- Streamlined credit and collection workflows, reducing NPL pressures
- Digitized HR and legal processes, including contracts, onboarding and benefits
- Completed rollout of new **SAP modules** to support enterprise resource management
- Maintained one of the highest ROEs (return on equity ratios) in Armenia's banking sector while effectively mitigating foreign exchange and funding risk exposures

5. PROCESS ENHANCEMENT AND AUTOMATION

As a bank with cooperative origins, we remain committed to Armenia's inclusive development and transparent stakeholder relations.

- Reached **640.000+ active clients** – with continued growth outside Yerevan
- Maintained **largest rural branch network** in Armenia (69% of branches in regions)
- Partnered with UN WFP to install **solar panels** in rural schools
- Expanded **Business Club** and non-financial services for SMEs
- Maintained active communication with over **5,000** shareholders and introduced new investor channels
- Outperformed strategic targets for credit portfolio and deposit growth initiatives

These strategic advancements have positioned Acba bank as a **future-ready, impact-driven** and **customer-centered** financial institution, well-aligned with its long-term goals.

STRATEGIC REPORT
3. STRATEGIC OBJECTIVES AND PRIORITIES

3.3. FUTURE GOALS

Acba bank's strategy is designed to build a resilient, inclusive and innovation-led financial institution — one that delivers long-term value to all stakeholders while supporting Armenia's economic transformation.

Our future goals are anchored in our purpose and reflect the evolving needs of our clients, the challenges of our operating environment and our commitment to responsible growth.

Based on the results of various analyses and research conducted, as well as considering customer requirements and behavioral changes and local and international market development trends, the need periodically arises for implementing new systems, products and processes, as well as improving operations to achieve defined objectives and increase efficiency.

Thus, Acba has implemented numerous projects and various activities during its operations. Moreover, in the coming years, the Bank will continue to implement projects and a series of activities to strengthen its competitive position, increase customer satisfaction and achieve its defined vision and objectives. The Bank, having strategic goals as its target, will continue to develop and improve its approaches to capital attraction and allocation in 2025 and the coming years. Furthermore, the Bank will pay greater attention to deepening cooperation with shareholders, shareholder engagement activities and measures to increase share attractiveness.

STRATEGIC PROJECTS AND INITIATIVES

In pursuit of our mission and vision realization, Acba maintained momentum throughout 2024 with comprehensive project execution focused on advanced technology deployment, digital platform enhancement and customer experience optimization.

DIGITAL TRANSFORMATION EXCELLENCE

Our strategic partnership with SAP, launched in 2017, has yielded significant technological advancement across multiple business domains. Successfully implemented solutions now encompass marketing automation, human capital management, customer relationship optimization and enterprise financial operations. The integration of new SAP system capabilities with existing infrastructure creates a unified, interconnected platform that enables Acba to align operational processes with global best practices while strengthening our competitive market position.

OPERATIONAL EXCELLENCE THROUGH TECHNOLOGY

Our commitment to operational efficiency drives the strategic deployment of robotic process automation (RPA) and advanced automation technologies across the organization. These innovations significantly reduce human error probability in resource-intensive operations, accelerate transaction processing and deliver superior operational efficiency.

DIGITAL PLATFORM EVOLUTION

The acba digital ecosystem has achieved remarkable enhancements, substantially elevating our remote customer service capabilities. Our comprehensive digitization strategy encompasses continuous platform innovation, with new products and services integrated across mobile and web channels to expand functionality, optimize customer experience and ensure maximum convenience.

Key digital achievements include the launch of comprehensive redesign initiatives for both acba digital mobile and web platforms, implementation of AI-powered scoring systems for automated agricultural and business loan offer generation, and expanded transaction capabilities encompassing payments, transfers and diverse financial operations. These strategic investments have sustained our market leadership position, with research confirming acba digital's status as one of Armenia's most utilized financial applications. Our user base expanded by 42% in 2024, reaching approximately 450,000 active users, demonstrating strong customer adoption and platform value.

CUSTOMER EXPERIENCE EXCELLENCE

Customer service quality enhancement remains the cornerstone of our customer-centric operational strategy. We maintain continuous innovation momentum through the implementation of advanced solutions designed to optimize service delivery processes and maximize operational efficiency. Throughout 2024, we advanced multi-year strategic initiatives focused on sophisticated customer relationship management, comprehensive segmentation analysis and needs fulfillment, intelligent targeted offer generation and enhanced service delivery through innovative branch business models. This holistic approach ensures every customer receives personalized, high-quality service that exceeds expectations.

CREDIT OPERATIONS INNOVATION

As a fundamental pillar of our business operations, lending maintains priority focus with continuous process enhancement initiatives. Building upon previous years' foundational work, 2024 witnessed the deployment of comprehensive toolkits designed to streamline and optimize the entire credit lifecycle from application through disbursement. We significantly enhanced digital loan application and approval capabilities across our platforms while refining existing solutions, delivering accelerated, reliable service that drives customer satisfaction.

Our strategic focus included implementing advanced credit limit assessment and automated offer generation capabilities, substantially expanding digital loan and credit line accessibility across all customer segments. These innovations enable more responsive, personalized product offerings tailored to diverse customer needs and preferences.

STRATEGIC FUTURE OUTLOOK

Acba Bank remains committed to advancing innovative solutions and cutting-edge technologies that deliver exceptional customer service, enhance operational excellence and strengthen our competitive market position. Our strategic roadmap for the coming years encompasses four core pillars:

- **Digital Leadership:** Accelerating digital transformation and platform innovation
- **Customer Experience Excellence:** Elevating service quality, user experience and satisfaction metrics
- **Operational Optimization:** Driving process efficiency and performance enhancement
- **Sustainability Integration:** Embedding comprehensive ESG principles across all operations

STAKEHOLDER ENGAGEMENT AND HUMAN CAPITAL DEVELOPMENT

Our strategic priorities extend to deepening shareholder relationships through enhanced collaboration and meaningful engagement initiatives. Recognizing human capital as our greatest asset, we maintain unwavering commitment to fostering professional development, employee satisfaction, organizational engagement through comprehensive capability-building programs and supportive workplace environments.

OUR COMMITMENT

Acba bank's fundamental mission is to serve as a trusted partner, empowering our customers to achieve prosperity and sustainable growth while contributing to Armenia's broader economic development.

STRATEGIC DEVELOPMENT ROADMAP

Acba will maintain comprehensive operations across retail, agricultural, SME and corporate segments while pursuing strategic objectives focused on service portfolio expansion, cost optimization, profitability enhancement and superior customer experience delivery. Our forward-looking strategy encompasses four critical development pillars:

- **Credit Operations Excellence:** We will advance lending process automation, optimization and efficiency enhancement initiatives to minimize operational expenses while maximizing profitability. Key priorities include expanding digital loan and credit line application and disbursement capabilities, introducing innovative products and deploying targeted offerings across diverse customer segments. Leveraging our market-leading position, we will scale card issuance and service operations nationwide while expanding credit line volumes for both individual and corporate clients.
- **Digital Platform Innovation:** Our digital transformation strategy focuses on expanding platform functionality and introducing next-generation services that deliver enhanced customer experiences through faster, more convenient, secure and innovative solutions. We aim to provide seamless access to comprehensive banking and non-banking services across all life stages, from any location. Advanced analytical tools will empower customers with sophisticated financial analysis and management capabilities.
- **Operational Transformation:** We will continue optimizing internal process efficiency through advanced automation and optimization methodologies. Embracing emerging technology trends, we will deploy robotics, automation, artificial intelligence and machine learning solutions across resource-intensive operations to achieve substantial cost reductions and performance improvements.
- **Customer Experience Excellence:** Our commitment to superior service quality drives continuous implementation of cutting-edge technologies and processes designed to deliver exceptional customer experiences. Strategic focus areas include branch service optimization through reduced waiting times, premium advisory services and automated call center response capabilities that ensure seamless customer interactions.

STRATEGIC REPORT
4. OPERATING ENVIRONEMENT

4.OPERATING ENVIRONEMENT

4.1. EXTERNAL ENVIRONMENT: ECONOMIC AND REGULATORY LANDSCAPE

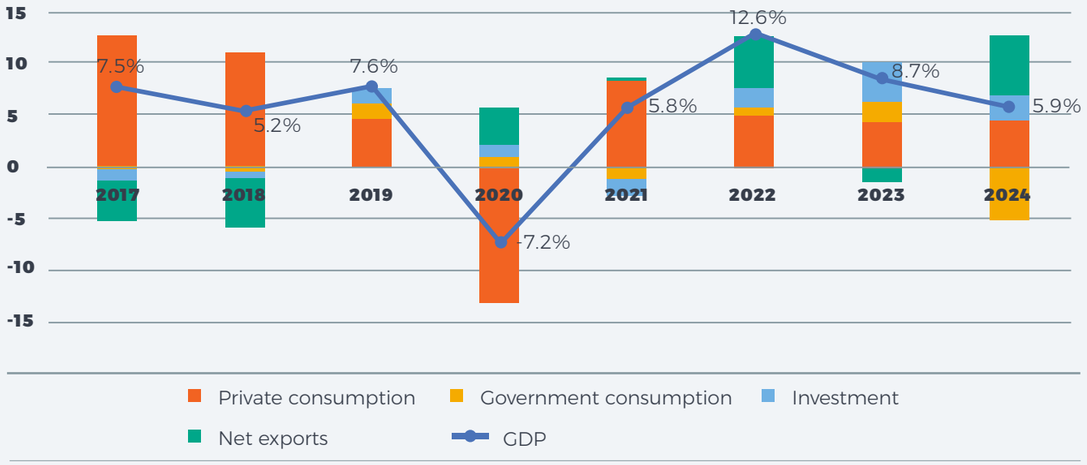
MACROECONOMIC ENVIRONMENT

Armenia's economic trajectory in 2024 demonstrated continued deceleration, with real GDP growth achieving **5.9%** year-over-year (according to RA NSS), converging toward the Central Bank of Armenia's assessed long-term sustainable growth rate of **5%**. Domestic demand components provided the primary growth drivers, with private consumption and investment contributing **8.7** and **10.7** percentage points respectively to overall economic expansion.

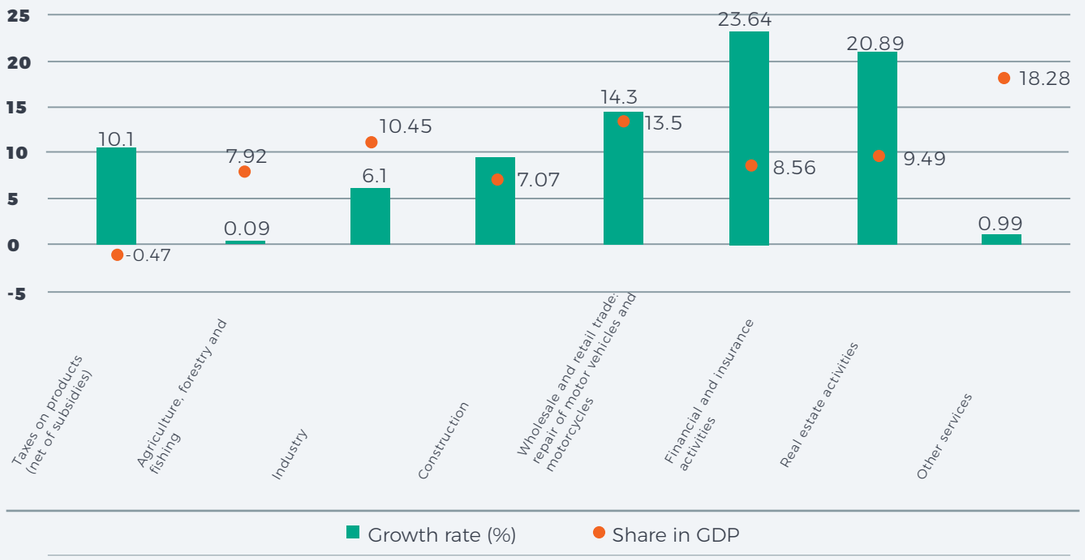
External demand pressures contributed to growth moderation, reflecting broader regional economic shifts and weakening demand patterns. Key indicators included a **5%** decline in tourist arrivals compared to 2023, with tourist entry-exit balance contracting by **30%**. These external headwinds manifested in the real economy through moderated services sector performance, despite overall services growth of **10.9%** (contributing approximately **5.23%** to GDP). Retail trade maintained robust momentum at **13.4%** growth, while the financial sector experienced continued appreciation in both nominal and real effective exchange rates.

The banking sector demonstrated resilience with sustained growth across key metrics. Commercial bank deposits in both AMD and USD expanded by **13.8%** year-over-year, while average deposit rates remained stable at **8.15% for AMD** and **2.52% for USD**. Credit markets showed strong expansion with lending volumes increasing **24.19%** compared to the previous year. Average lending rates (up to 1-year tenor) remained relatively stable at **13.14% for AMD** and **7.77% for USD**, reflecting balanced monetary conditions.

GDP GROWTH: CONTRIBUTION BY MAIN EXPENDITURE COMPONENTS (PERCENTAGE POINTS)



GDP BY MAIN PRODUCTION COMPONENTS



STRATEGIC REPORT
4. OPERATING ENVIRONEMENT

MONETARY AND FISCAL POLICY

As of December 2024, the 12-month inflation rate stood at **2.5%**, aligning closely with the CBA's inflation target of **3%**. In response to declining inflation, the CBA gradually reduced the refinancing rate to **6.75%**, a decrease of **250 basis points** compared to 2023.

Global monetary policy trends in 2024 were mixed:

- The **U.S. Federal Reserve** lowered rates by 1 percentage point.
- The **European Central Bank** also reduced key rates by 1 percentage point.
- In contrast, the **Central Bank of Russia** raised its policy rate by 5 percentage points.

The CBA maintained its flexible exchange rate regime, intervening only to address market volatility. The **AMD continued to appreciate**, supported by strong external demand and capital inflows. The average **USD/AMD exchange rate** in 2024 was **392.73**, with a year-end rate of **396.56**.

Public debt remained stable at approximately **50% of GDP**, aided by strong growth and AMD appreciation. However, fiscal policy was expansionary: the budget deficit doubled in absolute terms, reflecting increased public investment and social spending.

Key Indicators:	2017	2018	2019	2020	2021	2022	2023	2024
Average exchange rate (USD/AMD)	482.72	482.99	480.45	489.01	503.77	435.67	392.48	392.73
Standard deviation of exchange rate change (%)	3.0	1.8	4.7	11.0	19.8	38.5	7.5	6.9
CPI (%)	1	2.5	1.4	1.2	7.2	8.6	2	0.3
Refinancing Rate (%)	6	6	5.5	5.25	7.75	10.75	9.25	6.75
10-Year Government Bond Yield (%)	11.1	9.7	9.5	8.0	9.4	11.2	11.0	9.8

REAL ESTATE MARKET

In 2024, Armenia's **construction sector grew by 14.5%,** with approximately **47%** of expenditures directed to real estate. Real estate transactions increased by **13%**, with **27.8% of deals registered in Yerevan**.
Apartment prices in Yerevan rose by **3.9%** in AMD terms. The number of mortgage-backed transactions grew by **25.8%** to **8,376**, with **57%** of these in Yerevan. Mortgage interest rates averaged **12.9% in AMD** and **10% in USD**.

Looking ahead, the real estate market may experience a **moderation in growth** beginning in 2025, as the government gradually phases out the **income tax refund program**, starting in Yerevan and expanding to the regions by 2029. The Bank has incorporated this outlook into its long-term risk management planning.

REGULATORY AND POLICY DEVELOPMENTS

In 2024, Armenia implemented significant regulatory reforms to align with international standards:

- **Corporate Governance Code:** On July 30, 2024, the Minister of Economy approved a new Corporate Governance Code based on the G20/OECD Principles. This code introduces the "Comply or Explain" principle, emphasizing transparency and accountability in corporate governance.
- **Basel III Implementation:** The CBA continued to strengthen the banking sector's resilience by enforcing Basel III standards, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), ensuring banks maintain adequate liquidity and stable funding profiles.
- **Financial Literacy Initiatives:** The CBA advanced its National Strategy for Financial Education, aiming to improve the financial well-being of the population through comprehensive education programs.

OUTLOOK

Looking ahead, Armenia's economic growth is projected to moderate to **4%** in 2025, with inflation expected to rise to **3.5%,** aligning with the CBA's new target of **3%**. The fiscal deficit is anticipated to expand due to increased spending on defense, infrastructure and social programs.
Despite these challenges, the banking sector's strong capital and liquidity positions are expected to support continued financial stability.

4.2. BANKING SECTOR AND MARKET TRENDS IN ARMENIA

MARKET STRUCTURE AND PERFORMANCE

Armenia's banking sector, encompassing 17 commercial institutions, exhibits a moderately concentrated market structure with strong fundamentals. Throughout 2024, the sector demonstrated remarkable resilience and sustained growth, underpinned by robust capital positioning, enhanced profitability and accelerated digital transformation initiatives. These performance metrics underscore the industry's successful adaptation to evolving economic conditions and commitment to operational modernization.

KEY PERFORMANCE INDICATORS

The banking system achieved substantial growth across core metrics in 2024: credit portfolios expanded **30%**, deposit bases increased 21% and total assets grew **24%**. System-wide profitability reached **AMD 363 bln**, representing a **69%** increase **(AMD 149 bln)** over the previous year. Credit quality improvements were evident, with standard-classified loans comprising **96.9%** of total credit investments at year-end, compared to **96.3%** at the beginning of the year.

The sector maintained strong financial stability metrics, with liquidity ratios at **31.7%** and capitalization levels at **20.4%**. Market concentration remained significant, with the top 5 banks (including Acba bank) controlling **61.5%** of total system assets as of December 31, 2024.

RESILIENCE AND DIGITAL TRANSFORMATION

Armenia's financial system demonstrated exceptional stability throughout 2024, successfully navigating complex geopolitical challenges, regional sanctions impacts and economic uncertainties. The sector's response strategy centered on accelerated digitalization initiatives and enhanced digital infrastructure development, with active participation from regulatory and government stakeholders.

Since 2022, the progressive increase in countercyclical capital buffers has strengthened the system's shock absorption capacity, positioning banks to withstand potential adverse scenarios while maintaining operational continuity.

MARKET CONSOLIDATION TRENDS

The competitive landscape experienced significant strategic developments, including **Bank of Georgia Group's acquisition of Ameriabank** and **Ardshinbank's acquisition of HSBC Armenia Bank**. These consolidation activities signal evolving market dynamics and may substantially influence competition patterns and market concentration in the near term.

REGULATORY DEVELOPMENTS

In 2024, the Central Bank of Armenia continued to implement Basel III standards, including the **Liquidity Coverage Ratio (LCR)** and **Net Stable Funding Ratio (NSFR)**, to strengthen the sector's resilience. Additionally, the adoption of a new Corporate Governance Code aligned with G20/OECD principles aimed to enhance transparency and accountability within financial institutions.

OUTLOOK

Looking ahead, the Armenian banking sector is expected to maintain its growth trajectory, supported by continued economic expansion, regulatory reforms and technological advancements. However, challenges such as geopolitical uncertainties and global economic fluctuations may impact the sector's performance.

STRATEGIC REPORT
4. OPERATING ENVIRONEMENT

4.3. EMERGING TRENDS AND CHALLENGES IMPACTING THE INDUSTRY

Armenia's banking sector in 2024 is navigating a dynamic landscape shaped by technological advancements, evolving customer expectations and regulatory reforms. These factors present both opportunities and challenges for financial institutions striving to maintain competitiveness and resilience.

1. DIGITAL TRANSFORMATION AND FINTECH INTEGRATION

The acceleration of digital banking services has become a defining trend. Banks are investing in mobile applications, online platforms and automated services to enhance customer experience and operational efficiency. The integration of fintech solutions is facilitating innovative offerings such as digital wallets, peer-to-peer payments and AI-driven financial advisory services.

2. EMPHASIS ON ESG AND SUSTAINABLE FINANCE

Environmental, Social and Governance (ESG) considerations are increasingly influencing banking operations. Financial institutions are incorporating ESG criteria into lending practices, risk assessments and investment decisions. The development of green financial products, such as sustainable bonds and eco-friendly loans, reflects a commitment to supporting Armenia's transition to a greener economy.

3. REGULATORY REFORMS AND COMPLIANCE

The Central Bank of Armenia continues to implement regulatory reforms aimed at enhancing financial stability and aligning with international standards. The adoption of Basel III frameworks, including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), is strengthening the sector's resilience. Additionally, the introduction of a new Corporate Governance Code promotes transparency and accountability within financial institutions.

4. CYBERSECURITY AND DATA PROTECTION

As digital banking services expand, cybersecurity has become a critical concern. Banks are investing in advanced security measures to protect customer data and prevent cyber threats. Compliance with data protection regulations and the implementation of robust cybersecurity frameworks are essential to maintaining customer trust and safeguarding financial systems.

5. FINANCIAL INCLUSION AND LITERACY

Efforts to promote financial inclusion are gaining momentum. Banks are developing accessible financial products and services tailored to underserved populations, including rural communities and low-income individuals. Financial literacy programs are being implemented to educate customers on managing finances, understanding banking services and making informed financial decisions.

These emerging trends underscore the importance of adaptability and innovation in Armenia's banking sector. Financial institutions that proactively embrace technological advancements, prioritize sustainability and respond to evolving customer needs will be well-positioned to thrive in this dynamic environment.

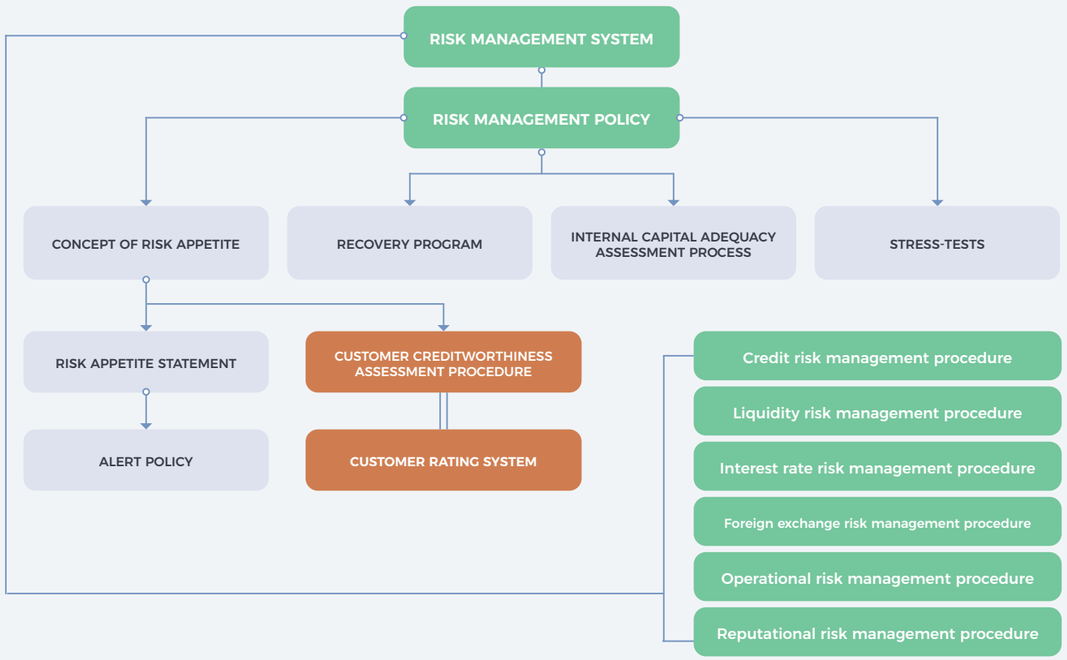
5. RISK MANAGEMENT

5.1. RISK MANAGEMENT FRAMEWORK

Acba bank's risk management framework is fully aligned with its strategic objectives and is built on international best practices. It integrates advanced tools, robust policies and a proactive risk culture to ensure the Bank operates safely, sustainably and in compliance with regulatory expectations.

The framework encompasses clearly defined risk governance structures, classification methodologies based on materiality and detailed processes across the risk management lifecycle. A schematic overview of the Bank's risk management framework is illustrated in **Figure 1.**

Figure 1. The bank's risk management framework



RISK MANAGEMENT POLICY

The Bank's Risk Management Policy establishes the foundation for a consistent and integrated ap-proach to risk. It sets out:

- The **objectives of risk management**, aligned with the Bank's strategic goals;
- The **taxonomy and classification of risks**, based on their materiality;
- The **roles and responsibilities** of key risk management bodies and designated departments;
- The processes and actions applicable at each phase of t**he risk management cycle** (illustrated in **Figure 2.**);
- The **methods and directions** for risk identification, assessment, monitoring and mitigation.

This policy ensures a unified understanding and approach to risk across the organization.

Figure 2: Scheme of Risk Management



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5. RISK MANAGEMENT

RISK GOVERNANCE AND RESPONSIBLE BODIES

The Bank's risk management governance is structured hierarchically, ensuring accountability at every level. The architecture of responsible bodies and units is presented in **Figure 3.**

All core documents forming the Bank's risk management framework are developed collaboratively by the **Risk Management Directorate** in coordination with relevant business units. These documents undergo thorough review by the **Management Risk Committee** and the **Board Risk Committee** and are subject to final approval by the Bank's **Board**.

Risk management is a shared responsibility embedded across all **governing bodies, business lines and territorial branches**. Each unit plays an active role in the identification, assessment and mitigation of risks within its scope of operation.

The **Risk Management Directorate** serves as the central coordinating body for risk-related activities, facilitating consistency and effectiveness across the Bank. Its organizational structure is detailed in **Figure 4.**

Figure 3: Responsible Bodies for Risk Management

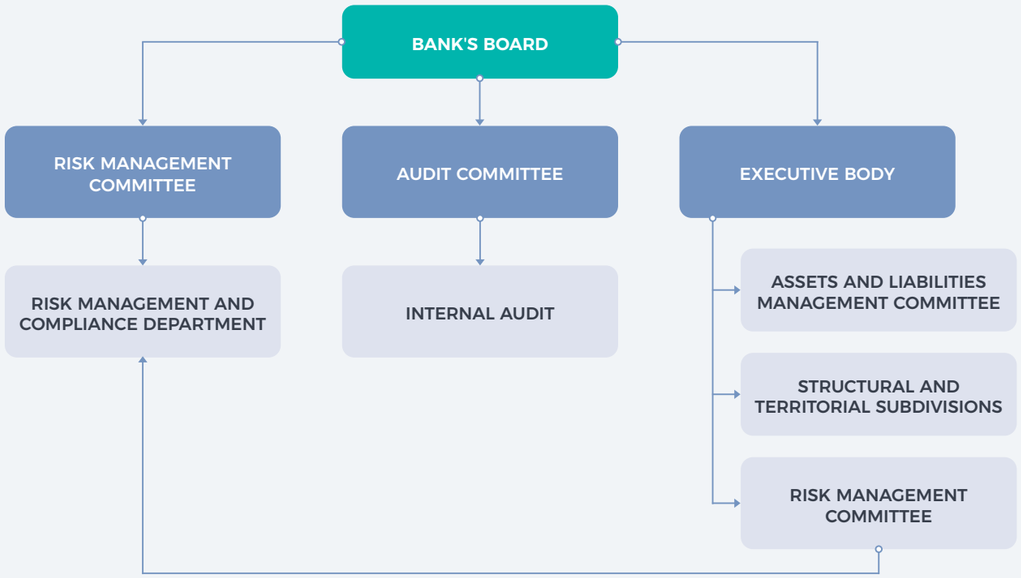
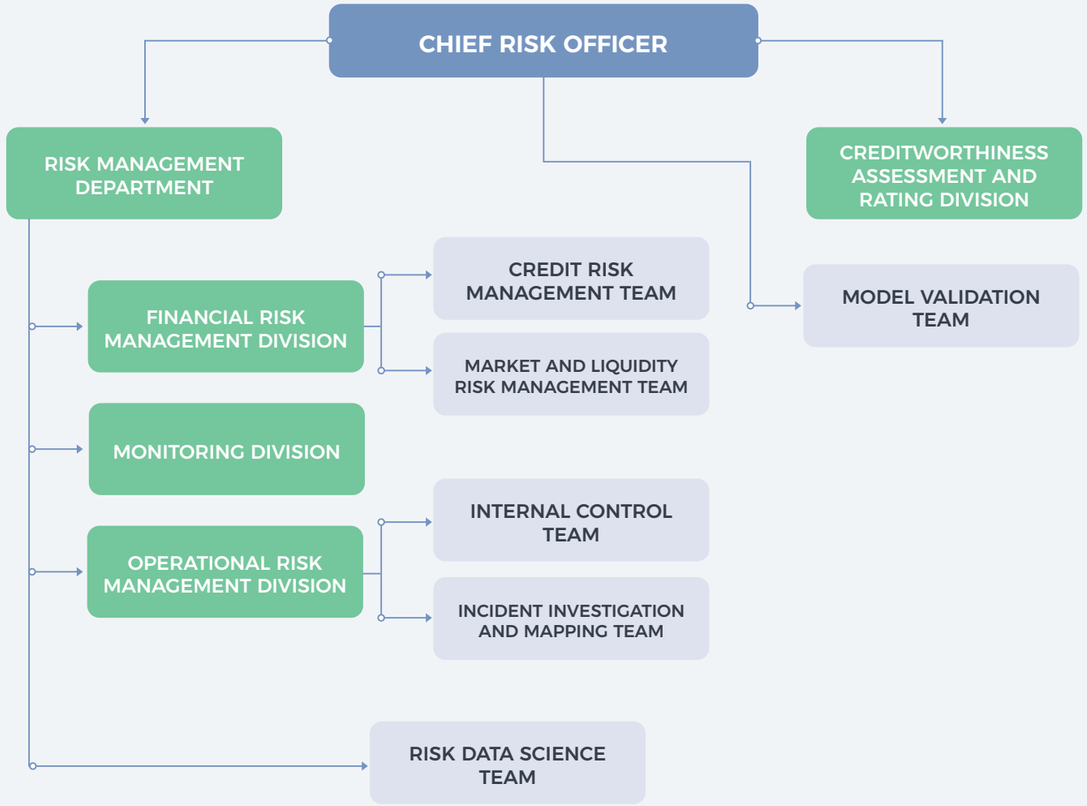


Figure 4. Structure of the Risk Management Directorate



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5. RISK MANAGEMENT

5.2. MATERIAL EXISTING AND EMERGING RISKS

Acba bank operates in an environment influenced by both external (exogenous) and internal (endogenous) factors, exposing it to a wide range of risks. Among these, credit risk remains the most significant, alongside emerging risks associated with economic cycles, technological change, regulatory developments and climate considerations. This section outlines the principal categories of risk the Bank is exposed to, along with the frameworks in place for their effective identification, assessment and management..

CREDIT RISK

Credit risk is defined as the risk of financial loss arising when a counterparty fails to meet its contractual obligations in full and on time. It may manifest through:

a. Default risk: Risk of a client failing to meet payment obligations.

b. Downgrade risk: Risk arising from the deterioration in a counterparty's creditworthiness, resulting in increased provisioning requirements.

c. Counterparty risk: Risk of loss due to the failure of a market counterparty holding open positions with the Bank.

To effectively manage credit risk, the Bank has implemented a comprehensive **Credit Risk Management Framework,** comprising two complementary components:

- **Individual Credit Risk Management**
- **Credit Portfolio Risk Management**

Individual Credit Risk Management

This component focuses on borrower-level assessments and includes:

- Credit scoring models (Application and Behavioral Score)
- Corporate client rating models
- Financial and sectoral risk analysis tools

Automated decision-making systems have been fully integrated across the **Retail, SME and Agricultural** lending segments. These systems allow the Bank to:

- Review more than 80% of retail credit applications automatically,
- Improve lending efficiency,
- Enhance central oversight of borrower creditworthiness.

Corporate borrowers are assessed using a rating model that accounts for:

- Financial performance,
- Sector-specific risk,
- Qualitative factors.

Based on the borrower's risk level, lending decisions are made within a **tiered credit committee structure**, ensuring rigorous governance.

All creditworthiness models are subject to regular **post-testing and validation**, supported by advanced statistical techniques, as well as **AI and machine learning tools**, allowing the Bank to continuously refine its risk assessment frameworks.

Credit Portfolio Risk Management

Portfolio-level risk is managed through segmentation models that estimate:

- **Probability of Default (PD)**
- **Loss Given Default (LGD)**
- **Exposure at Default (EAD)**

The Bank sets three-tiered internal credit risk limits aligned with its capital planning process:

1. Risk Appetite – desired risk-taking level aligned with strategic goals,

2. Risk Tolerance – acceptable deviation range,

3. Maximum Risk Absorption Threshold – upper boundary to preserve financial resilience.

To ensure credit portfolio diversification, the Bank **sets sectoral concentration limits**, based on internal assessments and strategic direction. These limits are often more conservative than regulatory requirements, as outlined in the Bank's **Risk Appetite Statement.**

Additionally, the Bank operates a **dedicated credit monitoring and non-performing loan (NPL) collection framework**, aiming to minimize both default probability and expected credit losses.

Credit Risk Reserve and Stress Testing

The Bank maintains dual credit risk provisioning methodologies in line with:

- **IFRS 9 Expected Credit Loss (ECL)**
- **Central Bank of Armenia (CBA) provisioning rules**

This allows for detailed monitoring of credit risk trends across different economic cycles. Since 2021, the Bank has observed a downward trend in both the CBA reserve ratio and IFRS 9 ECL ratio, reflecting improved portfolio quality and effective risk management practices.

As of year-end 2024:

- **CBA reserve ratio:** 1.56%
- **IFRS 9 ECL ratio:** 1.19%

These indicators underline the Bank's continued progress in mitigating credit risk. **(Figure 5)**:

Figure 5: ECL Dynamic IFRS 9 & CBA

LIQUIDITY RISK

Liquidity risk refers to the Bank's potential inability to meet its financial obligations when due, either because of insufficient liquid assets **(Funding Liquidity Risk)** or a decline in the marketability of assets **(Trading Liquidity Risk)**.

Acba bank has established a robust **Liquidity Risk Management Framework**, incorporating a range of tools and practices to ensure adequate and stable liquidity under both normal and stressed conditions. These include:

- **Liquidity gap analysis**
- **Stress testing**
- **Monitoring of financial covenants** in agreements with partner financial institutions
- **Customer behavioral modeling**
- **Daily, monthly and quarterly liquidity monitoring routines**

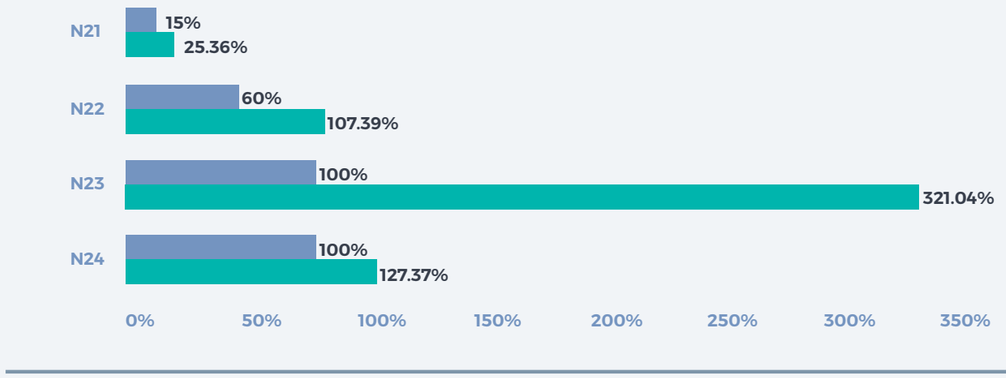
Beyond meeting the regulatory liquidity requirements established by the Central Bank of Armenia, the Bank has adopted stricter internal limits to provide early warnings of potential stress scenarios. This approach enables the Bank to proactively manage risks stemming from internal dynamics or shifts in the external regulatory landscape.

In light of ongoing regional geopolitical uncertainties, the Bank has defined a conservative **liquidity risk appetite**, ensuring the maintenance of a substantial liquidity buffer capable of absorbing external shocks.

Throughout 2024, the Bank consistently maintained **liquidity levels well above regulatory thresholds**, reinforcing trust among depositors and counterparties and contributing to the overall stability of Armenia's banking system. **(Figure 6)**.

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Figure 6: Actual liquidity risk indicators as of 31.12.2023.



To ensure diversified and resilient liquidity sources, the Bank actively attracts funding from **international financial institutions**. Excess liquidity is prudently allocated to **low-risk investment instruments**, including:

- **RA government bonds**
- **Interbank lending**
- **Reverse repurchase (repo) transactions**

As of year-end 2024, approximately **96.43%** of the Bank's bond portfolio consisted of **highly liquid Armenian government securities**, underscoring the conservative and risk-sensitive nature of its investment strategy.

The Bank conducts **daily monitoring of deposit portfolio volatility,** across both demand and term deposits. This analysis has consistently shown no adverse shifts, even under external uncertainty, reflecting strong depositor confidence and a stable funding base.

An ongoing **maturity mismatch analysis** of assets and liabilities supports effective liquidity planning and helps identify and mitigate potential negative gaps. Additionally, the Bank applies **liquidity stress testing frameworks** to simulate adverse scenarios and assess the Bank's ability to withstand sudden liquidity shocks.

To enable rapid response to actual or potential breaches of liquidity risk thresholds as outlined in the **Risk Appetite Statement**, the Bank has established a formal **Liquidity Alert Policy,** with predefined escalation procedures and corrective action timelines.

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INTEREST RATE RISK

Interest rate risk refers to the potential for financial loss arising from adverse movements in market interest rates, which may impact the Bank's net interest margin or the valuation of interest-sensitive assets and liabilities.

The Bank manages interest rate risk across two principal portfolios:

- **Interest Rate Risk in the Trading Book (IRR-TB)**
- **Interest Rate Risk in the Banking Book (IRR-BB)**

For both areas, the Bank has established a three-tiered risk threshold system consisting of:

1. Risk Appetite
2. Tolerable Risk Level
3. Maximum Risk Absorption Threshold

To mitigate exposure, the Bank maintains a balanced structure between floating-rate assets and liabilities, carefully aligning their volumes and maturities to minimize sensitivity to rate fluctuations. This strategy helps protect the Bank's interest income from the volatility of market rates.

The Bank also employs interest rate swaps as a key hedging tool to manage longer-term interest rate exposure, particularly for fixed-income instruments and liabilities with interest rate reset mismatches.

Furthermore, the Bank applies the GAP analysis methodology, setting defined benchmark interest rate gap limits to monitor and control potential mismatches across time bands. This enables early identification of risks arising from rate shifts and supports proactive balance sheet management.

FOREIGN EXCHANGE RISK

Foreign exchange risk is defined as the probability of financial loss resulting from adverse fluctuations in foreign currency exchange rates. It arises from the Bank's open positions in foreign currencies and the potential impact of exchange rate volatility on earnings, capital or asset values.

To effectively manage this risk, Acba bank has established a three-tiered system of risk limits for foreign exchange exposure, aligned with its overall risk appetite framework. These include:

- **Risk Appetite –** the level of foreign exchange risk the Bank is willing to accept during normal business operations;
- **Risk Tolerance –** the maximum risk level the Bank is prepared to endure before corrective action is required;
- **Maximum Risk Absorption Threshold –** the ultimate boundary beyond which the Bank's financial stability or regulatory compliance may be jeopardized.

The Bank's foreign exchange risk management system integrates advanced statistical methodologies, including Value at Risk (VaR) and Expected Shortfall (ES), enabling robust quantification and scenario-based assessment of potential losses. These tools support informed decision-making and ensure that foreign exchange positions remain within established internal limits.

Mitigation measures include daily monitoring of open currency positions and dynamic adjustment of exposures in line with market movements and internal risk signals. In line with the Bank's conservative foreign exchange policy, no material open positions were maintained in euros or Russian rubles throughout the year. The Bank's net USD position was primarily long but remained within permissible bounds.

In addition, the Bank conducts regular analysis of macroeconomic trends, geopolitical developments and currency dynamics in key international markets. This proactive monitoring enhances the Bank's ability to anticipate and mitigate potential losses from adverse currency movements, contributing to overall financial stability and prudent risk management.

OPERATIONAL RISK

Operational risk is defined as the potential for financial loss resulting from inadequate or failed internal processes, system breakdowns, human error or misconduct or external events.

The Bank adopts a comprehensive approach to operational risk management, grounded in the **Three Lines of Defense model**, which ensures accountability, independent oversight and robust internal controls across all levels of the organization.

A variety of tools and practices are deployed to identify, assess, monitor and mitigate operational risks, including:

- The **"four eyes" principle** for dual control
- Defined **monetary thresholds** within operational processes
- An established **operational risk incident database** to track and analyze risk events
- Continuous **review and enhancement of internal controls** based on incident analysis
- **Risk and Control Self-Assessment (RCSA)**
- **Stress testing** for extreme but plausible scenarios
- **Operational risk mapping** to identify high-risk areas
- Development of targeted **mitigation plans** for high-scoring risks

The Bank also defines a clear **risk appetite** for operational risk. An internal **alert mechanism** is in place to trigger timely escalation and response when potential breaches occur.

Operational risk mitigation is carried out through:

1. Proactive identification and prevention of adverse events that may disrupt the Bank's operations, accompanied by continuous monitoring of risk levels against acceptable thresholds.

2. Accurate measurement and evaluation of operational risks across all existing and newly implemented systems, products and procedures, followed by the development of tailored control and management mechanisms.

This integrated framework enables the Bank to enhance operational resilience, reduce exposure to unforeseen disruptions and ensure the continuity of critical functions.

PRICE RISK

Price risk refers to the potential for financial loss due to unfavorable movements in the market prices of **listed capital instruments** that are recorded at **fair value** on the Bank's balance sheet. These fluctuations may result from factors related to the specific instrument or issuer, as well as broader market dynamics and investor sentiment.

To manage price risk effectively, the Bank conducts **regular monitoring** of all assets exposed to market price volatility. Risk levels are assessed using a suite of **statistical tools** that enable timely identification of adverse trends and support informed portfolio management decisions.

COUNTRY RISK

Country risk is defined as the possibility that **economic, political or social developments** in a foreign jurisdiction could adversely impact the Bank's **capital, liquidity, profitability or overall risk profile**. This type of risk is particularly relevant to **cross-border operations**, such as establishing correspondent banking relationships, executing international wire transfers or managing foreign exposures.

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5. RISK MANAGEMENT

The Bank mitigates country risk through the following mechanisms:

- Regular review of **sovereign ratings** published by internationally recognized agencies.
- Dynamic **country limit adjustments** based on rating downgrades or material risk events.
- Potential **termination of correspondent banking relationships** in jurisdictions deemed high-risk.
- Periodic assessment of the financial standing and foreign exposure of **importing/exporting clients**, helping the Bank proactively manage the credit risks associated with international trade.

SECTOR RISK

Sector risk arises from adverse developments within a specific **economic sector**, which may affect the repayment capacity of borrowers operating within that industry. Such risks stem from sector-specific financial and economic conditions, cyclical fluctuations, regulatory shifts and structural characteristics like the product life cycle.

The Bank incorporates sector risk into its credit risk management practices through:

- **Internal and comparative sectoral analysis**
- Integration of sector outlook into **loan portfolio planning**
- Inclusion of sectoral dynamics in **corporate borrower credit ratings**
- **Stress testing** to assess portfolio vulnerability under adverse sector scenarios

This approach enables the Bank to maintain balanced portfolio diversification and respond proactively to early warning signals within key sectors of the economy.

STRATEGIC (BUSINESS MODEL) RISK

Strategic risk arises from the selection or execution of an inappropriate business strategy or from unfavorable shifts in the assumptions, performance indicator or objectives underlying the Bank's strategic plan. It may also result from failure to adapt to significant changes in the external or internal environment.

To mitigate this risk, the Bank ensures that all strategic programs and business models are subject to **thorough analysis** by the relevant functional units. This includes:

- Assessing baseline and target indicators
- Evaluating potential internal and external risk factors
- Conducting scenario analysis and sensitivity testing

The Bank's strategic assumptions and market conditions are regularly monitored and any material deviations prompt a reassessment of the strategy to ensure alignment with emerging realities and stakeholder expectations.

REPUTATIONAL RISK

Reputational risk refers to the potential for **loss of trust or confidence** among customers, partners or the public, resulting from adverse publicity, whether substantiated or not. Such negative perceptions may lead to reduced customer activity, loss of business, increased legal exposure and a decline in profitability. This risk also encompasses the reputational implications of the Bank's affiliation with the broader **ACBA GROUP**.

The Bank employs a comprehensive reputational risk management framework that includes:

- **Proactive identification and assessment** of potential reputational threats
- **Monitoring of customer feedback**, complaints and inquiries across all service channels
- **Continuous media and public sentiment monitoring** related to the Bank and the Group
- **Crisis response protocols**, such as press releases, public statements or briefings
- **Reputation risk analysis** in connection with legal, tax or environmental matters
- **Rigorous project screening**, especially for transactions with social, legal or ecological sensitivities
- **Standardization of legal documents** and control of deviations from approved templates
- **Business continuity planning**, AML/CTF measures, internal control reinforcement and fraud prevention
- **Assessment of reputational risk** when launching or modifying products

These measures are designed to safeguard stakeholder trust and reinforce the Bank's long-term credibility and brand integrity.

NON-COMPLIANCE RISK

Non-compliance risk is defined as the potential for **legal, regulatory, administrative or disciplinary sanctions, financial penalties or reputational damage** arising from the Bank's failure to adhere to applicable laws, regulations, internal policies, executive directives or professional and ethical standards.
To manage this risk, the Bank has developed a strong **compliance culture** and institutionalized mechanisms that include:

- Continuous monitoring of legal and regulatory developments
- Internal policy reviews and updates
- Staff training on compliance and ethics
- Pre-emptive control mechanisms to detect and prevent breaches
- Active collaboration with regulators to ensure alignment with supervisory expectations

This approach ensures that the Bank maintains operational integrity, protects its reputation and upholds its responsibilities as a trusted financial institution.

FINANCIAL CRIME RISK

Financial crime remains a critical challenge for financial institutions globally. Acba bank is committed to upholding the integrity of the financial system and strictly complying with regulatory requirements. The Bank has adopted a **comprehensive financial crime risk management framework** covering a wide spectrum of risks, including **money laundering, terrorist financing, sanctions evasion, fraud, corruption, tax evasion and the financing of proliferation.**

Key Drivers and Risk Landscape

The evolution of financial crime risk—globally and locally—requires banks to remain vigilant and adaptive. In Armenia, the sector faces increasing exposure due to several dynamics:

- **Inherent product risk:** Financial products such as **trade finance, cross-border transfers** and **digital banking services** carry heightened exposure to fraud, money laundering and identity theft.
- **Geopolitical sensitivity:** Armenia's proximity to high-risk jurisdictions elevates exposure to illicit financial flows and sanctions-related risks.
- **Control system challenges:** Legacy AML/KYC systems and gaps in transaction monitoring can undermine the Bank's ability to detect and respond to evolving threats.

Key Trends and Developments in Financial Crime Risk Management

Trends in Financial Crime Risk Management

- **Acceleration of transaction volumes and speed** has made **real-time detection more complex**. The Bank uses **advanced monitoring tools** to identify and mitigate these risks promptly.
- **Emergence of non-traditional products**, such as **cryptocurrencies and alternative finance instruments**, requires enhanced controls to prevent abuse for illicit purposes.

GOVERNANCE STRUCTURE

Acba bank applies a robust Three Lines of Defense model in its financial crime risk governance:

1. **First Line** – Business units are responsible for identifying and managing financial crime risks in daily operations, ensuring transactions do not facilitate money laundering or terrorism financing.
2. **Second Line** – The **AML/CTF and Sanctions Directorate independently** sets policies, monitors transactions and conducts risk assessments to ensure compliance with local and international standards.
3. **Third Line** – The **Internal Audit function** provides independent assurance on the effectiveness of financial crime controls and reports directly to senior management and the Board.

Monitoring and Reporting

The Bank maintains a proactive and continuous financial crime risk monitoring process. Business units align their operations with Acba's financial crime risk strategy, supported by:

- Regular **reporting to the Risk Committee and Board**,
- Use of **dashboards with quantitative and qualitative indicators**, and
- **Early warning mechanisms** to detect and respond to risks.

Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF)

Acba bank's AML/CTF framework follows a risk-based approach, in line with FATF recommendations and Armenian regulations. Key elements include:

- **Updated AML/CTF** policies and procedures;
- Investment in **automated screening, filtering and transaction monitoring technologies;**
- **Strengthened AML teams and increased resource allocation;**
- **Customer Due Diligence (CDD**) and **Know Your Customer (KYC)** procedures that verify identity, assess risk profiles and ensure ongoing monitoring;
- **Staff training programs** to maintain awareness of regulatory obligations and red-flag behaviors;
- **Collaboration with regulatory authorities and financial institutions** for intelligence sharing;
- **Regular audits and system reviews** to enhance control effectiveness.

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Sanctions Compliance

Acba bank enforces a robust sanctions compliance framework aligned with international regimes (US, UK, EU, France, Japan etc.). Given Armenia's geopolitical context, the Bank recognizes the elevated risk of sanctions evasion and responds with:

- **A dedicated Sanctions Division** responsible for managing all sanctions-related matters;
- **Enhanced Due Diligence (EDD)** for clients with ties to high-risk jurisdictions;
- **Real-time and post-transaction monitoring** to detect potential breaches;
- Ongoing **policy updates and system enhancements;**
- **Regular training** to keep staff informed about changing sanctions laws and expectations.

Customer Due Diligence (CDD)

Acba bank implements a robust CDD process that includes:

- **Initial and ongoing due diligence** on all customers, assessing identity, business activity and source of funds;
- **Enhanced due diligence (EDD)** for high-risk clients, including PEPs and those involved in complex financial structures;
- **Risk-based client classification** (low, medium, high) with differentiated monitoring and reporting requirements;
- Continuous **transaction monitoring, prompt alert resolution** and s**uspicious activity reporting in compliance with legal obligations**;
- Strong **KYC protocols** to ensure compliance with financial sanctions and mitigate identity-related risks.

Acba bank remains firmly committed to protecting its clients, the institution and the broader financial system from financial crime. Through rigorous controls, strategic investments in technology and a culture of compliance, the Bank continuously strengthens its ability to detect, prevent and respond to emerging financial crime risks.

SOCIAL AND ENVIRONMENTAL RISK

Acba bank recognizes the importance of environmental and social (E&S) considerations in responsible banking and has integrated structured risk management practices to address these areas. Since 2011, the Bank has maintained a comprehensive **Social and Environmental Risk Management (SERM) Procedure**, which includes an **Exclusion List** identifying sectors with high adverse social and environmental impact that are **ineligible for financing**.

Under the SERM framework, all loans **exceeding AMD 18 mln** are classified according to their potential environmental and social impact into l**ow, medium** or **high-risk** categories. This classification considers several criteria:

- **Sector of economic activity**
- **Loan amount**
- **Loan duration**
- **Type of collateral**

Depending on the risk classification, the Bank conducts tailored due diligence and monitoring. For **high-risk loans**, enhanced **impact assessments** are performed in accordance with the IFC Environmental and **Social Performance Standards (Criteria 1–8)**. These include assessments related to labor and working conditions, community health and safety, biodiversity, land acquisition and cultural heritage.

If any social or environmental violations, incidents or non-compliance with Armenian legislation are identified during monitoring, a designated **SERM officer** initiates a **Corrective Action Plan** aimed at mitigating negative impacts and restoring compliance.

In alignment with the Bank's **Risk Management Policy**, environmental and social risks—like all other material risks—are subject to defined control structures. The Bank identifies a risk as **Significant** if its inadequate management could:

- **Disrupt business continuity,**
- **Threaten solvency or capital adequacy,**
- **Breach internal or regulatory standards.**

For each Significant risk, the Bank defines:

- **Risk Appetite**
- **Tolerable Risk Levels**
- **Maximum Absorption Thresholds**
- **Other relevant limits and benchmarks**

Currently, the Bank categorizes the following as **Significant Risks**:

- **Credit Risk**
- **Foreign Exchange Risk**
- **Interest Rate Risk**
- **Operational Risk**
- **Liquidity Risk**

These risks are closely linked to the Bank's capital adequacy and solvency. Each is governed by dedicated internal regulations, monitoring frameworks and control mechanisms, which are regularly updated to reflect international best practices and evolving regulatory standards.

STRATEGIC REPORT
5. RISK MANAGEMENT

5.3. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) is a cornerstone of Acba bank's risk and capital management framework. Its primary objective is to ensure that the Bank maintains adequate capital buffers to absorb potential losses from both expected and unexpected risks that may arise in the course of executing its strategic objectives. The ICAAP also ensures compliance with regulatory capital requirements while supporting the long-term stability and resilience of the Bank's operations.

CORE PRINCIPLES OF ICAAP

Acba bank's ICAAP is grounded in the following key principles:

- **Regulatory compliance** with applicable legislative and supervisory requirements;
- **Robust assessment** of macroeconomic and institution-specific risks integrated into the Bank's strategic and operational management frameworks;
- **Full alignment** with the Bank's Risk Management and Reporting Systems;
- **Flexibility and adaptability**, ensuring the ICAAP evolves in response to changes in the internal and external environment.

To enhance objectivity, the Bank places strong emphasis on **quantitative methodologies**, minimizing reliance on qualitative or expert judgment. This approach increases the **credibility, transparency and consistency** of the process.

GOVERNANCE AND INTEGRATION

ICAAP is closely integrated into the Bank's **strategic planning and risk governance structures**. The ICAAP policy and the annual ICAAP report are **approved by the Board of Directors**, ensuring oversight at the highest level. The **underlying assumptions, methodologies and results are reviewed** by the **Board-level Risk Management Committee** and the **Executive Risk Committee**, allowing the ICAAP outcomes to influence key strategic and capital allocation decisions.

To ensure alignment with broader risk management systems, the assumptions, models and methodologies used in the ICAAP are **consistent with** those employed in:

- **Strategic planning and capital forecasting**
- **Risk appetite setting**
- **Stress testing**
- **Interest Rate Risk in the Banking Book (IRRBB) analysis**
- **Recovery and contingency planning**

CAPITAL PLANNING APPROACH

In addition to meeting the **regulatory capital adequacy ratios**, the Bank calculates **internal capital requirements** based on its estimates of **expected** and **unexpected losses across** all significant risk categories that could impact capital. These internal capital assessments are embedded in the Bank's **strategic plan**, ensuring a forward-looking perspective on capital needs that supports sustainable growth and resilience.

Through this integrated and disciplined approach, Acba bank ensures that its capital resources are sufficient not only to meet current obligations but also to withstand adverse economic scenarios, thereby reinforcing stakeholder confidence and operational continuity.

STRATEGIC REPORT
5. RISK MANAGEMENT

5.4. RISK APPETITE

The Risk Appetite Framework is a core component of Acba bank's enterprise risk management framework. It defines the level and types of risk the Bank is willing to assume in pursuit of its strategic and operational objectives, while ensuring the Bank's financial resilience and compliance with regulatory obligations.

GUIDING PRINCIPLES

The Bank's risk appetite is governed by the following foundational principles:

- **Preservation of capital buffers** to ensure continuous compliance with prudential regulations;
- **Optimized risk-return alignment** in the context of strategic and financial objectives;
- **Comprehensive risk diversification**, minimizing undue concentrations of exposure;
- **Proactive monitoring and alerting mechanisms,** enabling early detection and mitigation of risk breaches.

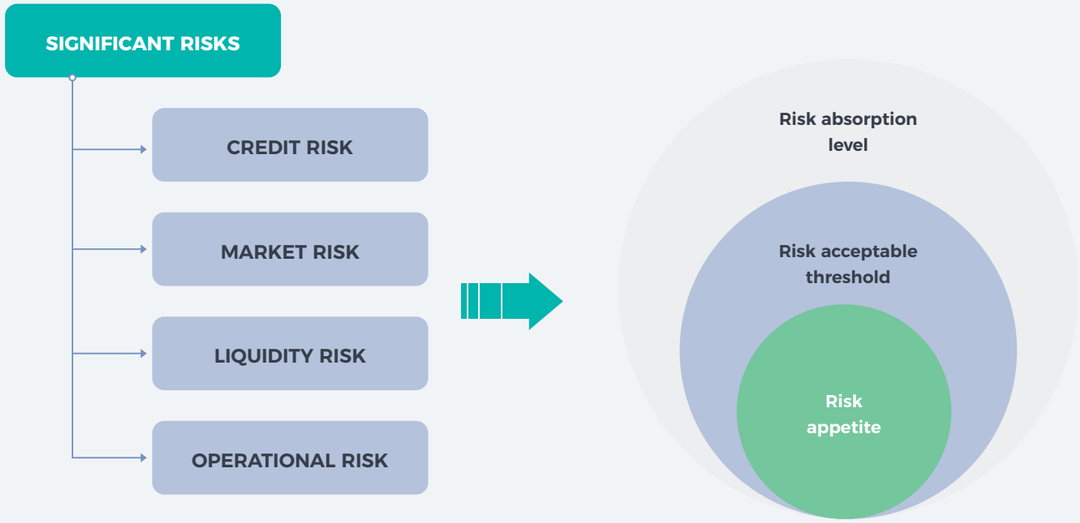
Risk appetite limits and internal benchmarks are established in alignment with the Bank's **Internal Capital Adequacy Assessment Process (ICAAP)** and overarching **corporate strategy.** These limits are designed to support the maximization of **risk-adjusted returns on capital** and to ensure robust risk governance across all functions and business lines.

THREE-TIER RISK APPETITE FRAMEWORK

Acba bank employs a three-tier structure to define its tolerance for risks deemed significant to the institution **(see Figure 7)**:

- **Risk Appetite:** The level of risk the Bank is willing to accept under normal conditions without compromising financial stability or operational integrity. It is linked to daily operations and reflected in budget targets and operational thresholds. Any deviation from these limits is escalated for immediate management attention and Board oversight.
- **Risk Tolerance:** The maximum allowable level of risk the Bank can accept before requiring corrective action. Breaches of risk tolerance levels are immediately reported to the Executive Management and Board, who are responsible for developing and approving remediation plans.
- **Maximum Risk Absorption Capacity:** The absolute threshold of risk exposure that the Bank can sustain without breaching regulatory or operational limits. This tier is intended to reflect the Bank's ultimate resilience boundary and informs strategic contingency planning.

Figure 7: Risk appetite framework



GOVERNANCE AND INTEGRATION

The Bank's **Risk Appetite Statement (RAS)** is reviewed and approved by the Board of Directors in conjunction with the **annual strategic planning cycle.** The RAS sets not only risk appetite thresholds for each material risk type but also defines internal **Tier 1 and Tier 2 benchmarks,** which serve as early warning indicators.

To operationalize the RAS, the Bank has implemented an a**utomated risk factor monitoring and alert system**, which continuously tracks performance against established limits and generates alerts when thresholds are approached or breached. This enables timely escalation and risk mitigation.

This structured approach ensures that risk-taking remains **disciplined, transparent and aligned** with the Bank's strategic ambitions and regulatory responsibilities. It also reinforces a strong **risk culture** throughout the institution by embedding clear accountability and real-time monitoring into the decision-making process.



5.5. STRESS TESTING

Acba bank has established a comprehensive, multi-factor Stress Testing Framework designed to assess the impact of severe but plausible internal and external shocks on its capital adequacy, liquidity and overall risk profile. The outcomes of stress testing are used to inform strategic decision-making and ensure the Bank's long-term financial stability and resilience.
The stress testing system covers all major risk types and is fully integrated into the Bank's risk governance and capital planning processes. It also serves as a key tool for validating the Bank's risk appetite and buffer sufficiency under adverse conditions.

STRESS TESTING COMPONENTS

CREDIT RISK STRESS TESTING: This module simulates macroeconomic and sector-specific shocks, incorporating both internal and external variables that could impact credit portfolio quality. Using statistical and scenario-based models, the system assesses potential breaches of credit risk appetite across business lines. These analyses support early identification of vulnerabilities and guide portfolio adjustments.

FOREIGN EXCHANGE RISK STRESS TESTING: The Bank employs quantitative techniques such as Value at Risk (VaR) and Expected Shortfall (ES) to evaluate potential losses from extreme but plausible foreign exchange rate fluctuations. These simulations help assess the Bank's exposure under high-confidence intervals and guide foreign currency risk mitigation strategies.

INTEREST RATE RISK STRESS TESTING (IRRBB & TRADING BOOK): Given the dual nature of interest rate exposure (Banking Book and Trading Book), stress testing models measure sensitivity to interest rate shocks using duration-based approaches. The analysis quantifies the impact on both net interest income and economic value of equity, supporting interest rate risk hedging and balance sheet optimization.

LIQUIDITY RISK STRESS TESTING: Stress testing for liquidity risk assesses the Bank's ability to withstand extreme liquidity shocks, including large-scale deposit outflows or market disruptions. Simulations help evaluate the sufficiency of high-quality liquid assets and determine appropriate liquidity buffers in line with regulatory and internal thresholds.

CAPITAL ADEQUACY STRESS TESTING: This aggregate module combines the stress results of all major risk types to assess their cumulative impact on capital adequacy. It evaluates the Bank's capacity to maintain capital ratios above regulatory and internal minimums under a combined stress scenario, thereby supporting ICAAP and strategic capital planning.

STRESS TESTING OUTCOME (AS OF 31/12/2024)

Stress testing conducted as of 31 December 2024 confirms that the Bank maintains a robust capital and liquidity position, even under highly adverse and low-probability scenarios. These results affirm the Bank's capacity to absorb severe shocks without compromising operational continuity or regulatory compliance.

STRATEGIC REPORT
5. RISK MANAGEMENT

5.6. DEVELOPMENT OF THE RISK MANAGEMENT FRAMEWORK IN 2024

Throughout 2024, Acba bank made significant advancements in strengthening its **Risk Management Framework**, aligning with international best practices and the Bank's long-term strategic goals. Enhancements focused on reinforcing capital planning, improving decision-making tools, expanding automation and deepening risk analytics capabilities.

ENHANCEMENT OF RISK APPETITE AND CAPITAL ADEQUACY SYSTEMS

The Bank improved its integrated **Risk Appetite Framework and Internal Capital Adequacy Assessment Process (ICAAP)**, including the review and refinement of all related procedures, policies and methodologies. In 2024, the Bank assessed the **expected and unexpected loss levels** across material risk types and used these insights to determine the **internal capital requirements** necessary to maintain strong capital adequacy under stress scenarios.

STRESS TESTING ENHANCEMENTS

Stress testing models for **Credit Risk, Liquidity Risk** and **Interest Rate Risk** were revised and upgraded. Enhancements included model recalibrations, updated macroeconomic assumptions and expanded scenario libraries, enabling the Bank to more accurately quantify risk exposures under extreme but plausible events.

SYSTEM AUTOMATION AND MONITORING

The Bank advanced the **automation of risk indicator monitoring**, particularly those defined under the Risk Appetite Statement. This has enabled real-time oversight and improved responsiveness to potential breaches, increasing the overall efficiency of the risk monitoring process.

ALERT MECHANISM IMPLEMENTATION

An enhanced **alert policy** was deployed to systematically monitor and respond to potential or actual breaches of risk thresholds. Integrated into the risk management framework, this policy ensures prompt escalation to the Executive and Board levels for timely corrective action.

ADVANCED CREDIT SCORING AND LENDING AUTOMATION

A new **machine learning and artificial intelligence-based scoring model** was introduced for retail credit decision-making, aimed at improving the precision and efficiency of creditworthiness assessments.
Additionally, to optimize lending in the **agriculture and SME sectors**, the Bank launched:

- **Pre-approved loan offer generation systems** based on customer behavior analytics,
- **Mobile notification modules** for customer engagement, and
- **Fully automated lending workflows,** reducing manual intervention and accelerating service delivery.

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- **Pre-approved loan offer generation systems** based on customer behavior analytics,
- **Mobile notification modules** for customer engagement, and
- **Fully automated lending workflows**, reducing manual intervention and accelerating service delivery.

Through these developments, Acba bank continues to elevate the maturity of its risk management framework, ensuring robust oversight, proactive decision-making and strong alignment with its strategic growth trajectory.

6. SUMMARY OF FINANCIAL RESULTS

6.1. ACBA BANK'S FINANCIAL POSITION INDICATORS

In 2024, the Bank's assets increased by **18.9%**, reaching AMD 932 bln by the end of the year, solidifying its position among the top three in the market. A significant portion of the Bank's assets, around **68%**, consisted of loans to customers.

The Bank's loan portfolio expanded by around **AMD 91 bln or 17%**, totaling **AMD 629 bln** by the end of 2024. This growth allowed the Bank to maintain its top-three market position. Throughout the year, the Bank preserved a strong focus on AMD-denominated lending. By year-end, loans issued in AMD accounted for **71%** of the total loan portfolio.

The Bank's high liquid assets made up **25.4% of total assets** as of yearend 2024, exceeding the Central Bank's required level by **10.4pp**. This consistent liquidity surplus underscores the Bank's strong reliability and financial stability.

In line with asset growth, the Bank's liabilities increased by **18%** in 2024, reaching **AMD 768 bln** as of December 31, 2024. Customer current accounts and deposits increased by **AMD 81 bln**, totaling **AMD 584 bln** by the end of 2024, maintaining a market share of around **9%**. During the year, the Bank issued bonds worth **AMD 18 bln**, resulting in a bond portfolio of **AMD 39 bln** as of December 31, 2024. The Bank continued to improve the share of AMD-denominated deposit portfolio and issued bonds throughout the year, bringing this figure to **67%** by the end of the year.

During the year, the Loan portfolio from Banks and IFIs grew by **AMD 16 bln**, reaching **AMD 111 bln**. In 2024, Acba bank signed a **EUR 55 mln** loan agreement with the **European Investment Bank**, which is the first direct and largest EIB loan to a commercial bank in Armenia. In the same year, the Bank also signed a **USD 50 mln** loan agreement with the **Japan International Cooperation Agency (JICA)**, which was the first cooperation experience for the latter in Armenia.

As of December 31, 2024, the Bank's share capital stood at **AMD 89.8 bln**. In 2024, the Bank replenished its share capital by **AMD 29.9 bln** from retained earnings and raised an additional **AMD 4.9 bln** by issuing **485,000** common shares with a nominal value of **AMD 10,000** each. As a result, the reputable company **Proparco** — a subsidiary of the **Agence Française de Développement (AFD)** group and its arm for private sector financing — became a **10%** shareholder of the Acba bank.
During the Y2024, the total capital increased by **AMD 30 bln or 23%** reaching **AMD 163.4 bln**. In 2024, the Bank distributed **AMD 5.5 bln** in dividends, representing approximately **19.4%** of its 2023 net income.

STRATEGIC REPORT
6. SUMMARY OF FINANCIAL RESULTS

6.2. ACBA BANK'S FINANCIAL PERFORMANCE INDICATORS

- The Bank reported a net profit of **AMD 28.8 bln** in 2024, resulting in a **Return on Assets (ROA) of 3.4%** and a **Return on Equity (ROE) of 19.4%**. **Diluted Earnings per Share (EPS)** amounted to **AMD 5,182**.
- Net banking income reached **AMD 70 bln**, marking a **6.9%** increase compared to the previous year. The net interest margin stood at **7.6%**.
- Net fee income exceeded **AMD 8 bln**, remaining roughly the same as in 2023.
- Non-interest expenses were **AMD 1.3 bln** higher than in 2023. However, the Bank's cost-to-income ratio improved by **1.3 percentage points**, reaching **46.6%** compared to 47.9% the previous year.
- Credit losses amounted to **AMD 2.4 bln** in 2024, representing **0.4%** of the loan portfolio, which is about **0.2 pp**. lower than the same indicator for the banking system.

STRATEGIC REPORT
7. ESG AND SUSTAINABILITY

7. ESG AND SUSTAINABILITY

7.1. ENVIRONMENTAL AND CLIMATE INITIATIVES

At Acba bank, environmental responsibility is embedded in our values and strategy. In 2024, we deepened our commitment to climate-conscious banking by integrating environmental considerations into our lending decisions, risk framework, internal operations and community investments.

GREEN FINANCE LEADERSHIP

Acba bank continues to lead in financing Armenia's transition to a greener economy. In 2024:

- The **Green Leasing Portfolio** reached **AMD 42.5 bln**, accounting for **43%** of total leasing volumes
- Launched **green credit scoring models** for agricultural equipment, energy-efficient construction and solar energy projects
- Piloted **ESG-linked lending** criteria in **SME** and **agri-finance segments**

We also expanded our **exclusion list**, disallowing financing to environmentally harmful sectors, including:

- Fossil fuel extraction and processing
- Deforestation-linked activities
- Businesses with repeated environmental violations

ENVIRONMENTAL RISK MANAGEMENT

All credit exposures above **AMD 18 mln** are subject to environmental and social risk classification. In 2024:

- All projects were reviewed and classified into **low, medium** or **high** risk categories
- High-risk loans underwent **enhanced due diligence** in line with **IFC Performance Standards (1–8)**
- 100% of credit officers received **ESG and climate risk training** by the end of 2024

OPERATIONAL FOOTPRINT

The Bank is committed to reducing its environmental impact through efficient resource use and energy-conscious operations:

- Transitioned to **eco-friendly printed materials** and reduced internal paper usage by over **30%**
- Installed **LED lighting and energy-efficient HVAC systems** in 8 regional branches
- Launched pilot program for **branch-level recycling** in Yerevan and Gyumri
- **Solar panels** were co-financed for two rural schools in collaboration with the **UN World Food Programme**

STRATEGIC PARTNERSHIPS FOR SOCIAL IMPACT

- **COMMUNITY DEVELOPMENT PARTNERSHIP**: Collaborated with the **Armenia Fund (Hayastan All-Armenian Fund)** to develop resilient community infrastructure in challenging environmental conditions.
- **ENVIRONMENTAL STEWARDSHIP:** Sponsored comprehensive **environmental awareness campaigns**, including Earth Day commemorative initiatives and youth-focused educational programs promoting environmental responsibility.
- **SUSTAINABLE AGRICULTURE FINANCE:** Secured **USD 4 mln** funding from the **European Fund for Southeast Europe (EFSE)** to advance sustainable agricultural practices and rural development.
- **GENDER EQUALITY INITIATIVE:** Obtained **USD 11 mln** from the **European Investment Bank (EIB)** dedicated to promoting gender equality and women's economic empowerment across our market segments.

These collaborative initiatives demonstrate Acba bank's institutional evolution beyond responsible lending practices toward **active environmental and social leadership** within Armenia's financial sector. As we move into the next strategic cycle, our goal is to expand the use of climate data in credit decisions, issue green financial instruments and help our clients transition to low-carbon models.

STRATEGIC REPORT
7. ESG AND SUSTAINABILITY

7.2. SOCIAL RESPONSIBILITY AND COMMUNITY INVESTMENT

As a bank rooted in cooperative values, **Acba bank places social responsibility at the heart of its mission**. In 2024, we continued to support communities, culture, education and social inclusion across Armenia — not just as a financial institution, but as a long-term development partner.

STRATEGIC COMMUNITY INVESTMENT AREAS

Our initiatives are focused on four key pillars:

PILLAR	HIGHLIGHTS FROM 2024
EDUCATION AND YOUTH	Co-financed solar panel installations in 2 rural schools (in partnership with UN WFP)
CULTURE AND NATIONAL IDENTITY	Co-organized the **"Aznavouriana" symphonic** concert with the Armenian State Symphony Orchestra
	Sponsored events commemorating **Charles Aznavour's 100th anniversary**
REGIONAL DEVELOPMENT	Built **playgrounds in Spitak, Goris and Gyumri** with "Hayastan" All-Armenian Fund
	Launched local improvement projects with community input
INCLUSION AND ACCESS	Organized **18 free business training programs** for over **350 SME leaders**
	28% of participants were **non-clients**, reflecting our inclusive approach

ACBA BUSINESS CLUB AND SME SUPPORT

Through the Acba Business Club, the Bank actively supports entrepreneurship by fostering peer-to-peer learning, networking and growth partnerships.

115 — **Club membership reached 115 businesses**

7 — **7 new partners joined from marketing, IT and business automation sectors**

Members participated in workshops, **roundtables and cross-sector events**

In parallel, our **SME knowledge hub – sme.acba.am** published **21 new educational articles** and **hosted over 100,000 views**, promoting access to business tools and training.

SOCIAL IMPACT PHILOSOPHY

Acba's social investments go beyond one-time sponsorships. Each initiative is assessed for long-term relevance, local ownership and alignment with our broader ESG goals. Whether supporting rural schools or national arts, we focus on:

- **Empowerment over charity**
- **Partnership over publicity**
- **Sustainability over visibility**

In 2024, Acba bank once again reaffirmed its role as a **responsible, community-first financial institution**, dedicated to strengthening Armenia's social fabric and delivering shared value to society.

STRATEGIC REPORT
7. ESG AND SUSTAINABILITY

7.3. RESPONSIBLE BANKING AND ETHICAL CONDUCT

At Acba bank, responsible banking is not an initiative — it is a core part of our identity. Our values of care, loyalty, transparency, innovation and social responsibility guide how we serve clients, engage stakeholders and govern our operations. In 2024, we strengthened our ethical and compliance frameworks to ensure our conduct remains aligned with international standards and the expectations of society.

GOVERNANCE OF ETHICAL CONDUCT

Our Code of Ethics, regularly reviewed by the Bank's leadership, sets clear expectations for professional integrity, client fairness and accountability. In 2024, we:

- Updated and disseminated the **Code of Conduct** across all levels of the Bank
- Trained **100% of employees** in ethical decision-making, anti-corruption and customer-first practices
- Introduced a new **Ethics & Compliance Portal** for anonymous reporting, internal guidance and disclosure

We follow a **zero-tolerance policy** toward bribery, fraud and conflicts of interest, supported by a comprehensive internal audit and compliance function.

CUSTOMER FAIRNESS AND TRANSPARENCY

We maintain a customer-first philosophy across all products and channels. In 2024:

- Continued offering **simple, understandable product terms**, avoiding hidden fees or misleading features
- Expanded **customer complaint handling tools,** including digital channels and call-back tracking
- Ensured **equal access** to financial services regardless of region, income level or digital literacy

The Bank retained its leading position in **Top-of-Mind (TOM)** and **Net Promoter Score (NPS)** rankings, indicating high customer satisfaction and trust.

COMPLIANCE WITH SANCTIONS AND AML STANDARDS

Acba bank enforces strict compliance with national and international regulations related to financial crime prevention:

- Maintained a comprehensive **AML/CTF** framework aligned with FATF standards
- Monitored transactions for links to **sanctioned entities or jurisdictions**, with daily screening
- Applied **risk-based Customer Due Diligence (CDD)** and **Enhanced Due Diligence (EDD)** for high-risk clients
- Cooperated with regulatory authorities and peer institutions on financial crime intelligence sharing

We also implemented advanced tools for **real-time transaction monitoring, automated screening** and **sanctions compliance**, particularly in the context of the evolving geopolitical landscape.

COMMITMENT TO STAKEHOLDERS

Acba upholds its role as a responsible partner to:

- **CLIENTS:** through fair treatment, product transparency and financial education
- **EMPLOYEES:** through ethical culture, equal opportunity and respectful workplace practices
- **SHAREHOLDERS:** through clear reporting, dividend policy and long-term value orientation
- **COMMUNITIES:** through impact-driven investments and sustainability integration

Responsible banking is not just about compliance — it is about leading with conscience. At Acba bank, we remain committed to ethical conduct, inclusive finance and long-term trust with everyone we serve.

STRATEGIC REPORT
7. ESG AND SUSTAINABILITY

7.4. STAKEHOLDER ENGAGEMENT: CUSTOMERS, EMPLOYEES, INVESTORS, SOCIETY

At Acba bank, we recognize that our success depends on the strength and trust of our relationships with all stakeholders. Whether it's delivering meaningful service to clients, cultivating a values-based workplace, ensuring transparent investor relations or contributing to social progress, **engagement is central to our business model**.

1. CUSTOMERS

Listening, Serving, Innovating

We place customers at the heart of our strategy. In 2024:

- **Voice of the Customer (VoC)** tools were expanded across digital and physical channels
- Achieved **#1 position in Top-of-Mind (TOM)** awareness and improved **Net Promoter Score (NPS)**
- Over **60% of new cards** were ordered through **acba digital**, highlighting strong adoption
- Introduced self-service features: income statements, digital onboarding, insurance
- Responded to over **42,000 service inquiries**, with enhanced tracking and resolution times

Customer insights continue to inform product design, UX improvements and credit offerings - including automated personalized loan limits and behavior-based recommendations.

2. EMPLOYEES

Engaged, Empowered, Respected

Our people are our foundation. In 2024, we strengthened our employee value proposition:

- Maintained a workforce of **1,734 employees**, with balanced regional and gender representation
- Employee satisfaction and well-being index reached **8.27 out of 10 possible**
- Implemented training in **ESG, risk culture, sales excellence** and **ethical conduct**
- Expanded **internal communication channels including CEO** town halls and staff feedback loops
- Recognized with a **CDA Award** for HR Innovation and Excellence

We are committed to being **the first-choice employer** in Armenian banking, with a focus on talent development and long-term career paths.

3. INVESTORS AND SHAREHOLDERS

Transparent, Accountable, Growing

In 2024, our investor engagement efforts intensified:

- Welcomed **Proparco (AFD Group)** as a new strategic shareholder **(10% equity)**
- Continued public reporting following Acba's 2021 **IPO on AMX**, with over **5,000 shareholders**
- Improved investor materials, including financial summaries and AGM communication tools
- **Paid AMD 1,000** per share dividend in 2024 based on 2023 financial performance, representing a **25% increase** year-over-year and reflecting our commitment to consistent dividend policy execution
- Developed comprehensive investor relations strategy and implementation roadmap, with full program activation planned for 2025 to strengthen stakeholder engagement and market transparency.

We aim to expand our investor base by strengthening **capital market visibility, liquidity** and **long-term value creation**.

4. SOCIETY

Building Together

Beyond banking, Acba is a committed partner to Armenia's communities:

- Co-financed **solar panels for rural schools**, delivering long-term energy savings and food access
- Sponsored **national arts events** like the "Aznavouriana" concert and education programs
- Partnered on **public space renovations** and environmental awareness efforts
- Offered **free business training** to 350+ SME leaders, including non-clients
- Supported vulnerable children t**hrough donations, events** and **medical care** programs

Our stakeholder philosophy is rooted in **long-term impact, shared value and inclusion**.

LOOKING AHEAD

We will continue strengthening stakeholder dialogue through:

- Enhanced digital and in-person engagement channels
- Measurable stakeholder satisfaction KPIs
- Broader use of data for inclusive product and service design
- Transparent governance and proactive communication with investors and partners

Acba bank remains deeply committed to building enduring, trust-based relationships with every stakeholder — because only together can we create a stronger, more resilient and inclusive Armenia.

CORPORATE GOVERNANCE REPORT 2024

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Annex 1 – Organizational Structure Chart
Annex 2 – Our Board Members
Annex 3 – Top Management and Key Managerial Personnel
Annex 4 – Annual Reports of the Board Committees
Annex 5 – Annual Corporate Governance Statement

2. CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION AND GOVERNANCE PHILOSOPHY

Acba bank's approach to corporate governance is grounded in the best traditions of European banking. Since its founding in 1996 with the support of Crédit Agricole and Rabobank, the Bank has consistently worked to import European values and business standards into the Armenian financial sector. This commitment remains central to how Acba bank governs today—through transparency, accountability, long-term thinking, and stakeholder trust.

We recognize that effective corporate governance is not simply a regulatory requirement, but a strategic asset. It enables responsible leadership, protects stakeholder interests—especially those of depositors in a retail banking context—and ensures the sustainable growth and resilience of the Bank. As a financial institution with systemic importance, we are fully aware that governance weaknesses can propagate beyond institutional boundaries and into the broader economy. That is why we continuously invest in strengthening our governance framework.

The Bank's governance philosophy is built on the understanding that in any organization, the interests of shareholders (the principals) and management (the agents) may diverge. Left unchecked, this misalignment can lead to short-termism, excessive risk-taking, or avoidance of needed reforms. Good governance exists to address these challenges. It aligns incentives, ensures independent oversight, promotes ethical behavior, and supports sustainable value creation.

We also believe that good governance delivers measurable benefits: better access to capital, lower risk, higher investor confidence, and stronger operational performance. In today's interconnected world, investors increasingly avoid companies that do not uphold governance standards or provide reliable, transparent information.

At Acba bank, the Board plays a central role in bridging ownership and management. It acts on behalf of shareholders to appoint and oversee the CEO, monitor risk and ethics, set long-term strategy, and ensure leadership accountability. The Board is not merely a formal requirement—it is the cornerstone of the Bank's integrity, stability, and mission-driven performance.

In the sections that follow, this report provides a detailed account of how the Bank applies the principles of sound corporate governance, in alignment with the Armenian Corporate Governance Code and international best practices. It also outlines the Board's responsibilities, activities, and priorities, and includes an assessment of compliance with the Code's provisions.

2. GOVERNANCE ENHANCEMENT JOURNEY: 2021–2024

Since 2021, Acba bank has undertaken a structured and multi-phase reform program to modernize its corporate governance framework. Driven by a commitment to align with international best practices and build institutional resilience, the Bank's governance evolution reflects consistent progress in Board structure, risk oversight, control systems, and stakeholder engagement.

2021 – COMMITMENT TO GOVERNANCE REFORM

- Launched Armenia's largest IPO, attracting over 5,200 investors and raising AMD 7.5 billion
- Listed on AMX
- Board committed to a multi-year governance enhancement program

2022 – FOUNDATION SETTING AND STRUCTURAL REFORM

- Elected a new Chairperson to lead governance reforms
- Adopted a Corporate Governance Code aligned with OECD, Basel, and UK standards
- Published the Bank's first AGM brochure to enhance shareholder communication
- Revised Board composition using a Skill Matrix, expanding independent directors from 1 to 3
- Established Audit, Risk Management, and GNR Committees, each chaired by an independent member
- Approved Board member nomination, onboarding, and evaluation procedures
- Launched a structured orientation program for Board members
- Audit Committee began overseeing external audit engagement and initiated review of the Bank's Three Lines Model

2023 – DEEPENING PROCESSES AND ENHANCING CONTROL

- Adopted the Internal Legal Acts Management Policy
- Adopted training principles for Board members
- Reformed the Remuneration Policy and developed a KPI-based Top Management Remuneration Scheme
- Advanced modernization of Internal Audit and ICFR processes
- Enhanced cooperation with external auditors and implemented improvements recommended in prior audits.
- Approved methodologies for ICAAP and Financial Risk Appetite
- GNR Committee structured a new Succession Policy

2024 – MATURITY AND EXPANSION

- Finalized and launched Group Governance Policy across the Bank and subsidiaries
- Enhanced Board and executive remuneration frameworks
- Strengthened Top Management performance evaluation system
- Further developed the Succession Planning framework
- In 2024, the Board welcomed two newly elected members – one a female non-independent director, contributing to improved gender balance, and the other an independent director, increasing the number of independent members from three to four Finalized the Board Self-Assessment Policy for 2025 implementation
- Strengthened oversight of ICFR, internal audit, and internal control modernization
- Formed the Strategy Committee to guide long-term planning, ESG, capital structure, technology investment, and strategic positioning across key client segments, including Retail, SME, Corporate, and Agri.

2. CORPORATE GOVERNANCE REPORT

3. GOVERNANCE FRAMEWORK AND BOARD RESPONSIBILITIES

Effective governance requires more than structure — it depends on clarity of roles, delegation, accountability, and continuous development. This section outlines the composition, structure, and responsibilities of the Board, and explains how the Bank's governance framework supports strategic oversight, ethical conduct, and long-term value creation.

3.1. GOVERNANCE STRUCTURE

Acba bank operates under a two-tier governance system consistent with Armenian and international corporate governance standards. This structure ensures a clear separation of ownership, oversight, and executive functions, reinforcing transparency, accountability, and the effective management of the Bank's operations. The reporting lines among governance bodies, key control functions, and business units are illustrated in the Organizational Structure Chart provided in Annex 1.

GOVERNING BODIES OF THE BANK

In accordance with the Republic of Armenia's Law on Banks and Banking, Law on Joint Stock Companies, and the Bank's Charter, th e governance bodies of the Bank are as follows:

1. The General Meeting of Shareholders – the supreme governing body, responsible for key strategic and structural decisions, including approval of the annual financial statements, dividend policy, appointment of Board members, and amendments to the Charter.

2. The Board of the Bank – responsible for the strategic oversight and general governance of the Bank's activities, within the powers defined by law and the Charter. In certain cases, the General Meeting may delegate decision-making authority to the Board, as permitted by legislation.

3. The Chief Executive Officer (CEO) – the sole executive body of the Bank, responsible for day-to-day operations and implementation of the strategy approved by the Board. Matters not expressly assigned to the General Meeting, the Board, or Internal Audit fall under the CEO's authority. The CEO's decision-making powers may not be delegated unless temporarily replaced under proper procedures.

BOARD INDEPENDENCE AND OVERSIGHT

Acba bank maintains a strict separation between the executive and oversight functions. All members of the Board are non-executive and operate independently of the executive body. This structure ensures that the Board can provide objective oversight and strategic guidance without conflict of interest.

The Board assumes full responsibility for:

- Setting the Bank's strategic direction
- Supervising the CEO and executive management
- Overseeing financial and non-financial reporting
- Strengthening the internal control and risk management systems
- Leading governance improvements, including succession planning

GOVERNANCE STRUCTURE SUMMARY

This clear allocation of authority among shareholders, the Board, and executive management allows Acba bank to operate with transparency, efficiency, and accountability. The governance structure provides a foundation for sustainable value creation and robust risk oversight.

3.2. ROLE OF THE BOARD

The Board of Acba bank is the central governing body responsible for the overall direction, control, and oversight of the Bank's activities. Operating in accordance with Armenian law, the Bank's Charter, and recognized international and national corporate governance standards, the Board ensures that the Bank is managed in a sound, transparent, and accountable manner.

The Board is composed of 10 non-executive members, including independent directors, and is chaired by a Chairperson elected by a majority of the Board members. Board members are appointed through a combination of shareholder representation and election processes, with specific mechanisms for major and minority shareholders to nominate or elect candidates in accordance with Armenian law.

The Board is responsible for the strategic leadership of the Bank and the supervision of its executive management. Its core responsibilities include:

- Approving the Bank's strategy, annual business plans, and budgets, and overseeing their execution to ensure long-term sustainability and performance.
- Appointing and dismissing the Chief Executive Officer and other key executives, overseeing succession planning, and monitoring executive performance and compensation.
- Reviewing and preliminarily approving financial statements, overseeing external audit arrangements, and recommending dividend distributions to the General Meeting.
- Defining the governance framework for the Bank and its subsidiaries, approving group-level policies, and ensuring appropriate oversight mechanisms are in place across the group.
- Approving the Bank's risk strategy, risk appetite framework, and major risk limits; overseeing the internal control system and control functions (including risk management, compliance, and internal audit); and evaluating the effectiveness of these systems.
- Ensuring compliance with applicable laws, regulations, and the Armenian Corporate Governance Code; promoting ethical standards and corporate values across the Bank.
- Approving major financial transactions, capital increases, issuance of securities, investments, and significant contractual engagements, particularly those involving related parties or potential conflicts of interest.
- Establishing internal audit regulations, approving annual audit plans, and appointing or terminating heads of internal audit, risk, and compliance functions.
- Defining confidential information policies, ensuring proper disclosures, and safeguarding the interests of depositors, shareholders, and other stakeholders.

In performing its duties, the Board operates independently of the executive body, exercising objective judgment and oversight. It acts collectively in the best interest of the Bank and its stakeholders, while individual members carry fiduciary responsibilities to maintain integrity, confidentiality, and professionalism.

2. CORPORATE GOVERNANCE REPORT

3.3. BOARD COMPOSITION

As of the end of 2024, the Board of Acba bank is composed of ten non-executive members, in full alignment with the Bank's two-tier governance structure, which ensures a clear separation between management and oversight. All Board members act independently of the Bank's executive body, and four members are classified as independent in accordance with applicable criteria.

APPOINTMENT AND NOMINATION

The composition of the Board reflects both shareholder representation and independence:

- The current Chairperson was elected by the Board from among its members, in accordance with the Bank's Charter. Prior to this, he had been appointed to the Board by the Bank's major shareholder, ACBA Federation. ACBA Federation also nominated five additional members, all of whom were elected by the General Meeting.
- Four Board members serve as independent directors, nominated by the Board and elected by shareholders.
- The second-largest shareholder, Proparco, which holds 10% of the Bank's voting shares, has the legal right to appoint a Board member without election by the General Meeting.

All Board members were appointed or elected for fixed terms, as set out in the Bank's Charter. The tenure of the members varies, with most currently serving terms ending in 2025 or 2027. Two members completed their terms in 2024, and during the same year, the Bank welcomed its first female Board member, marking an important step toward improving gender diversity at the Board level.

The Bank applies a formal internal policy titled the "Order for Selection and Nomination of a Board Member Candidate", which guides the recruitment, evaluation, nomination, and orientation of Board candidates. This Order is coordinated by the Governance, Nomination and Remuneration Committee and ensures that all Board member candidates meet predefined criteria in terms of experience, integrity, independence, and alignment with the Bank's strategic needs. The policy includes detailed procedures for defining position profiles, sourcing candidates, assessing professional behavior and competence, and organizing structured onboarding for newly elected members.

As of 31 December 2024, the Board was composed of 10 non-executive members, reflecting the Bank's two-tier governance structure. During the year, two transitions occurred following the Annual General Meeting in May 2024: Mr. Armen Mkrtchyan and Mr. Hrach Sargsyan concluded their terms and were succeeded by Mr. Bernard De Wit and Ms. Gayane Hayrapetyan.

Overview of Board Composition as of December 31, 2024

Board member	Independence	Nominated by	Appointed/ Elected	Term Start	Term End	Gender
RAFAYEL SARGSYAN	no	Acba Federation	Appointed	2022	2025	Male
KLAUS GRESSENBAUER	yes	Board	Elected	2022	2025	Male
BRUNO CHARRIER	yes	Board	Elected	2019	2025	Male
ASHOT KARAPETYAN	yes	Board	Elected	2022	2025	Male
HARUTYUN PAKHCHANYAN	no	Acba Federation	Elected	2022	2025	Male
ARAM BABAYAN	no	Acba Federation	Elected	2022	2025	Male
HENRIK KOCHINYAN	no	Acba Federation	Elected	2010	2025	Male
VARDAN URUTYAN	no	Acba Federation	Elected	2022	2025	Male
ARMEN MKRTCHYAN	no	Acba Federation	Elected	2020	2024	Male
HRACH SARGSYAN	no	Acba Federation	Elected	2020	2024	Male
BERNARD DE WIT	yes	Board	Elected	2024	2027	Male
GAYANE HAYRAPETYAN	no	Acba Federation	Elected	2024	2027	Female

COLLECTIVE PROFILE AND DIVERSITY

The Board of Acba bank brings together a balanced mix of expertise in banking, risk management, agriculture, law, audit, and compliance—reflecting the Bank's sectoral focus and strategic ambitions. The composition includes both shareholder-nominated and independent members, ensuring a diversity of viewpoints and robust, objective decision-making.

In 2024, the Board's collective skill set was further strengthened with the election of Mr. Bernard De Wit as an independent Board member and Chairman of the newly established Strategy Committee. Mr. De Wit brings decades of senior leadership experience in international banking, risk management, and asset management, having held top positions at BNPP, Crédit Agricole, KPMG, and most recently Amundi, where he served as Deputy CEO. His appointment significantly enhanced the Board's capabilities in strategic planning, international finance, risk oversight, and corporate development.

The Board also took an important step toward improving gender diversity with the election of Ms. Gayane Hayrapetyan, marking a renewed commitment to balanced representation at the Board level.

Board composition is reviewed regularly against a formal skills matrix, which helps ensure the Board maintains the expertise required for sound governance and adapts to emerging strategic and regulatory priorities.

3.4. ASSESSMENT OF COMPLIANCE WITH INDEPENDENCE CRITERIA

The independence of Board members is a cornerstone of Acba bank's governance framework. In accordance with the Law and the Bank's Charter, a Board member may be deemed independent only if they meet a defined set of objective legal criteria.

LEGAL CRITERIA FOR INDEPENDENCE

A Board member qualifies as independent if they meet all of the following conditions:

(a) has not held a position with an executive body in the Bank, been employed by the Bank, or by any affiliated person of the Bank within the past three years;

(b) has not received any direct or indirect compensation from the Bank or its affiliated persons in the past three years, other than compensation received as a Board member;

(c) has not had, directly or indirectly, as a partner, significant shareholder, Board member, or executive body representative, any material business relationship with the Bank or its affiliated persons during the past three years;

(d) has not been a shareholder or employee of the Bank's external auditor or any affiliated person of the external auditor within the past five years;

(e) has not served as a Board member of the Bank for more than six years within the past ten years;

(f) is not a significant shareholder of the Bank;

(g) has not exercised direct control over the Bank as a public official during the past year;

(h) is not an immediate family member of any person falling under the conditions listed in subpoints (a) through (g) of this Article.

These criteria are assessed during the nomination process and re-evaluated annually by the Governance, Nomination and Remuneration (GNR) Committee.

2. CORPORATE GOVERNANCE REPORT

CO-NOMINATION MECHANISM FOR INDEPENDENT MEMBERS

In 2024, a Shareholders' Agreement was concluded between the Bank's two major shareholders — ACBA Federation and Proparco. Under this agreement, independent Board members must be co-nominated and agreed upon by both shareholders, regardless of voting power. This provision ensures that no independent director can be elected without mutual consent, thereby strengthening the balance and independence of the Board, and promoting trust-based oversight across shareholder lines.

As of the end of 2024, the Bank had four independent directors, all of whom were formally assessed as compliant with the legal independence criteria.

3.5. BOARD DEVELOPMENT AND CAPABILITY BUILDING

Acba bank is committed to ensuring that its Board members are well-equipped to fulfill their responsibilities in a rapidly evolving environment. The Bank maintains a structured approach to Board development that addresses both individual learning needs and the collective capability of the Board.

In 2024, newly appointed Board members received a tailored onboarding and orientation program, coordinated by the Corporate Secretary and HR Division. This program introduced directors to the Bank's governance structure, internal policies, strategic priorities, and regulatory context, supporting a smooth and effective integration into Board activities.

Beyond onboarding, the Bank continued to implement a multi-layered Board development strategy. This includes regular updates on industry trends, regulatory developments, and emerging risks, as well as targeted learning for directors in areas where broader or deeper expertise is needed, in alignment with the Board Skill Matrix.

Notably, in 2024, Board members participated in dedicated sessions on digital transformation in financial services and cybersecurity oversight. Additionally, the Chairman of the Board, Mr. Rafayel Sargsyan, successfully completed the European Board Diploma awarded by ecoDa, strengthening the Board's leadership capacity and aligning with European best governance practices.

The Governance, Nomination and Remuneration Committee oversees the implementation and evolution of the Board's development framework, ensuring it remains responsive to the Bank's strategic, operational, and governance needs.

3.6. SETTING THE BANK'S PURPOSE AND STRATEGY

The Board of Acba bank is responsible for defining the Bank's mission, setting strategic priorities, and ensuring alignment between long-term objectives, stakeholder expectations, and the evolving external environment. Through regular review and oversight, the Board ensures that the Bank's purpose translates into actionable plans that drive sustainable performance and innovation.

PURPOSE AND VALUES

The Bank's mission is to contribute to the sustainable development of society through unique and innovative solutions. This mission is embedded in the Bank's strategy and is underpinned by core corporate values: Customer Care, Social Responsibility, Loyalty, Transparency, and Innovation. These values guide the Board's oversight and are reflected across the Bank's business operations and strategic planning.

STRATEGIC OVERSIGHT AND PLANNING

In 2024, the Board approved the Bank's 2025–2027 Strategic Development Plan, reinforcing its commitment to sustainable and stakeholder-oriented growth. The strategy reflects a balance between long-term financial resilience, responsible innovation, customer-centric development, and prudent risk management.

The Board retains full oversight of the Bank's strategic planning cycle, including the approval of annual budgets, business plans, capital investments, and major projects. Oversight is exercised both directly and through its committees, particularly in areas such as financial planning, risk, and digital transformation.

ESTABLISHMENT OF THE STRATEGY COMMITTEE

To enhance its strategic engagement, the Board established the Strategy Committee in October 2024. The Committee held its first meeting in February 2025 and plays a key role in guiding long-term planning in areas such as equity structure, business priorities by client segment, ESG development, and digital innovation. Its work supports the Board's aim to ensure focus, coordination, and measurable results across a small number of priority topics.

A full overview of the Strategy Committee's work and priorities is provided in Annex 4 – Annual Reports of the Board Committees.

3.7. ALIGNMENT WITH STAKEHOLDER EXPECTATIONS AND LONG-TERM VALUE

The Board of Acba bank is committed to creating sustainable, long-term value by aligning its decisions with the interests of key stakeholders, including depositors, shareholders, employees, regulators, clients, and society. The Bank's governance model ensures that its strategy is forward-looking, risk-conscious, and grounded in stakeholder trust.

STAKEHOLDER-ORIENTED GOVERNANCE

The Board maintains active and structured engagement with each key stakeholder group:

- Shareholders: The Board ensures transparent and regular engagement with shareholders of all types. Board members representing ACBA Federation regularly participate in the meetings of the Federation's Board. The Board also engages minority shareholders through:
  - o Direct interaction with Board members during the Annual General Meeting;
  - o Pre-AGM Q&A, with formal responses published on the Bank's website;
  - o The Chairman's availability for one-on-one meetings with interested shareholders;
  - o A non-formal breakfast meeting in April 2025 with shareholders, which included open discussions on performance, future outlook, and governance.

To strengthen this dialogue, the Board is working with management to finalize a **Shareholder Communication Strategy**.

- **EMPLOYEES:** The Board has institutionalized direct interaction with staff—independent of executive management—through site visits, online meetings, and special forums. A landmark initiative in October 2024 involved each Board member holding rotating discussions with different groups of employees. The Board plans to appoint a designated director for employee relations.
- **REGULATOR:** Following the review of Board composition in 2022, the full Board met with CBA representatives in a session hosted by the Deputy Governor. Since 2024, the Audit Committee has regularly reviewed CBA comment letters, reinforcing the Board's commitment to regulatory alignment and transparency.
- **CLIENTS:** The Board maintains oversight over customer satisfaction and risk through structured reporting. The Bank's complaints management framework is reviewed by the relevant committees to ensure service quality and client protection. Furthermore, to safeguard depositors' interests, the Board and its Risk Management Committee place strategic emphasis on monitoring the Bank's capital adequacy ratio (CAR) and ensuring the presence of prudential capital buffers that exceed regulatory minimums. These buffers are reviewed in light of the Bank's evolving risk profile and business strategy.
- **SOCIETY:** ACBA's purpose—to support sustainable

development through innovation—manifests in its strategic focus on agricultural finance, rural development, ESG integration, and financial inclusion. These themes are consistently addressed in Board-level discussions and the agenda of the newly formed Strategy Committee.

LONG-TERM VALUE CREATION

In 2024, the Board approved the **2025–2027 Strategic Development Plan**, which integrates long-term resilience, stakeholder engagement, ESG, and digital transformation. The Strategy Committee has started to lead structured oversight of ESG, capital structure, cybersecurity, sustainability, and growth across client segments.

Through active, differentiated engagement and disciplined governance, the Board ensures that the Bank's actions generate long-term, stakeholder-aligned value and reinforce public trust.

3.8. CONFLICT OF INTERESTS AND RELATED PARTY DISCLOSURES

Acba bank upholds a strict and transparent approach to identifying, declaring, and managing conflicts of interest at the Board level. This is fundamental to maintaining the integrity, objectivity, and independence of governance decisions.

In line with Armenian legislation, the Bank's Charter, and internal policies, all members of the Board are required to formally declare any actual or potential conflicts of interest related to transactions or matters under Board consideration. These declarations are:

- Submitted in writing to the Corporate Secretary;
- Reviewed by the Governance, Nomination and Remuneration Committee when relevant;
- Discussed and disclosed in Board minutes.

In 2024, 5 cases involving potential conflicts of interest among Board members were identified. In each instance, the affected members appropriately abstained from voting and decision-making. These cases underscore the Bank's commitment to ethical conduct, procedural rigor, and transparency in managing related party risks.

3.9. SHARE OWNERSHIP OF BOARD MEMBERS

In line with good governance and disclosure practices, Acba bank publishes the shareholding positions of its Board members as of 31 December 2024.
The following members of the Board held shares in the Bank:

2500 shares — **RAFAYEL SARGSYAN**

220 shares — **HENRIK KOCHINYAN**

39 shares — **HARUTYUN PAKHCHANYAN**

All Board members are required to disclose any changes in their shareholding promptly. The Bank monitors these holdings to ensure compliance with legal requirements and to identify any potential conflicts of interest.

Shareholding status does not in itself compromise the objectivity of Board members. For independent members, additional checks are conducted to verify that shareholding thresholds and other independence criteria remain satisfied.

2. CORPORATE GOVERNANCE REPORT

4. APPLICATION OF THE CODE'S PRINCIPLES

Acba bank is committed to high standards of corporate governance and applies a principle-based approach to ensure accountability, transparency, and responsible decision-making. The Bank's governance practices are aligned with national legal requirements and international best practices.

TRANSITION TO THE ARMENIAN CORPORATE GOVERNANCE CODE

Until August 2024, the Bank applied its internally developed Corporate Governance Code, which had been based on the principles of the OECD, Basel Committee on Banking Supervision, and the UK Corporate Governance Code. Following the entry into force of the Corporate Governance Code of the Republic of Armenia in late August 2024, the Bank transitioned to applying the Armenian Code and discontinued use of its internal framework.

The Bank now adheres to the "comply or explain" principle in implementing the Armenian Code, reflecting its commitment to both regulatory alignment and meaningful disclosure.

ASSESSMENT OF COMPLIANCE

In accordance with the Armenian Code, the Bank conducted a detailed self-assessment of its compliance status across all applicable principles. The results of this assessment are summarized below:

- **Compliant:** 13 principles
- **Substantially compliant:** 5 principles
- **Partially compliant:** 7 principles
- **Non-compliant:** 0 principles

This assessment, together with the explanatory narratives, is presented in the Bank's Annual Corporate Governance Statement, which is included as Annex 5 to this Report.

ONGOING COMMITMENT TO IMPROVEMENT

The Board recognizes the importance of continuous improvement in governance maturity. As part of its transition to the Armenian Code, several reforms and alignment initiatives were launched during 2024. These improvements are further detailed in the following section.

KEY GOVERNANCE ENHANCEMENTS IN 2024

In support of its transition to the Armenian Corporate Governance Code, the Bank undertook a number of practical enhancements during the reporting period to better align with the principles of Chapter I of the Code — focusing on shareholder rights, equitable treatment, and responsible governance by significant participants:

- **TRANSPARENT AND INCLUSIVE SHAREHOLDER MEETING PRACTICES:** In 2024, the Bank held an extraordinary general meeting using remote voting procedures fully aligned with the Code. Shareholders received timely and comprehensive disclosures through the Bank's website and official notifications, enabling informed participation. Quorum outcomes and decisions were published for transparency.
- **STRENGTHENING PARTICIPATION RIGHTS:** The Bank continued to apply clear rules under its Charter for shareholder representation and Board nomination, ensuring that minority shareholders retain the ability to participate meaningfully in governance, either individually or through collective nomination rights. No Board elections took place in 2024 in the period when the Code came into force, but nomination rights remained fully preserved.
- **REMUNERATION POLICY REFORM:** A significant governance development in 2024 was the Board's approval of a new Remuneration Policy, part of a broader reform that began in 2023. This policy applies to Board members, executives, and key staff, introducing principles such as performance-linked pay, deferred variable components, and clawback provisions. While full implementa-

2. CORPORATE GOVERNANCE REPORT

tion is phased, the policy lays the foundation for risk-aligned and equitable remuneration. The Board also plans to propose an amendment to the Charter that would assign the authority to determine Board remuneration to the General Meeting of Shareholders.

- **DIVIDEND TRANSPARENCY:** The Bank maintained equitable treatment of all shareholders in the application of its Dividend Policy, which guarantees no preferential rights. The policy sets a minimum payout ratio and is published on the Bank's website.
- **ETHICAL STANDARDS FOR SIGNIFICANT PARTICIPANTS:** Transactions with significant shareholders are subject to the same terms as those for non-affiliated clients, ensuring fair treatment. In 2024, the Bank advanced its plans to adopt a Code of Ethics and a Conflicts of Interest Policy to reinforce internal safeguards. Implementation is planned for 2025 as part of the Compliance Program. These efforts support the objective of minimizing undue influence by significant participants.
- **STRATEGIC DIRECTION AND OVERSIGHT:** The Board approved the 2025–2027 Strategic Development Plan, embedding the Bank's corporate values and focusing on sustainability, digital transformation, and stakeholder engagement. To strengthen strategic oversight, the Board established a dedicated Strategy Committee in 2024.
- **GOVERNANCE AND REMUNERATION REFORM:** A transition framework for executive remuneration reform was initiated, covering deferred variable pay, clawback provisions, and sustainability-linked incentives. The Board also began the process of restoring shareholder authority over Board remuneration, in line with the new Armenian Corporate Governance Code.
- **SUCCESSION AND CAPACITY BUILDING:** In 2024, the Board approved and began implementing a new Succession Planning Policy. The Governance, Nominations and Remunerations (GNR) Committee also finalized a Board Self-Assessment Policy, with the first full evaluation planned for 2025. To support Board capacity, a structured professional development framework was introduced, including five tailored development pillars.
- **INDEPENDENCE AND DIVERSITY:** The appointment of a new female Board member in 2024 marked progress on diversity, although the 30% gender threshold is not yet met. The Board remains committed to further strengthening diversity and adopting a formal diversity policy. Four Board members met all independence criteria under Armenian and international standards. A Shareholders' Agreement signed in 2024 requires co-nomination of independent members by the two largest shareholders, reinforcing balanced Board composition.
- **COMMITTEE PERFORMANCE AND CHALLENGES:** All four Board Committees were active in 2024. While each is chaired by an independent director, the Audit Committee does not yet have a majority of independent members due to distribution constraints. The Board will explore options to strengthen independence across committees as Board capacity evolves.
- **INTERNAL CONTROL FRAMEWORK:** The Board oversaw the enhancement of the Bank's internal control system, structured around clear responsibilities, independent oversight, and continuous improvement. A key milestone in 2024 was the completion of an external gap analysis of Internal Control over Financial Reporting (ICFR), which assessed the system's design and operational effectiveness. In response, management developed a remediation plan to address gaps, which the Audit Committee monitors regularly. While not all concerns raised in prior years were fully resolved, the review provided an overall improved outlook and a path toward further strengthening the ICFR environment.

  Looking ahead, the Audit Committee plans to extend its ICFR oversight to the Bank's consolidated subsidiaries in 2025.
- **RISK MANAGEMENT ENHANCEMENTS:** The Bank's risk management function continued to play a vital role in identifying, monitoring, and reporting on material financial and non-financial risks. During the year, emphasis was placed on strengthening digital monitoring capabilities and promoting a proactive risk culture. The responsible for the Risk Function, jointly accountable to the Board and Executive Management, maintained effective communication on key risk issues and proposed updates to the Bank's risk strategy and appetite.

  To advance toward full compliance with the Armenian Corporate Governance Code, the Bank initiated the development of a new framework for non-financial risks. This work will continue into 2025 to align with evolving international standards in areas such as ESG risks, conduct risk, and operational resilience.
- **COMPLIANCE FUNCTION TRANSITION:** At the beginning of 2025, the Compliance function was integrated into the Legal and Compliance Directorate as part of a structural reform aimed at supporting compliance improvements.

  Although the Bank has implemented its Anti-Corruption Policy and maintains whistleblowing channels, system still has potential for further enhancement.. A Compliance Program for 2025 aims to expand compliance monitoring and implement the new Code of Ethics and Conflict of Interest Policy.
- **INTERNAL AUDIT PERFORMANCE:** The Internal Audit function continued to operate independently and effectively as the Bank's third line of defense. It conducted its work based on an annually approved audit plan, which was updated as needed to reflect changing risk priorities. Reporting to both the Audit Committee and management, the Internal Audit team provided assurance on the effectiveness of risk management, internal controls, and governance processes.
- **ANNUAL REPORTING COMMITMENTS:** The Bank's 2024 Annual Report will be published by the statutory deadline of June 30, 2025. Corporate Governance Report and Statement of Compliance with the Corporate Governance Code are published in this notice, according to the clause 88 of Rules on Securities Listing and Admission to Trading of «Armenia Stock Exchange» OJSC.

  While the Bank has disclosed substantial governance information, certain areas—such as detailed remuneration disclosures and the Board's full self-assessment – will be expanded in the 2025 reporting cycle, with publication expected in 2026.
- **EXTERNAL AUDIT OVERSIGHT:** The Bank appointed PwC as its external auditor for a three-year term covering financial years 2022–2024, following a competitive selection process conducted in accordance with the Bank's internal procedures and the Central Bank of Armenia's regulatory requirements, including principles on audit firm rotation. PwC, as a globally recognized and independent audit firm, ensures compliance with internationally accepted auditing, ethical, and independence standards.

  Throughout the audit process, PwC held regular consultations with the Audit Committee to ensure robust planning, fieldwork, and reporting. A representative of PwC will attend the 2025 Annual General Meeting to engage with shareholders and respond to queries.

2. CORPORATE GOVERNANCE REPORT

5. BOARD AND COMMITTEE ACTIVITIES

5.1. OVERVIEW OF BOARD AND COMMITTEE MEETINGS IN 2024

In 2024, the Board and its Committees convened a total of 39 meetings, including 9 plenary Board meetings and 3 special sessions, alongside 27 Committee meetings. Meetings were held through a mix of offline, online, hybrid, and written procedures to ensure flexibility and effective decision-making.

BODY	NUMBER OF MEETINGS	METHODS OF CONVENING
BOARD	9 + 3 special sessions	2 offline, 3 online, 3 mixed, 1 by written procedure
AUDIT COMMITTEE	9	7 offline, 2 online
GOVERNANCE, NOMINATIONS AND REMUNERATIONS COMMITTEE	7	1 offline, 6 online
RISK MANAGEMENT COMMITTEE	11	2 offline, 9 online
STRATEGY COMMITTEE	0	Not yet convened following its establishment in 2024

5.2. FOCUS AREAS OF THE BOARD

In 2024, the Board's activities were broadly distributed across key governance and oversight areas. The primary focus was on financial oversight, including budget approval, financial reporting, and ALM monitoring. Strategic matters also featured prominently, with the adoption of the 2024–2026 strategy and oversight of its implementation. The Board dedicated significant attention to risk management, compliance, and internal control issues, including enhancements to the risk appetite framework and responses to external audit findings.

Remuneration and HR topics were actively addressed, covering performance indicators, compensation schemes, and related governance. The Board also dealt with matters of governance structure, internal audit oversight, legal and regulatory compliance, and group governance. Engagement with shareholders and preparations for General Meetings were part of the Board's agenda, alongside decisions on related-party transactions, product development, and infrastructure projects.

The chart below illustrates the distribution of Board agenda items in 2024 across the main areas of focus:

FOCUS AREA	NUMBER OF MEETINGS
STRATEGIC PLANNING AND OVERSIGHT	**14**
FINANCIAL OVERSIGHT (INCL. BUDGET, AUDIT, ALM)	**21**
RISK MANAGEMENT AND COMPLIANCE	**14**
GOVERNANCE AND BOARD FUNCTIONING	**16**
REMUNERATION AND HR-RELATED MATTERS	**18**
INTERNAL AUDIT OVERSIGHT	**9**
GROUP STRUCTURE / SUBSIDIARIES / RELATED PARTIES	**8**
LEGAL AND REGULATORY APPROVALS	**12**
SHAREHOLDER AND AGM MATTERS	**10**
PRODUCT AND SERVICE DEVELOPMENT	**1**
INFRASTRUCTURE AND OPERATIONS	**3**

5.3. ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The attendance of Board members at Board and committee meetings in 2024 is presented in the chart below. The data reflects a high level of engagement across the Board and its committees. Two members, Armen Mkrtchyan and Hrach Sargsyan, served until the 2024 Annual General Meeting and were replaced by Bernard De Wit and Gayane Hayrapetyan. Their attendance is shown proportionally based on their period of service.

BOARD MEMBER	BOARD	AUDIT COMMIT-TEE	RISK MANAGE-MENT COMMIT-TEE	GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE
RAFAYEL SARGSYAN	9/9	9/9	11/11	7/7
KLAUS GRESSENBAUER	7/9	8/9		
BRUNO CHARRIER	9/9		11/11	7/7
ASHOT KARAPETYAN	9/9		11/11	
HARUTYUN PAKHCHANYAN	9/9		11/11	
ARAM BABAYAN	9/9			7/7
HENRIK KOCHINYAN	9/9			7/7
VARDAN URUTYAN	9/9	9/9		
ARMEN MKRTCHYAN	4/4			
HRACH SARGSYAN	4/4			
BERNARD DE WIT	5/5			
GAYANE HAYRAPETYAN	4/4			

2. CORPORATE GOVERNANCE REPORT

6. BOARD AND MANAGEMENT PERFORMANCE

6.1. BOARD EVALUATION

In 2024, the Board continued to prioritize the development of a robust evaluation culture, aligning with its broader governance reform agenda. While a full Board evaluation was not conducted during the reporting year due to the transitional phase of governance enhancements, the Board actively monitored the performance of its Committees and progressed toward establishing a formal evaluation process.

Notably, the Governance, Nominations and Remunerations Committee finalized a comprehensive Board Self-Assessment Policy, which introduces regular internal and periodic external evaluations, supported by structured methodologies. The policy is expected to be adopted in 2025, enabling the Bank to initiate its first full Board assessment by year-end.

6.2. MANAGEMENT OVERSIGHT AND EVALUATION

In 2024, the Board continued its structured oversight of senior management performance through a KPI-based evaluation framework. Key Performance Indicators (KPIs) for the CEO and Deputy CEOs were reviewed and approved by the Board upon the recommendation of the Governance, Nominations and Remunerations (GNR) Committee, ensuring alignment with the Bank's strategic objectives.

At the end of the financial year, the GNR Committee assessed individual performance against the approved KPIs, and submitted performance evaluations to the full Board for review. The outcomes of this evaluation process directly informed adjustments to the variable component of senior management remuneration, reinforcing the link between performance and reward. KPIs are subject to annual review to reflect evolving strategic priorities.

This structured approach has enabled the Board to maintain clear expectations, monitor execution against strategic goals, and ensure accountability within the top management team.

7. BOARD REMUNERATION

In 2024, Acba bank maintained a structured approach to Board remuneration. Compensation was based on attendance at Board and Committee meetings, as well as on the assumption of additional responsibilities, such as chairing committees. Committee Chairs received a fixed annual retainer to reflect their workload and leadership duties. The Chairman of the Board received a flat-rate compensation and a limited performance-based component, proportionate to the responsibilities of the role. Other preparatory or informal engagements were not separately compensated.

This remuneration structure supported fairness, accountability, and governance integrity, encouraging active engagement and responsible oversight from all Board members.

Under Article 21[1] of the Law on Banks and Banking of the Republic of Armenia, the authority to determine Board member remuneration is vested in the General Meeting of Shareholders, unless this authority is delegated to the Board through the Bank's Charter. At Acba bank, this delegation has been formalized in the Charter, and the Board currently exercises this authority. However, with the adoption of the Armenian Corporate Governance Code in 2024—which recommends that such decisions be made by the General Meeting of Shareholders—the Bank is reviewing amendments to its Charter. This would allow for direct shareholder approval of Board remuneration in the future, strengthening governance transparency and shareholder involvement.

The Bank also initiated the development of a revised Board compensation scheme, planned to take effect in 2025. This new scheme will be informed by European benchmarks, given the lack of robust local comparators, and aims to align with international standards, ESG principles, and the evolving strategic needs of the Bank.

8. FUTURE GOVERNANCE PRIORITIES

In 2025, the Bank will pursue two interconnected governance priorities: deepening compliance with the Armenian Corporate Governance Code and strengthening the Board's strategic oversight.

ADVANCING GOVERNANCE REFORM AND CODE COMPLIANCE

Following the formal adoption of the Armenian Corporate Governance Code in August 2024, the Bank has identified a number of areas where further alignment is required. In 2025, the Board will focus on closing these gaps as part of its broader governance enhancement program. Priority actions include:

- Launching the first full Board evaluation under the new assessment framework;
- Adopting a formal Code of Ethics and a comprehensive Conflict of Interest Policy;
- Implementing the planned transition to advanced remuneration mechanisms (including deferral of variable pay, clawbacks, and equity-linked instruments);
- Aligning executive compensation with defined sustainability objectives;
- Publishing the Board-approved Remuneration Policy on the Bank's website;
- Reassessing the delegation of authority over Board member remuneration, with the intention of returning this right to the General Meeting;
- Formalizing a Board-level stakeholder engagement framework;
- Adopting an Information Policy to reinforce structured and transparent disclosures;
- Extending internal control over financial reporting (ICFR) to consolidated subsidiaries;
- Strengthening the Compliance function's preventive and corrective role across the organization;
- Improving gender diversity on the Board and formalizing a diversity policy.

ENHANCING STRATEGIC OVERSIGHT THROUGH THE STRATEGY COMMITTEE

In parallel with structural reforms, the Board is also enhancing its strategic focus. In late 2024, the Strategy Committee was established to deepen Board engagement on long-term priorities. Its work formally commenced in 2025.

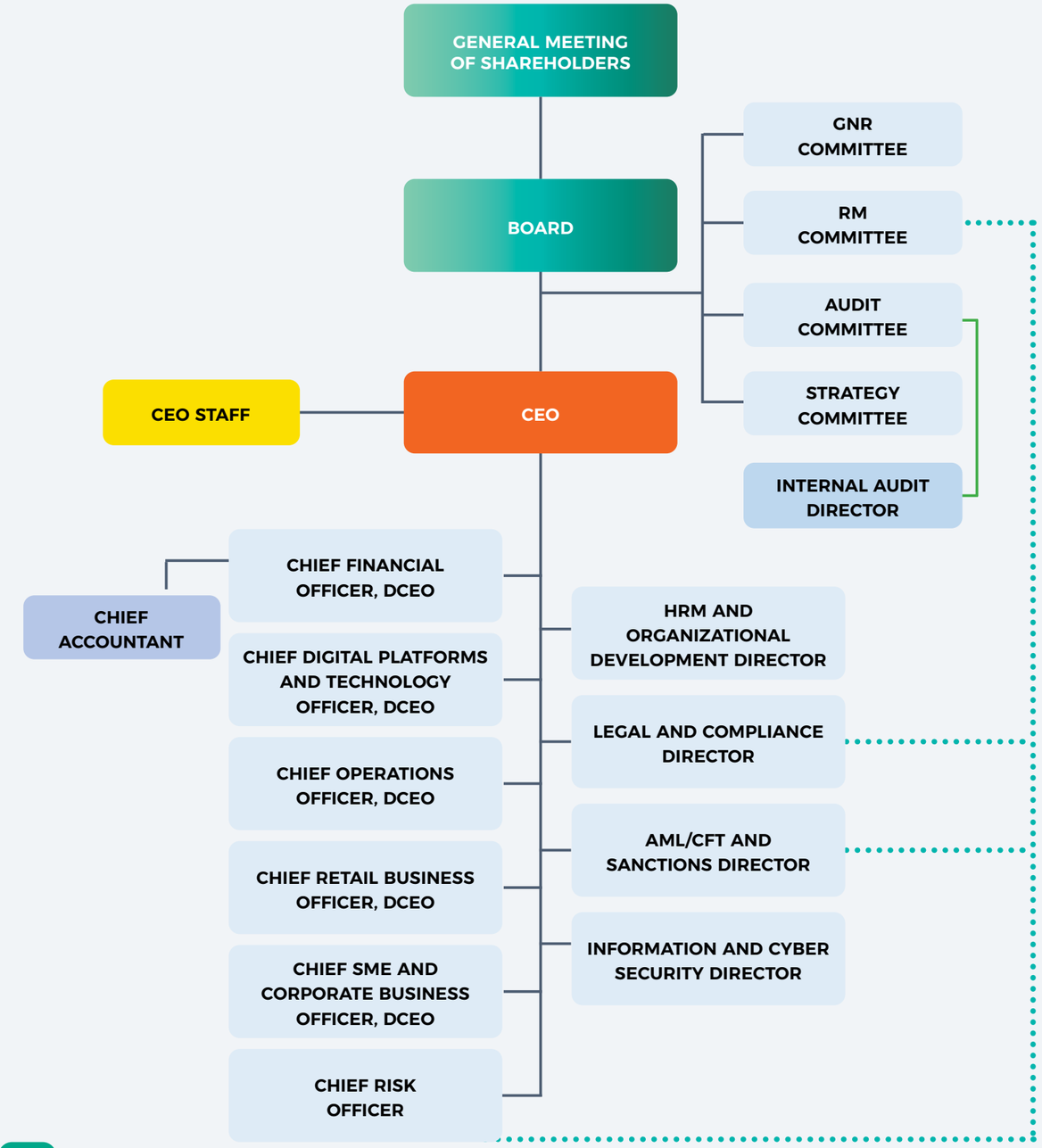
The Strategy Committee provides structured support to the Board on key forward-looking matters, including:

- Capital strategy and shareholder relations;
- Balance sheet management and financial planning;
- Strategic positioning of client segments (Retail, SME, Corporate, Agri);
- ESG goal-setting and implementation;
- Oversight of key technology and cybersecurity investments.

This initiative is expected to further strengthen the Board's strategic steering capacity, ensuring that governance plays an active and value-driven role in shaping the Bank's future trajectory.

2. **CORPORATE** GOVERNANCE REPORT

ANNEX 1 – ORGANIZATIONAL STRUCTURE CHART



ANNEX 2 – OUR BOARD MEMBERS

RAFAYEL SARGSYAN



Board Chairman
Appointed to the Board as of January 2022

Skills and experience:

Rafayel Sargsyan is an experienced lawyer within the banking industry with significant leadership experience at Acba bank. Rafayel is the former Head of Acba bank's Legal Department where he was responsible for the Group legal and governance, as well as for NPL collection process. Rafayel was appointed as Chairman since January 2022.

Education:

- *Faculty of Law of Yerevan State University, bachelor's and master's degrees in law*
- *Armenian-Russian Slavonic University / Lomonosov Moscow State University, PhD in law*
- *In 2024, completed European Board Diploma Program on European Corporate Governance, European best practices, board dynamics and soft skills topics*

BRUNO CHARRIER



Senior Independent Board Member
Appointed to the Board as of June 2019.

Skills and experience:

Bruno Charrier has extensive knowledge in financial services, technology and corporate strategy from a career spanning more than 40 years within Credit-Agricole Group. During this period Bruno held different positions of executive or Chairman in the various French and international subsidiaries of Credit Agricole Group.
Bruno earlier served as Deputy CEO of Emporiki Bank in Greece and later as the Chairman of the Executive Board of Credit Agricole Serbia and the Chairman of the Executive Board of Credit Agricole Leasing Serbia.

Education:

- *National Institute of Applied Sciences in Lyon, degree in IT Engineering*
- *French Institute of Management (Lyon, France), Master of Business Administration (MBA) degree*
- *Graduated two times within internals executives training and selection paths of Credit Agricole Group*

2. **CORPORATE** GOVERNANCE REPORT
ANNEX 2 – OUR BOARD MEMBERS

KLAUS GRESSENBAUER



Independent Board Member
Appointed to the Board as of June 2022.

Skills and experience:

Klaus Gressenbauer is an experienced auditor with exceptional international experience in the Europe and US. Klaus spent 20 years at European Central Bank, where he held positions, including Director of the Planning and Supervision Directorate and Head of Internal Audit and Chairman of the Eurosystem, ESCB and SSM Audit Committee.

Other positions:

- *Member of the Editorial Board of "GRC aktuell"*
- *Member of the OECD Forums for internal Audit and for Compliance*
- *Contributor to the IMD World Competitiveness Report*
- *Lecturer at the International Anti-Corruption Academy (IACA) and Member of the ECGI*

Education:

- *University of Vienna (Austria) PhD in Political Science*
- *International Management Institute (Geneva Switzerland), Master of Business Administration (MBA)*

ASHOT KARAPETYAN



Independent Board Member
Appointed to the Board as of June 2022.

Skills and experience:

Ashot Karapetyan has significant experience across the regulatory and finance sectors, and a deep understanding of the risk management, macroeconomic and regulatory environment. Ashot Karapetyan has resided in Canada since 2008 and has worked for the Canadian Mortgage & Housing Corporation first as a market analyst/economist, later as Senior Analyst, Securitization Policy, Capital Markets, then Senior Specialist, Risk Management, Strategy and Products.

Other positions:

- *Senior Specialist, Risk Management, Strategy and Products, Canada Mortgage and Housing Corporation*

Education:

- *Yerevan State University, degree in Economics*
- *Graduated from the University of Illinois at Urbana-Champaign, Master of Science (MSc) in Economics*
- *Chartered Financial Analyst (CFA) Charterholder CFA Institute*
- *Financial Risk Manager (FRM) Certification Global Association of Risk Professionals (GARP)*

BERNARD DE WIT



Independent Board Member
Appointed to the Board as of July 2024.

Skills and experience:

Bernard De Wit spent his entire carreer at major financial institutions, focusing initially on Retail and commercial banking. He then occupied several senior positions in the area of Finance and Risk Management, before becoming one of the founders of Amundi, the leading European Asset Management company. He was Deputy CEO of Amundi until 2023.

Other positions:

- *Advisor to the CEO of Amundi*

Education:

- *Master of Economic Management*
- *Master of Business Administration (Partnership University of Louvain and University of Chicago)*

HENRIK KOCHINYAN



Board Member
Appointed to the Board as of May 2010.

Skills and experience:

Henrik Kochinyan has extensive experience in public administration from a career spanning more than 40 years, holding many key positions in the public administration system of the Republic of Armenia, including Minister of Transport and Communication of Armenia, Governor of Lori region, Head of the Department of the Tax Inspection of the State Revenue Committee.

Other positions:

- *Professor, National Polytechnic University of Armenia (NPUA), Board Member of Institute of MMT and D, NPUA, Board Member of ACBA Federation CJSC*

Education:

- *Yerevan Polytechnic Institute, Faculty of Mechanical Engineering*
- *Postgraduate Student, Armenian Agricultural Institute*
- *Candidate of Technical Sciences, Professor*
- *Corresponding Member of the International Academy of Biological Safety and Ecological Sciences*
- *Corresponding Member of the Engineering Academy of the Republic of Armenia*

Public awards

- *13 medals, Honored CIS Road Builder, Honored Railway Worker*

2. **CORPORATE** GOVERNANCE REPORT
ANNEX 2 – OUR BOARD MEMBERS

ARAM BABAYAN



Board Member
Appointed to the Board as of June 2022

Skills and experience:

Aram Babayan has over 15 years of experience working for the Deutsche Gesellschaft für Internationale Agency (GIZ), holding the positions of expert, program coordinator, deputy manager and team leader in various programs.

Other positions:

- *Project team leader at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)*
- *Board member of the Wines of Armenia Association and Advisory Board Member of German Business Association in Armenia*

Education:

- *Agricultural Academy of Armenia, bachelor's and master's degrees*
- *University of Triesdorf in Germany, a Master of Business Administration (MBA) in Agriculture*

HARUTYUN PAKHCHANYAN



Board Member
Appointed to the Board as of June 2022.

Skills and experience:

Harutyun Pakhchanyan is an accomplished business leader with extensive international experience in finance and strategic development. With over 15 years of cross-sector expertise gained through roles in finance, corporate governance, and agricultural entrepreneurship. Since 2015 Mr. Pakhchanyan is the Executive Director of "ARMBERRY" company.

Other positions:

- *Executive Director at "ARMBERRY"*

Education:

- *Yerevan State Institute of Economics*
- *Cardiff University in Wales (UWIC, UK), Master of Business Administration (MBA) degree*

VARDAN URUTYAN



Board Member
Appointed to the Board as of June 2022.

Skills and experience:

Vardan Urutyan brings extensive insight into financial services, technologies and corporate strategy, through his leadership experience in various educational and research organizations. He previously served as the Director of the International Center for Agribusiness Research and Education (ICARE). Since December 2018 until December 2023 Vardan Urutyan served as the Rector of the Armenian National Agrarian University (ANAU). During 2010-2024 Vardan Urutyan served as an Adjunct Professor in the Department of Agricultural Economics of Texas A&M University, USA. He has been an expert/chief researcher/team leader in the USAID, EU, ADA, World Bank, Asian Development Bank, AUA, UN FAO, UNDP and other local and international organizations.

Other positions:

- *Founder & CEO, Armenian Institute for Digital Agriculture*
- *Agribusiness and Digital Agriculture International Expert*
- *Member of the Board of Trustees: ReArmenia Foundation*
- *Professor and Member of the Board of Trustees: Armenian National Agrarian University*
- *Member of the Board of Trustees: Georgian Center for Agribusiness Development*
- *Member of the Board: Armenian Economic Association*

Education:

- *PhD in Economics, Yerevan State Institute of Economics., Armenian State University of Economics*
- *Post Doctoral Certificate Program in Agribusiness Finance, Risk Management and Research Methods at the Department of Agricultural Economics and Business, University of Guelph, Canada*
- *Completed a Professional Course in Leadership and Education Management at Texas A&M University, USA. Completed an Executive Management Program in Maastricht School of Management, The Netherlands*
- *Professional distance learning programs: Trade, Growth and Poverty; Trade and Gender; Standards and Agricultural Trade; Economics of Education for Policymakers. The World Bank Institute. The World Bank Group, E-Institute for Development. Certificates obtained*
- *Academic Training in Education Administration, The University of Hohenheim, Stuttgart, Germany and The University of Wageningen, Wageningen, The Netherlands. Certificate obtained*
- *Professional Training in Precision Agriculture and Digital Farming Technologies at the Weihenstephan-Triesdorf University of Applied Sciences, Germany. Certificate obtained*

2. **CORPORATE** GOVERNANCE REPORT
ANNEX 2 – OUR BOARD MEMBERS

GAYANE HAYRAPETYAN ○



Board Member
Appointed to the Board as of August 2024.

Skills and experience:

Gayane Hayrapetyan is a respected scientist and entrepreneur with a strong background in biomedical research and regional development. She has led the International Bio-medical Center for many years and is widely published in her field. Gayane is also the co-founder of ActiTour and founder of the "7 Qar" complex in Garni, showcasing her passion for tourism and culture.

Other positions:

- *Director of the International Medical Biomedical Center*
- *Co-founder of ActiTour company*
- *Founder of "7 Kar" complex*
- *Board member at the "Kotayk ACRU" NGO*

Education:

- *Yerevan State University, Faculty of Radio-physics, bachelor's and master's degrees*
- *Post-graduate program at the UNESCO Biomedical Center*

HRACH SARGSYAN



Board Member
Appointed to the Board as of May 2020.
Termination of Powers as of May 2024

Skills and experience:

Hrach Sargsyan is an experienced farmer and has extensive experience agriculture. Since 2020 Hrach Sargsyan is the Board Chairman of "GEGHARKUNIK AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO.

Other positions:

- *Chairman of "GEGHARKUNIK AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO*
- *Lecturer at Chkalovka secondary school, Gegharkunik region, RA*

Education:

- *National University of Architecture and Construction of Armenia as a civil engineer*

ARMEN MKRTCHYAN



Board Member
Appointed to the Board as of May 2020.
Termination of Powers as of May 2024

Skills and experience:

Armen Mkrtchyan has significant experience in public administration. Since 2002 he is the principal of Karahunj secondary school. In 2016 he has been appointed as a member of the Goris municipality of Syunik region, RA. Since 2020 Armen Mkrtcyan is the Board Chairman of "SYUNIK AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO.

Other positions:

- *Chairman of "SYUNIK AGRICULTURAL COOPERATIVE REGIONAL UNION" NGO*
- *Principal at Karahunj secondary school, Syunik region, RA*
- *Municipality member of Goris municipality of Syunik region, RA*

Education:

- *Goris State University as an Electronics engineer*

Board committee membership key

- ○ Chairman of the Board
- ○ Audit Committee
- ○ Risk Committee
- ○ Governance, Nomination and Remuneration Committee
- ○ Strategy committee

Learn more about our board members at the following link ("Bank managers" section):
https://www.acba.am/hy/about-bank/about/Bank-today

2. **CORPORATE** GOVERNANCE REPORT
ANNEX 2 – OUR BOARD MEMBERS

INTERNAL AUDIT



NARINE MALAKYAN

Internal Audit Director

Narine Malakyan joined Acba bank as Head of Internal Audit in January 2024 and replaced Armen Varzhapetyan in this position.

Prior to that Narine served 12 years at the Central Bank of Armenia where she held positions of the head of Financial Audit and the head of People and Culture since 2020.

Narine have started her professional career in 2005 at Ernst & Young audit firm, where she initially held the position of an audit specialist and advanced to the role of a senior auditor.

Since 2016, Narine is a member of the Institute of Internal Auditors (IIA).

Narine has held the Association of Chartered Certified Accountants (ACCA) qualification since 2017 and obtained the Certified Internal Auditor (CIA) qualification in 2024.

CORPORATE SECRETARIAT

NAREK ANTONYAN



Corporate Secretary
Terms of Office: 2019-Feb 2025

Skills and experience:

Narek Antonyan is a qualified lawyer with significant governance and regulatory experience in the financial industry. He is a member of the Armenian chamber of advocates, a lecturer at the French University in Armenia and simultaneously is studying at the Chartered Governance Institute of UK and Ireland (CGIUK&I).

Narek Antonyan joined Acba bank in 2014 and is currently the Head of Investor Relations Division.

TATEVIK IGITYAN



Corporate Secretary
Appointment: Feb 2025

Skills and experience:

Tatevik Igityan has been with Acba bank since 2017, contributing her legal expertise within the Corporate Law Division of the Legal Department. She was promoted to Chief Specialist and Secretary of the Audit Committee in 2022 and was appointed as Head of Corporate Secretariat and Governance assistance division in March 2025. Prior to ACBA, she spent five years at Ardshinbank CJSC, where she provided legal support in both banking and corporate transactions.

Tatevik is a member of the Armenian chamber of advocates. She is a member of the Armenian Women on Boards Network of the Corporate Governance Center of Armenia.

2. CORPORATE GOVERNANCE REPORT
ANNEX 3 - TOP MANAGEMENT AND KEY MANAGERIAL PERSONNEL

ANNEX 3 – TOP MANAGEMENT AND KEY MANAGERIAL PERSONNEL

Top management, includes the Chief Executive Officer of the Bank, the deputies and CRO, and is responsible for the day-to-day management of the business, the implementation of strategy and Risk Management.



HAKOB ANDREASYAN

Chief Executive Officer

Hakob Andreasyan has an extensive background in banking, finance, and public administration. He joined Acba bank in 1996 and became part of the team responsible for the creation and development of Acba bank. For 18 years, he served as deputy CEO - Credit Director of ACBA. Hakob was appointed Chief Executive Officer in April 2014. Since September 2015, he is a member of the Executive Committee of the Confédération internationale du crédit agricole (CICA).

Hakob is also Chairman of Acba Leasing, Amundi-Acba Asset Management, the Alliance Française d'Arménie, as well as he is a board member of a number of Armenian-French organizations. In 2025 Mr. Andreasyan was appointed as a member of the Armenian Public Council.



NIKOLAY HOVHANNISYAN

Deputy CEO- Chief Operations Officer

Nikolay Hovhannisyan has extensive experience in the banking industry and was part of ACBA's management team during its creation and formation. Nikolay joined the ACBA team in 1996 and was the manager of the "Armavir" branch. In 2022 he was appointed as Deputy CEO.

Nikolay became Chief Operating Officer in July 2015, and previously served as Deputy CEO. He is also a board member of Acba Leasing since its establishment. From Nikolay is appointed as Chief Operations Officer, DCEO starting from March 2025.



STYOPA ZAKINYAN

Deputy CEO - CFO

Styopa Zakinyan became Chief Financial Officer in 2015. Since joining Acba bank in July 2000, his roles included branch credit officer, Head of Strategic Planning and Assets and Liabilities Management Department, Head of Assets and Liabilities Management and Dealing Office, Head of Department of International Relations and Asset and Liabil-ity Management.

Styopa is also board member at Acba Leasing. In 2023 he received an Executive Master of Business Administration (EMBA) degree from the London Business School (LBS).



NORIK NAZARYAN

Deputy CEO- Chief SME and Corporate Business Officer

Norik Nazaryan joined Acba bank in 1998 and was appointed deputy of CEO in 2014, in charge of various areas of the Bank's activities. Prior to that, he had significant experience in sales and branch network management. In 2018 he was appointed as the deputy CEO in charge of sales promotion and regional management.

Starting from March 2025, Norik has taken on the role of Chief SME and Corporate Business Officer.



ARSEN MELKONYAN

Deputy CEO- Chief Retail Business Officer

Arsen Melkonyan joined Acba bank in 2000 and was appointed Deputy CEO for Business Operations Coordination in 2018. Prior to that, he served as Head of the Commercial Lending Department, manager of various branches, Deputy Credit Director, and Head of the Marketing and Development Department.

Now he is getting an Executive Master of Business Administration (EMBA) degree at Oxford University.

Arsen is appointed as Chief Retail Business Officer, DCEO starting from March 2025.



TIGRAN SIMONYAN

Deputy CEO- Chief Digital Platforms and Technology Officer

Tigran Simonyan joined Acba bank in 2009 and has held a series of senior leadership roles, including Head of the IT Development Department, Head of the Risk Management Department, and Head of the Technical Assignments Development Division. In 2020, he was appointed Deputy CEO on Platforms and Technologies Development. In addition to his role at Acba bank, Tigran serves as Chairman of the Board at imID CJSC.

Effective March 2025, Tigran Simonyan has been appointed as Deputy CEO – Chief Digital Platforms and Technology Officer.

Tigran is currently pursuing a Global Executive MBA at INSEAD, further strengthening his international leadership perspective and strategic capabilities.



ZORAYR SARGSYAN

Chief Risk Officer

Zorayr Sargsyan began his professional journey at Acba bank in 2005 as a Credit Officer. In 2014, he was appointed Head of the Credit Analysis and Committee Approval Division, and from 2018 to 2025, he served as the Head of the Credit Analysis Department.

He holds a Master's degree in Finance and Credit from the Armenian State University of Economics and has further strengthened his leadership credentials with a Level 5 Management and Leadership certificate from the Chartered Management Institute (UK), completed in 2020.

Starting from March 2025, Zorayr has taken on the role of Chief Risk Officer.

2. CORPORATE GOVERNANCE REPORT
ANNEX 3 – TOP MANAGEMENT AND KEY MANAGERIAL PERSONNEL



ZARINE AZIZYAN

Legal and Compliance Director

Zarine Azizyan joined Acba bank in 2012 as a Legal Counsel. From 2016 to 2022, she served as Head of the Business Processes Legal Service Division, and since 2022, she has been the Head of the Legal Department, overseeing all legal matters of the Bank. In parallel, she also lectures at the RA Academy of Justice.

She holds a Master's degree in International Business Law from Jean Moulin Lyon 3 University and the French University in Armenia, along with a Bachelor's degree in Law.

In 2024, she earned a Level 7 Diploma in Strategic Management and Leadership Practice from the Chartered Management Institute, UK.

In 2025, she earned an ICA certificate in Compliance from International Compliance Association, UK.

Since March 2025, Zarine Azizyan has assumed the position of Legal and Compliance Director at Acba bank.

CMI and ICA member



ARMEN MELKUMYAN

AML/CFT and Sanctions Director

Armen Melkumyan joined Acba bank in 1997. Since 2002 he was heading the IT development department of the Bank. Armen was appointed as Head of Risk Management and Compliance in April 2020.

In March 2025 Armen was appointed as AML/CFT and Sanctions Director.

Armen has MBA degree from American University of Armenia.

In 2022, he earned an ICA certificate in Trade Based Money Laundering from International Compliance Association, UK.



ARSEN ABRAHAMYAN

HRM and Organizational Development Director

Arsen Abrahamyan began his career at Acba bank in 1999 as an Accountant. In 2010, he was appointed Head of the HRM Division, and since 2015, he has been leading the Bank's HR function as the Head of the Human Resource Management Department.

He holds a Bachelor's degree in Economics from the Cooperative-Economics Institute and earned a Level 7 Diploma in Strategic Management and Leadership from the Chartered Management Institute in 2020.

Since March 2025, Arsen Abrahamyan has assumed the position of Human Resources and Organizational Development Director.



VAGHARSHAK ISKANDARYAN

Information and Cyber Security Director

Vagharshak Iskandaryan joined Acba bank in 2011 as an Information Security Specialist.

He holds a Master's degree in Information Security from the State Engineering University of Armenia.

In 2020, he was promoted to Head of the Information Security Division, leading efforts to strengthen security protocols and information and cyber security risk management.

In 2025, Vagharshak was appointed Information and Cyber Security Director, overseeing cybersecurity strategy and protecting the organization's assets.

Throughout his career, he has remained dedicated to advancing information security and enhancing organizational resilience.

2. CORPORATE GOVERNANCE REPORT
ANNEX 3 – TOP MANAGEMENT AND KEY MANAGERIAL PERSONNEL



ARMEN HAKOBYAN

Chief Accountant

Armen Hakobyan joined Acba bank in 1998 and was appointed Chief Accountant in 2015. Previously, he was Deputy Chief Accountant of the Bank, as well as Chief Accountant of ACBA Leasing and Amundi-Acba Asset Management. He is also a professor at the Armenian State University of Economics and has a Doctor of Science degree.

Armen Hakobyan is a member of the Chamber of Auditors and Expert Accountants of Armenia and holds the qualification of an expert accountant. He is also a member of the Qualification Committee of the same Chamber.

He has participated in several professional development courses in Armenia, Lebanon, the Czech Republic, Austria, France, and the United Kingdom.

SHARE OWNERSHIP OF EXECUTIVE BODY AS OF THE END OF 2024:

79150 shares

HAKOB ANDREASYAN
CEO

2. CORPORATE GOVERNANCE REPORT
ANNEX 4 – ANNUAL REPORTS OF THE BOARD COMMITTEES

ANNEX 4 – ANNUAL REPORTS OF THE BOARD COMMITTEES

1. GOVERNANCE, NOMINATION, AND REMUNERATION COMMITTEE ANNUAL REPORT FOR 2024

SUMMARY

Dear Shareholders,

In 2024, the Governance, Nominations, and Remunerations (GNR) Committee played a pivotal role in strengthening corporate governance, leadership development, and remuneration policies to support the Bank's long-term objectives. A key achievement was the finalization and implementation of the Group Governance Policy, ensuring a unified governance framework across the Bank and its subsidiaries. The Committee also took significant steps in succession planning, laying the groundwork for leadership continuity at both top management and mid-level roles. A major focus of the year was the refinement of key performance indicators for senior management and the enhancement of remuneration frameworks. These efforts were aimed at ensuring competitiveness, fairness, and alignment with the Bank's strategic priorities. The establishment of the Strategic Committee was another milestone, reinforcing long-term planning, financial oversight, and ethical governance, with a strong emphasis on ESG principles and risk management.

While notable progress has been achieved in several critical areas, the Committee acknowledges that Acba bank's governance framework is still evolving. Certain elements, such as policy development, performance monitoring, and comprehensive governance oversight, require ongoing focus and refinement. The Committee remains committed to identifying and addressing these gaps through practical and sustainable improvements.

Looking ahead to 2025, the Committee remains committed to advancing governance initiatives, optimizing Board composition and training programs, and further refining remuneration and performance management systems. With a focus on ethical leadership, transparency, and accountability, the GNR Committee will continue to ensure that the Bank operates with the highest standards of corporate governance and strategic foresight.

FOCUS AREAS FOR 2024

In 2024, the GNR Committee concentrated on the following key areas:

1. GROUP GOVERNANCE: Finalization and implementation of the Group Governance Policy to align the Bank and its subsidiaries with a unified governance framework.

2. SUCCESSION PLANNING: Initial steps to develop a robust succession planning framework for top management roles and extend planning to mid-level roles.

3. KPIS AND REMUNERATION FRAMEWORKS: Approval of KPIs for top management and refinement of remuneration frameworks, ensuring competitiveness and alignment with strategic goals.

4. ESTABLISHMENT OF THE STRATEGIC COMMITTEE: Dedicated to fostering long-term strategic planning and ensuring alignment with the Bank's overarching goals.

PRIORITIES FOR 2025

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE: Oversight of necessary actions to support the continuous enhancement of the Bank's Corporate Governance system, based by the RA Code compliance assessment results.

2. FULL-SCALE IMPLEMENTATION OF GROUP GOVERNANCE: Execute the group governance action plan to ensure consistent governance practices across all entities.

3. BOARD DEVELOPMENT PROGRAM: Recommend updates to the Board's 2025 training agenda and oversee its execution to enhance governance effectiveness.

4. STRENGTHENING ETHICAL STANDARDS: Formulate a comprehensive Code of Ethics and Code of Conduct, followed by the establishment of an Ethics and Compliance Program to integrate ethical principles into the Bank's culture.

5. CONFLICT OF INTEREST MANAGEMENT: Develop a Conflict-of-Interest Policy and implement a structured Conflict of Interest Management Program to ensure proper enforcement and alignment with the Bank's governance framework.

6. ADVANCING SUCCESSION PLANNING: Enhance and implement structured succession plans for critical leadership roles to ensure continuity and long-term stability.

7. ENHANCING REMUNERATION POLICIES: Develop and execute a structured plan to ensure full compliance with the Bank's Remuneration Policy.

8. STRENGTHENING PERFORMANCE MANAGEMENT: Design and implement a strategic initiative to optimize the Bank's performance management systems, fostering accountability and operational efficiency.

MEETINGS, MEMBERSHIP, AND ATTENDANCE

NUMBER OF MEETINGS in 2024: 7 meetings
Membership & Attendance In 2024:

Name and position	Attendance
Bruno Charrier (Chair)	7/7
Rafayel Sargsyan (Member)	7/7
Aram Babayan (Member)	7/7
Henrik Kochinyan (Member)	7/7

GNR COMMITTEE REMIT

The Governance, Nominations and Remunerations Committee has been delegated by the Board of the Bank its functions for matters related to governance, nomination and remuneration to Committee, in particular, for:

I. Overseeing and monitoring the corporate governance framework of the Bank and making recommendations to the Board to ensure that the framework is consistent with corporate governance standards and best practice.

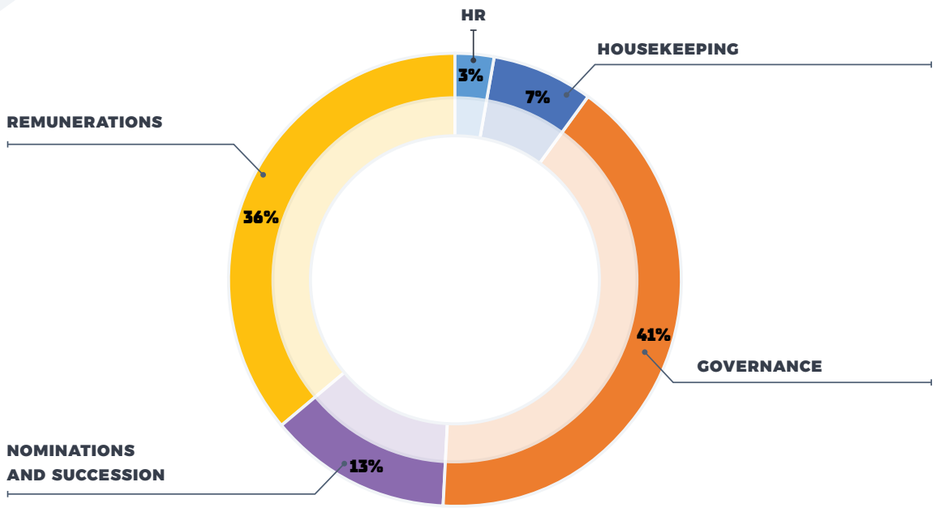
II. Assisting the Board in keeping the composition of the Board and its committees under review and to lead the process for nominations to the Board and its committees.

III. Overseeing a continuous and proactive process for planning and assessment of candidates to ensure plans are in place for the orderly succession for members of the Board, Group Executive and other senior appointments within the Bank.

IV. Being satisfied that good remuneration frameworks and practices are in place for the Bank's workforce.

THE GNR COMMITTEE TOPIC AREA COVERAGE IN 2024

(in terms of time proportions spent on related issues):



THE FOCUS AREAS OF 2024 IN MORE DETAIL

1. GROUP GOVERNANCE

One of the primary objectives of the GNR Committee in 2024 was the **finalization and implementation of the Group Governance Policy.** The policy aimed to:

- Establish a unified governance structure across the Bank and its subsidiaries.
- Define clear roles and responsibilities for the Board, executive management, and subsidiary entities.
- Enhance transparency and accountability in decision-making processes.
- Strengthen risk management and regulatory compliance within the group structure.
- Throughout the year, the Committee actively monitored the implementation progress, ensuring that governance enhancements were embedded within the Bank's operational and strategic framework.

2. CORPORATE GOVERNANCE REPORT
ANNEX 4 - ANNUAL REPORTS OF THE BOARD COMMITTEES

2. SUCCESSION PLANNING

Recognizing the importance of leadership continuity, the Committee took significant steps toward developing a structured **Succession Planning Framework**. Key initiatives included:

- Identifying critical top management positions requiring succession planning.
- Establishing a leadership pipeline through internal talent development programs.
- Implementing performance assessment mechanisms to evaluate potential successors.
- Expanding the framework to cover mid-level management roles to strengthen future leadership capabilities.

The Committee ensured that the succession planning framework aligns with long-term strategic goals, promoting leadership stability and operational resilience.

3. KPIS AND REMUNERATION FRAMEWORKS

A critical component of the Committee's work in 2024 was the refinement of KPIs and remuneration frameworks. Key actions included:

- Approval of key performance indicators (KPIs) for top management, ensuring that executive performance aligns with the Bank's long-term strategic objectives.
- Revision of remuneration policies to maintain competitiveness and fairness in compensation structures.
- Enhancement of performance-linked remuneration by integrating measurable targets and incentive mechanisms.
- Evaluation of Board remuneration frameworks, ensuring alignment with governance best practices and shareholder expectations.
- Monitoring KPIs performance, to ensure the progress is well transparently managed

These refinements were undertaken with a focus on motivating leadership effectiveness, promoting performance-driven cultures, and ensuring compliance with industry remuneration standards.

4. ESTABLISHMENT OF THE STRATEGIC COMMITTEE

A significant milestone in 2024 was the creation of the Strategic Committee and appointment of its members, designed to reinforce long-term planning and strategic oversight. The Committee's objectives included:

- **Defining the Bank's Corporate Purpose** to ensure alignment with its mission and values.
- **Setting Key Business Priorities and Goals** to drive sustainable growth and competitiveness
- **Financial Strategy and Performance Monitoring** to enhance fiscal discipline and operational efficiency.
- **Equity Management, Strategic Partnerships**, and **Mergers & Acquisitions** to expand the Bank's market position.
- **Technology and Cybersecurity Initiatives** to safeguard digital infrastructure and promote innovation.
- **Integration of ESG Principles** to reinforce environmental, social, and governance commitments.

The Strategic Committee was established as a key advisory body, supporting the Board in strategic decision-making and long-term business planning.

OTHER MATTERS AS REFERRED BY THE BOARD OF THE BANK

Throughout 2024, the GNR Committee monitored Proparco's equity participation project, receiving regular updates on its progress and key developments.

ANNUAL REVIEW OF THE GNR COMMITTEE'S MANDATE AND ITS OWN EFFECTIVENESS

In 2024, the GNR Committee conducted its first annual self-assessment, evaluating its effectiveness and identifying key areas for improvement.

AREAS OF CONSENSUS INCLUDED:

- Clear responsibility for recommending Board composition and committee structures.
- Oversight of the Remuneration Policy.
- Advisory role on strategic alignment, though some divergence in opinions remained.

KEY AREAS OF DIFFERING VIEWS INCLUDED:

- Monitoring Responsibilities: Assessment of the Board's performance, governance framework, and policy oversight varied among members, with some considering these areas fully covered while others identified gaps.
- Policy Development: Responsibilities related to governance policy review and development were seen as inconsistently addressed, with differing levels of engagement reported.
- Corporate Governance Reporting: Members had varied perspectives on the extent of involvement in preparing governance reports and recommending improvements.
- Governance Oversight: While some members considered governance advisory responsibilities well covered, others noted inconsistencies in execution and understanding.

The Committee acknowledged these differences and recognized the need for a more structured methodology to assess governance effectiveness. The Committee agreed on having a systematic approach to evaluating governance structures, though concerns were raised regarding potential complexity and administrative burden. Committee members emphasized the importance of maintaining a practical approach, ensuring clarity and effectiveness without unnecessary complexity.



2. CORPORATE GOVERNANCE REPORT
ANNEX 4 - ANNUAL REPORTS OF THE BOARD COMMITTEES

2. AUDIT COMMITTEE ANNUAL REPORT FOR 2024

SUMMARY

Dear Shareholders,

The Audit Committee's 2024 annual report presents a comprehensive overview of its activities and key focus areas in accordance with its delegated responsibilities.

In 2024, the Audit Committee concentrated its efforts on several key areas within its oversight responsibilities.

These included monitoring financial reporting processes and providing recommendations to enhance governance in this area; maintaining regular engagement with the external auditor to ensure a high-quality and independent audit; supporting the implementation of the Internal Audit Enhancement Project; and closely reviewing and tracking the progress of the Internal Control over Financial Reporting (ICFR) gap analysis and related management action plan.

Through these focus areas, the Committee aimed to strengthen the Bank's internal control environment and overall governance framework.

FOCUS AREAS FOR 2024

- **FINANCIAL REPORTING:** Executing the necessary work to fulfill the committee's mandate on financial reporting, while also offering recommendations to management for improving the governance of financial reporting and overseeing the implementation of those recommendations.
- **EXTERNAL AUDIT:** Holding regular meetings with the external auditor to plan and execute the annual audit, as well as to assess the auditor's independence, objectivity, and the overall quality and effectiveness of the audit.
- **INTERNAL AUDIT:** Ongoing support for the Internal audit enhancement project and supervision of internal audit activities as required.
- **INTERNAL CONTROLS OVER FINANCIAL REPORTING:** Reviewing the gap analysis performed by an external consultant on ICFR, initiated in 2023, and continuously tracking the management action plan implementation proposed in this regard.

PRIORITIES FOR 2025

- Clarify the Audit Committee's mandate and responsibilities following the implementation of the Group Governance structure.
- Oversee the execution of the Internal audit Enhancement Program, including the Quality Assurance and Improvement Program and periodic self-assessments to ensure alignment with applicable Standards and the Internal Audit Manual.
- Maintain close oversight over the Financial Reporting Governance Enhancement framework to support the integrity and transparency of financial reporting processes.

MEETINGS, MEMBERSHIP, AND ATTENDANCE

NUMBER OF MEETINGS in 2024: 9 meetings
Membership & Attendance In 2024:

Name and position	Attendance
KLAUS GRESSENBAUER (Chair)	8/9
RAFAYEL SARGSYAN (Member)	9/9
VARDAN URUTYAN (Member)	9/9

AUDIT COMMITTEE REMIT:

The Audit Committee has been delegated by the Board of the Bank its functions for the oversight of matters relating to financial reporting and internal financial controls, in particular reviewing:

I. The integrity of the financial statements, formal announcements, and disclosures relating to the financial performance;

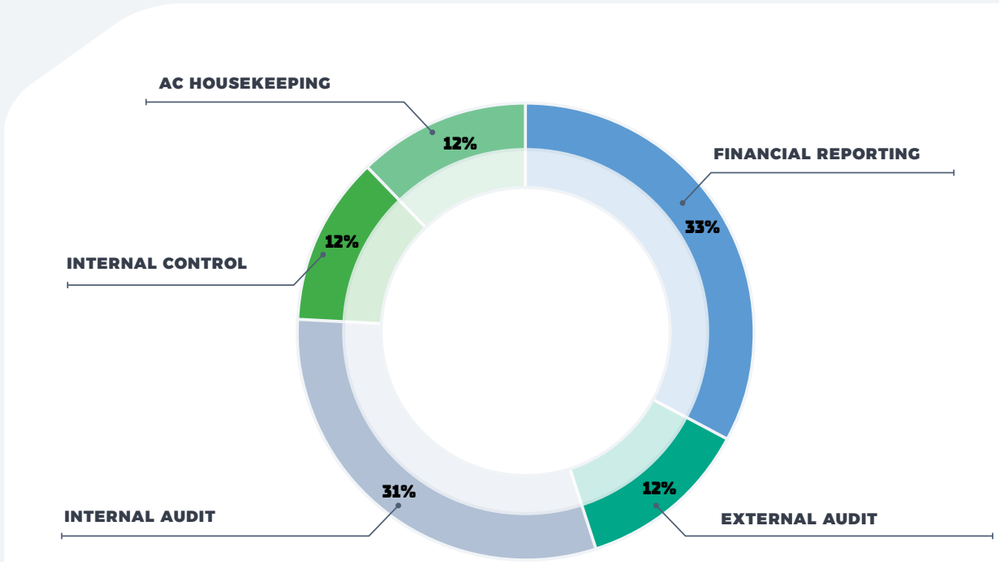
II. The effectiveness of Internal Audit function and the External Auditor;

III. The effectiveness of internal control systems over financial reporting;

IV. Such other matters as may be referred to it by the Board of the Bank.

THE AC COMMITTEE TOPIC AREA COVERAGE IN 2024

(in terms of time proportions spent on related issues):



THE FOCUS AREAS OF 2024 IN MORE DETAIL

1. FINANCIAL REPORTING

To fulfill its mandate regarding the 2023 financial statements, particularly ensuring their integrity, the Committee requested and received the following information from management:

- Changes in the regulatory environment and their impact on the ACBA Group, as well as complaints and conduct violations for 2023 for both ACBA and ACBA Leasing.
- Details of complaints and conduct violations in 2023 for both ACBA and ACBA Leasing, including any changes to the respective processes implemented.
- Information on suspected, alleged, or actual fraud occurrences in 2023, along with any pending court cases for both ACBA Bank and ACBA Leasing.
- Any changes to the application of the three lines model in 2023, along with the current status or plans for further modifications.
- Internal audit observations related to the implementation of action plans from last year's EA management letter.
- Any internal audit observations from 2023 that are relevant to the integrity of the 2023 financial statements and their production process.
- Information on the current bonus and incentive pay system applied at the bank.

During the reporting period, the Audit Committee undertook a diligent review of matters within its scope and made every effort to provide the Board with well-founded and timely assessments. These evaluations were based on the information available at the time and aimed at supporting informed decision-making and strengthening the Bank's governance framework.

At the same time, the Audit Committee emphasized the need to improve the quality of the financial statements and their production governance processes. Following the Committee's recommendation, a working group of editors was formed at the Bank, led by CFO, with task to ensure the improvement of the financial statement texts and their alignment with other published documents containing financial data. The Audit Committee acknowledges that there is potential for further improvement in this process and continues to maintain oversight to ensure its effective implementation.

In 2024, the Audit Committee held two meetings with the external auditors, focusing on preparatory work for the beginning of 2025. These discussions were aimed at laying the groundwork for improved financial reporting and aligning efforts with the upcoming goals for the new year.

2. EXTERNAL AUDIT

In 2024, the Audit Committee focused on aligning the external auditor's financial statement-related work with the bank's timetable to ensure an effective financial reporting process.

The Committee held four sessions with representatives from the external auditor throughout the year. The initial meeting was dedicated to reviewing the external audit report for the 2023 financial year. While there were some procedural challenges during the audit, it was noted that the process for 2023 was smoother than in the previous year.

The second meeting with the external auditor was focused on the action plan presented by management in response to the ICR report. During these discussions, the Audit Committee closely monitored the progress of management's actions on recommendations made in previous years.

Given the slower-than-anticipated progress, the Committee organized additional meetings with management representatives and encouraged to prioritize the implementation of medium and medium-high risk recommendations. The Committee also stressed the need for clear deadlines for the implementation of each recommendation.

The final two meetings with the external auditor were centered on planning and reviewing the interim results of the financial audit for the year ending 2024.

As part of its external audit mandate, the Audit Committee also reviewed the external auditor's commitments to provide non-audit and additional audit services to the Bank and its subsidiaries. No issues were identified that would affect the auditor's independence.

3. INTERNAL AUDIT

In 2024, the Audit Committee welcomed the new Head of Internal Audit who joined the ACBA team and actively engaged in the work of the Internal Audit under the enhanced Internal audit model. Throughout the year, the Committee focused on the ongoing implementation of the internal audit enhancement project.

The Audit Committee encouraged the Internal Audit in recruiting new staff, including the hiring of an IT auditor, and supported the continuous professional development of both existing and new team members.
By the end of the year, the Audit Committee approved the internal audit manual, which outlines the entire internal audit process and serves as a significant step towards improving quality and aligning with international internal audit standards. The Committee stressed the importance of ensuring that the manual remains a living document and is adhered to by both auditors and auditees.

Similar to its approach with external audits, the Audit Committee emphasized the importance of following up on previous recommendations for internal audits. It was highly recommended to prioritize IT improvement initiatives for recommendations with high and medium-high risks, in the same level as regulatory changes.

In 2025, the Audit Committee plans to address the internal and external quality assessments of the internal audit function.

4. INTERNAL CONTROLS OVER FR

In 2024, the results of the gap analysis on ICFR, conducted by an external consultant initiated in 2023, were summarized, and a management action plan was presented. The Audit Committee regularly reviews the progress of the action plan to closely monitor its implementation and ensure its implementation.

Although the gap analysis did not address all the concerns raised by the Audit Committee regarding ICFR, it highlighted a more positive outlook for internal control over financial reporting at the Bank.

In 2025, the Committee plans to extend its focus to include monitoring the ICFR system within consolidated companies.

2. CORPORATE GOVERNANCE REPORT
ANNEX 4 - ANNUAL REPORTS OF THE BOARD COMMITTEES

OTHER MATTERS AS REFERRED BY THE BOARD OF THE BANK

There were no matters referred to the AC in 2024 by the Board of the Bank.

ANNUAL REVIEW OF THE AC COMMITTEE'S MANDATE AND ITS OWN EFFECTIVENESS

As in the previous year, the Audit Committee conducted annual assessment of its mandate and effectiveness at the end of the year. The assessment yielded the following mandate coverage results:

- **FULLY COVERED:** 84.9%
- **PARTIALLY COVERED:** 9.1%
- **NOT COVERED:** 6%

Based on this evaluation, relevant recommendations have been formulated for management to address the outstanding issues in the following year.

The annual review of the Charter is planned to be carried out alongside the implementation of the new Group governance system at the Bank.

At the year-end meeting, the Audit Committee members also summarized the Bank's overall activity in 2024. The following was highlighted as key positive developments:

- Enhancement of the IA, including enhanced human capital, development of IA manual etc.
- ongoing improvements in the financial reporting production process,
- improvements in internal control system based on external audit recommendations and ICFR gap analysis,
- Discussions on group governance and its commenced implementation.

The following areas were identified as requiring further enhancements.

- Internal control in 1st and 2nd lines,
- Project management,
- Budgeting and budget control,
- Responsibility and accountability of the management, including performance management,
- Whistleblowing framework installment.

***In the absence of the Chairman of the Audit Committee, the report was approved by committee members Rafayel Sargsyan and Vardan Urutyan.**



2. CORPORATE GOVERNANCE REPORT
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3. RISK MANAGEMENT COMMITTEE ANNUAL REPORT FOR 2024

SUMMARY

Dear Shareholders,

On behalf of the Board Risk Management Committee, I am pleased to present our annual report for 2024.

Throughout the year, the Committee remained vigilant in fulfilling its mandate to oversee the Bank's risk governance and ensure the resilience of its risk management practices. In doing so, we closely monitored macroeconomic conditions, domestic and international regulatory trends, and the evolving geopolitical environment.

In particular, the Committee was attentive to Armenia's unique economic situation. The continued capital inflows and heightened demand for goods and services, partly triggered by regional geopolitical developments, sustained elevated levels of economic activity and profitability across the banking sector. However, we recognize the transient nature of these trends and remain cautious about future growth prospects.

We specifically noted the projected decline in mortgage lending growth, largely influenced by the gradual phase-out of the state program allowing individuals to redirect income tax toward mortgage interest payments. The discontinuation of this program for real estate in the capital city of Yerevan from January 2025 likely contributed to the surge in mortgage activity observed in 2024. The broader implications for real estate prices and the potential knock-on effects will be a key area of continued focus.

Global developments also factored significantly into our risk assessment. In light of increasing enforcement activity linked to U.S. secondary sanctions—particularly following the December 2023 Executive Order expanding OFAC's powers—the Committee closely reviewed the Bank's exposure and compliance framework. The imposition of sanctions on several foreign banks in 2024 underscored the growing complexity of the international sanctions regime and the need for ongoing vigilance.



Navigating this complex risk landscape required balancing prudent risk management with strategic growth. The Committee maintained its focus on sustainable risk-taking, resisting pressures that might lead to excessive short-term gains at the cost of long-term resilience.

FOCUS AREAS FOR 2024

Key oversight areas during the year included:

FINANCIAL RISK MONITORING: We regularly reviewed internal prudential metrics, including capital adequacy, liquidity, and concentration limits. We welcomed the strategic investment by Proparco, which further strengthens the Bank's capital position.

CREDIT RISK GOVERNANCE: Given sector sensitivities, the Committee gave particular scrutiny to mortgage and construction financing portfolios.

ALERTING POLICY: In February 2024, the Board adopted an Alerting Policy to ensure timely escalation of material risks and breaches to the Committee.

RISK MANAGEMENT DOCUMENTATION: The Committee reviewed and endorsed key risk governance documents, including the Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite Statement (RAS) and Risk Appetite Framework (RAF), and the Recovery Plan.

Additionally, under the new ACBA Group Governance Policy, the Committee assessed the risk oversight model for ACBA Leasing, owned by Acba bank. Given its size and complexity, we supported the decision for Acba bank's second-line functions—including risk management—to extend their responsibilities to this subsidiary.

In the area of operational risk, the Committee initiated a complete revamp of the Bank's operational risk framework (ORF), with efforts underway to enhance operational risk cause, impact and event taxonomies, improve the operational risk management approach using a four-step model for continuous operational risk management that includes risk identification, risk measurement, risk mitigation, and risk monitoring and reporting. The revamped ORF will therefore include a number of operational management tools, including Risk and Control Self-Assessment (RCSA) process, scenario analysis, incident reporting, stress testing, key risk indicators, among many others.

The Committee also exercised robust oversight of compliance, AML/CFT, and international sanctions. We monitored indicators such as rejected transactions, suspicious activity reporting, and compliance with correspondent bank expectations—particularly where commercial activity was curtailed out of precaution, despite not being explicitly sanctioned.

PRIORITIES FOR 2025

Looking ahead, the Committee will continue to oversee key enterprise risks affecting the Bank and its subsidiary. Our strategic priorities for the coming year include:

- **FINANCIAL RISK MONITORING:** Continuing to oversee the Bank's financial risk profile in light of macroeconomic uncertainty and updating the Risk Appetite as needed.
- **CREDIT POLICY REVIEW:** Assessing the new draft Credit Policy, which proposes several fundamental changes to lending governance.
- **OPERATIONAL RISK IMPROVEMENTS:** Driving the implementation of enhancements to the Bank's operational risk management framework.
- **RECOVERY PLANNING:** Reviewing the revised Recovery Plan to ensure alignment with the CBA's updated regulatory requirements.
- **AML/CFT REVIEW:** Conducting a deep dive into the AML/CFT function, with a particular focus on potential over-compliance that may affect legitimate customer activity.

I would like to extend my sincere appreciation to my fellow Committee members for their active engagement and insights, and to the Bank's risk, compliance, financial security, and treasury teams for their professionalism and dedication throughout the year.

2. CORPORATE GOVERNANCE REPORT
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MEETINGS, MEMBERSHIP, AND ATTENDANCE

MEETINGS in 2024: The Committee convened 11 times in 2024. Meetings were attended by Committee members, the Chief Executive Officer, Chief Financial Officer, and key heads of risk, compliance, legal, and treasury functions. The Committee Chair also held ad hoc discussions outside formal meetings with key stakeholders to review critical matters. One meeting was convened specifically to investigate a fraud incident and was attended by the Head of the Audit Division. Another session included participation from the Chair of the Board Strategy Committee.

ATTENDANCE IN 2024:

Name and position	Attendance
ASHOT KARAPETYAN (Chair)	11/11
BRUNO CHARRIER (Member)	11/11
RAFAYEL SARGSYAN (Member)	11/11
HARUTYUN PAKHCHANYAN (Member)	11/11

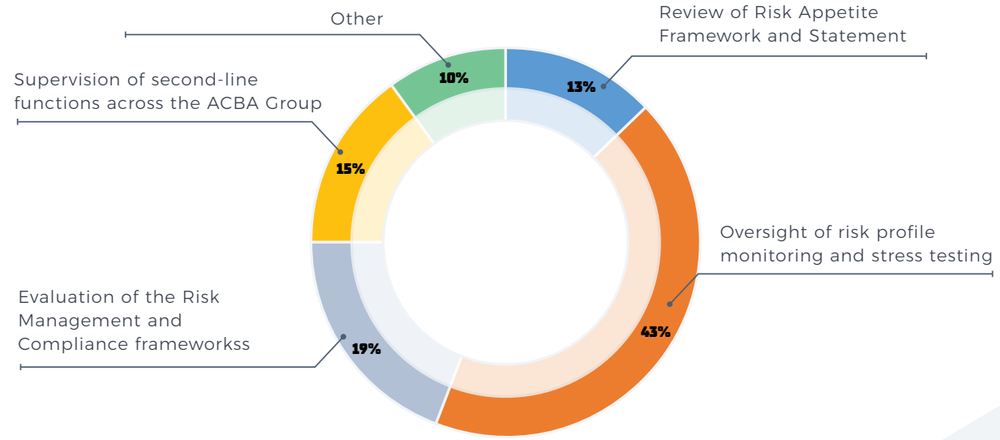
THE RISK MANAGEMENT COMMITTEE REMIT

As defined in its charter, the Committee is responsible for oversight of enterprise-wide risk and the internal control environment, excluding internal financial controls. Key duties include:

- Review and recommendation of the Bank's Risk Appetite Statement and Framework
- Oversight of risk profile monitoring and stress testing
- Evaluation of the Risk Management and Compliance frameworks
- Supervision of second-line functions across the ACBA Group it by the Board of the Bank.

THE RISK MANAGEMENT COMMITTEE TOPIC AREA COVERAGE IN 2024

(in terms of time proportions spent on related issues):



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THE FOCUS AREAS OF 2024 IN MORE DETAIL

Topic	Role of the Committee	Conclusion / Action Taken
MANAGEMENT LETTER ACTION PLAN	Oversaw the implementation of outstanding risk-related actions stemming from the 2022 Audit Management Letter and dis-cussed new recommendations from the 2023 Audit.	Almost all actions from the 2022 Management Letter were implemented. Implementation of the two new recommendations will commence in 2025.
ASSETS AND LIABILITIES MANAGEMENT	Reviewed quarterly ALM reports and discussed key trends with the CFO and Head of ALM Division.	Requested additional insights on forward-looking market developments that may impact funding capabilities and treasury plans.
FINANCIAL RISK PROFILE	Received quarterly reports from the Financial Risk Management Division and engaged in discussions with risk leaders to assess current and stressed financial metrics, including risk appetites, capital adequacy, and liquidity ratios.	The Committee was generally satisfied with the Bank's financial risk profile. Additional scrutiny was applied to mortgage loan concentration due to real estate market conditions. The Committee pre-approved a temporary deviation from the internal one-borrower limit and reviewed exposures in high-risk border regions. Executive summaries of financial risk reports were shared with all Board members.
OPERATIONAL RISK MANAGEMENT	Reviewed semi-annual reports on operational and reputational risk and oversaw risk mapping.	Confirmed that operational and reputational risks were within acceptable limits. Identified key areas for major enhancement in the framework, to be addressed in 2025. Key findings were presented to the Board.
COMPLIANCE	Received quarterly reports on compliance risk, fraud incidents, and transaction monitoring. Reviewed the annual action plan and prior year's performance with the Compliance team.	Compliance risk was within acceptable limits. The Committee received explanations on fraud cases and approved the 2024 compliance action plan with recommendations. The Committee also discussed the resource demands associated with implementing new tax information exchange obligations under international agreements.
INTERNATIONAL SANC-TIONS	Ensured continuous monitoring of international sanctions and enforcement practices.	Reaffirmed that adherence to international sanctions remains a top priority, as enshrined in the Bank's policy. The Committee consistently sought assurance of full compliance.
APPROVAL OF NEW LIMITS	Pre-approved and recommended for Board approval changes to certain financial limits, including those related to financial institutions and financial market transactions.	The Committee conducted a detailed review of the supporting calculations and rationale before preapproving the changes.

Topic	Role of the Committee	Conclusion / Action Taken
RISK APPETITE STATEMENT, RISK APPETITE FRAME-WORK, AND ALERTING POLICY	Conducted an in-depth review and challenge of the Bank's revised Risk Appetite Statement and Framework, and the new Alerting Policy.	Pre-approved and recommended all documents for Board approval. The revised Risk Appetite Statement enables agile adjustments, and the Alerting Policy ensures timely notifica-tions of limit breaches. In mid-year, new internal liquidity limits were also approved. In December, the Committee pre-approved the 2025 Risk Appetite Statement.
RECOVERY PLAN	Discussed the Recovery Plan in detail with the CFO, ALM Division, and Risk Management leads.	Pre-approved and recommended the plan to the Board, while suggesting areas for improvement for future revisions.
OTHER RISK AND COMPLIANCE POLICIES	Reviewed internal legal acts on risk and compliance prior to Board submission.	Pre-approved changes to multiple internal policies, including property appraisal, AML/CFT, stress testing, and anti-corruption. Proposed that the model validation framework and procedures be broken down into the Board-level and Management-level documents.
INTERNAL CAPITAL AD-EQUACY BUFFER	Facilitated discussions among stakeholders with differing views on the appropriate buffer level.	Approved a reduction in the internal capital buffer from 1% to 0.5%, considering the elevated countercyclical buffer im-posed by the regulator, the Central Bank of Armenia.
SECOND LINE FUNC-TIONS (GROUP GOV-ERNANCE POLICY)	Reviewed the proposed second line model under the new Group Governance Policy.	Expressed support for the model assigning the Bank's second line functions, including risk management, to also cover AC-BA Leasing, based on the rationale provided.

4. MESSAGE FROM THE STRATEGY COMMITTEE

MEMBERSHIP

Name	Position
BERNARD DE WIT	Chair
ASHOT KARAPETYAN	Member
BRUNO CHARRIER	Member
ARAM BABAYAN	Member
GAYANE HAYRAPETYAN	Member

Dear Shareholders,

In October 2024, the Board of Directors decided to set up a Strategy Committee. The objectives and the composition of this committee have been finalized in 2024, but the effective work started in 2025, with a first meeting on 19th February 2025.

What does Strategy mean? Strategy is originally a word of the military vocabulary. It refers primarily to coordination and consistency of actions in order to optimally achieve a goal. Presently, the word strategy is being used in many other contexts, often referring to the long-term targets themselves, or to general cultural or social aims. This means this concept is pretty large, not to say vague, and can address very different topics.

At ACBA, we decided going for a pragmatic approach and concentrating on a limited number of priority topics. On these topics, we are supporting the Bank, and its management, having well-defined and concrete objectives, and well-coordinated action plans to reach the goals.

The priority topics, as of today, are the following:

- Strength and enlargement of the equity of the Bank. This topic includes the relationship with the shareholders and any transaction related to the equity capital of the bank, such as the investment by PROPACO in 2024.
- Financial policy, planning and budgeting process. This topic refers to the monitoring of the overall balance sheet, the management of its evolution and forecast evolution, and the process for maintaining a safe overall balance between the various activities.
- Key business priorities for each client segment. This topic aims at defining the overall desired Bank's positioning for each group of the Retail, SME, Corporate and Agri clients, including product offer and innovation, price and distribution organization, market share and expected profitability. The committee will address as well major new product/activity projects.
- ESG development. On this highly "unstable" topic, for which Banks over the world take very different stances, the Committee will focus on defining a limited number of concrete objectives ACBA can commit on and implement, instead of making general statements.
- Technology and Cyber-security. This topic refers to a second-level review (as a supplement to the management's one) of some major choices regarding technology and related investment. Moreover, jointly with the Risk Committee, we will assess the level of appropriateness of the Cybersecurity set-up.

The Committee will propose to the Board, whenever deemed useful, adjustments to this priority list, depending on the market context and the major business changes considered by the Bank.



ANNEX 5 – ANNUAL CORPORATE GOVERNANCE STATEMENT

ANNUAL CORPORATE GOVERNANCE STATEMENT

Reporting period 31 of August 2024 - 31 of December 2024

Acba bank is dedicated to upholding the highest standards of corporate governance, aligning its practices with the requirements of the Corporate Governance Code of Armenia and international best practices. Since the Corporate Governance Code of Armenia came into effect at the end of August 2024, the limited time available during the reporting period posed challenges to achieving full compliance by the Bank. Nevertheless, the bank continuously strives to enhance its corporate governance framework to ensure transparency, accountability, and ethical conduct in all aspects of its operations. With a strong focus on sustainable development and maintaining the trust of its stakeholders, Acba bank is committed to fostering an environment where governance practices are consistently reviewed and improved, ensuring they meet both regulatory requirements and global standards.

Chapter I. Main rights and equitable treatment of participants, and responsibilities of significant participants

PRINCIPLE I.1.

Right of the participant to participate in the governance of the organization

The organization shall be obliged to ensure equitable and fair treatment of all holders of the same type (class) of shares in order to effectively exercise their rights to participate in the organization's governance, vote, formulate well-reasoned positions concerning the items on the meeting agenda, and make informed decisions.

The Bank convenes shareholder meetings in compliance with Armenian legislation and in accordance with the **Procedure for the Preparation and Conduct of the General Meeting of Shareholders of ACBA BANK OJSC**, which is publicly available in the Corporate Governance section of its website. These regulations ensure that shareholder meetings are conducted with well-defined procedures, guaranteeing fairness and transparency in decision-making and voting processes.
During the reporting period, the Bank held one extraordinary general meeting without physical shareholder presence, conducted through ballot voting, including electronic voting. This meeting was organized

in compliance with the **RA Corporate Governance Code, ensuring:**

- The **announcement** of the meeting was published on the bank's website, supplemented by publication in press and individual notifications to shareholders in accordance with legal requirements.
- Shareholders received **at least 21 days' notice**, providing timely and sufficient information on the date, venue, format, and agenda.
- The notification included **detailed voting procedures**, agenda items, draft resolutions for each item, and explanations of the proposed resolutions.
- Meeting materials were published on the bank's website within the required timeframe, with direct links provided in the shareholder notifications.
- Shareholders were **given direct contact information** for inquiries or assistance.
- The bank ensured that shareholders retained their rights to vote i**n person or by proxy**, as well as to pose questions to the bank's management.
- The **quorum calculation** and **Summary of Decisions** were published on the bank's website.

Since its reorganization into an **Open Joint Stock Company (OJSC) in 2021**, Acba bank has consistently provided shareholders with **alternative participation options** for meetings. For meetings with a limited number of in-person attendees, the Bank has ensured that remote participants can join via teleconference and engage with the management and external auditor. This approach aligns with the **Corporate Governance Code's** requirement that meeting venues and scheduling must not restrict shareholder participation.

Committed to **transparency**, Acba bank continuously enhances its communication channels and information-sharing practices. The bank remains dedicated to improving shareholder engagement in future meetings, ensuring they receive clear, unbiased information to support well-informed decision-making.

Compliance status: Compliant.

PRINCIPLE I. 2.

Right of the participant to nominate candidates for the members of the Board of the organization

The corporate governance framework of the organization should promote the effective participation of the participant in the process of nominating candidates for members of the Board and the election of members of the Board.

The election of Board members falls under the exclusive authority of the Shareholders' Meeting. Meanwhile, according to the Bank's Charter:

- **Those shareholders of the Bank who own 10%** and more of the outstanding voting shares of the Bank as of the date of drawing up the list of members with the right to participate in the General meeting, can appoint their representative in the Board of the Bank without the election by the General meeting.
- **The shareholders of the Bank who own less than 10%** of outstanding voting shares of the Bank as of the date of drawing up the list of members with the right to participate in the General meeting may unite and, in case off exceeding 10% or more of the outstanding voting shares of the Bank, they can have a representative in the Board without election by the General Meeting. The appointment of the representative of the united shareholders is done only in the case of the existence of a corresponding agreement for the establishment of the Bank's shareholders' group and informing the General Meeting about this agreement.
- **All the shareholders of the Bank who own less than 10%** of outstanding voting shares of the Bank as of the date of drawing up the list of members having the right to participate in the General meeting, but have not united in order to appoint their representative in the Board in accordance with the procedure specified by the charter, may elect their own representative and include in the Board without election by the General Meetings. Only the minority shareholders or their representatives, even if their number is one, take part in the election of that representative, and the joint representative is elected by a simple majority of voters' votes.

When a Board member is elected through the General Meeting, the matter is included in the agenda, and shareholders receive detailed information on the candidate's experience and qualifications as part of the meeting materials. If a Board member is appointed by a shareholder in accordance with the established procedure rather than elected by the General Meeting, the Bank ensures that shareholders are informed about the appointed Board members.

No Board member elections were held during the reporting period.

Compliance status: Compliant.

PRINCIPLE I. 3.

Remuneration of the Board of the organization and executive body thereof

The participant shall have an opportunity to express an opinion on the remuneration of the Board and executive body, including by voting at the general meeting.

The Bank has developed and adopted a comprehensive remuneration policy that applies to the Board, executive body, and all levels of staff. The policy was approved by the Board and is a key part of an ongoing remuneration system reform initiated in 2023. It is structured around principles of fairness, internal equity, pay-for-performance, and alignment with long-term strategic objectives and risk management.

The policy defines the governance structure and responsibilities of the Board, the Governance, Nominations and Remunerations Committee (GNR Committee), and executive management in the design, implementation, and monitoring of remuneration across the Bank. It sets clear frameworks for fixed and variable pay, performance assessment, deferral, malus and clawback mechanisms, and includes specific provisions for Material Impact Staff.
In 2024, several key developments took place:

- The Board approved the Remuneration Policy, which reflects sustainability, risk-adjusted performance, and regulatory compliance;
- A transition framework was established to gradually phase in advanced mechanisms such as deferral of variable pay, equity-linked instruments, and clawback provisions;
- Oversight and reporting responsibilities were clarified among the GNR Committee, Risk Committee CEO;

- Methodologies were developed for pay benchmarking, internal pay ratio management, and role-based remuneration design;
- Plans were made to publish the remuneration policy on the Bank's website in line with Corporate Governance Code expectations.

While the Board currently approves the remuneration policy for the executive body, the Bank acknowledges the Code's expectation that such policies should be subject to General Meeting approval, unless otherwise delegated. It should be noted that, under Article 211 of the Law on Banks and Banking of the Republic of Armenia, the General Meeting of shareholders had previously delegated the authority to determine the amount of remuneration of Board members to the Board itself, based on practical considerations. Following the adoption of the Corporate Governance Code in August 2024, which recommends direct shareholder involvement in remuneration matters, the Bank is currently reviewing the possibility of amending its Charter to return this authority to the General Meeting. This is part of the Bank's broader efforts to align its governance framework with the new Code requirements and enhance shareholder engagement.

The Bank also acknowledges that while the Remuneration Policy references sustainability principles, full integration of specific sustainability targets into executive remuneration is still under development. The Strategy Committee is currently overseeing the definition of sustainability goals, after which the alignment of performance incentives with these targets will be implemented.

Compliance status: Partially compliant.

Explanation:
A formal remuneration policy for the Board and executive body is in place and aligned with long-term performance. Governance oversight is clearly structured. However, certain advanced provisions of the policy — such as variable pay deferral, equity-linked instruments, and malus and clawback arrangements — are subject to a transitional implementation plan and have not yet entered into force. In addition, the policy has not yet been published, and shareholder voting is not currently applied to remuneration matters due to prior delegation under the Law on Banks and Banking.

Further, the full integration of sustainability targets into the executive remuneration framework is still in progress and will be addressed once the Bank's sustainability objectives are formally defined.

2. CORPORATE GOVERNANCE REPORT
ANNEX 5 – ANNUAL CORPORATE GOVERNANCE STATEMENT

PRINCIPLE I. 4. Right of the participant to receive a dividend

The organisation should ensure equitable and fair treatment of all holders of the same type (class) of shares to participate in the distribution of profits of the organisation through the receipt of dividends.

The Bank ensures that all shareholders holding the same class of shares are treated equitably when distributing dividends. Bank's dividend policy explicitly states that no shareholder has privileges with respect to the dates of payment.

The Bank's Dividend Policy sets a minimum dividend payout ratio of 20% of the net profit from the previous financial period, except in cases outlined in the Policy, where restrictions may apply. The General Meeting has the exclusive authority to decide on dividend payments. The Board proposes the dividend amount, and the General Meeting approves the final decision. The policy is publicly available in the "Shareholders and investors section" of Bank's website. The dividend policy is approved by the Board of the Bank.

Compliance status: Compliant.

PRINCIPLE I. 5. Obligations of a significant participant

The organisation should protect participants with small shareholding from abuses committed in the interest of, or directly by significant participants.

Acba bank conducts transactions with its significant shareholders in accordance with the procedure for transactions with related persons to the bank. In accordance with the general provisions, Bank offers banking operations to affiliated persons on the same terms and conditions as those provided to customers who are not affiliated with the Bank. This provision ensures an equal approach for both significant shareholders and those with smaller holdings.

As detailed in the Code Principle **III.3** assessment section, the Bank intends to strengthen its compliance and ethical framework to more effectively manage conflicts of interest. As part of next year's Compliance Program, the Bank plans to enhance oversight and risk management within third parties, which will help identify and mitigate potential conflicts of interest. Furthermore, the upcoming implementation of a dedicated Code of Ethics and a Conflicts of Interest Policy will align with international best practices, reinforcing the obligation of significant shareholders to disclose their affiliations and interests. These initiatives will promote transparency in transactions and decision-making, preventing undue influence from significant shareholders on matters affecting the Bank.

For the knowledge of the shareholders, Henrik Kochinyan, a member of the Bank's board, also serves on the board of Acba Federation, being the only Board member related to a significant shareholder of the Bank.

Compliance status: Compliant.

2. CORPORATE GOVERNANCE REPORT
ANNEX 5 – ANNUAL CORPORATE GOVERNANCE STATEMENT

Chapter II. Board

PRINCIPLE II. 1. Key functions of the Board

The organization should be guided by an effective and constructive board, the role of which is to contribute to the long-term success of the organization, creation of value for participants and supporting the stakeholders of the organization.

The Bank's Board actively guides the organization toward long-term success, value creation for shareholders, and the protection of stakeholders' interests. The Board diligently fulfills the core responsibilities defined by the Armenian Corporate Governance Code as follows:

1. Objectives, Principles, and Corporate Values
The Board defines and reinforces the Bank's **mission**—to contribute to the sustainable development of society through unique and innovative solutions. The Board also actively promotes corporate values including Customer Care, Social Responsibility, Loyalty, Transparency, and Innovation. In 2024, the Board approved the Bank's 2025–2027 Strategic Development Plan, embedding these values and ensuring sustainable, stakeholder-oriented growth.

2. Strategy, Plans, Budgets, and Business Oversight
The Board closely oversees and approves strategic initiatives, annual budgets, business plans, and major capital investments. The establishment of the Strategy Committee in 2024 further strengthened oversight, particularly in digital transformation, IT security, equity management, and ESG integration.

3. Executive Body: Appointment, Remuneration, and Succession Planning
The Board supervises executive management, defines remuneration, and actively oversees succession planning. In 2024, a transition framework was established for the gradual implementation of advanced remuneration mechanisms, including the deferral of variable pay, equity-linked instruments, clawback provisions, and the full integration of specific sustainability targets into executive remuneration. In addition, under the supervision of the Governance, Nominations and Remunerations Committee, a Succession Planning Policy has been developed and approved. The Committee, together with management, is currently in the process of implementing this policy across key leadership levels.

4. Recommendations on Board Member Remuneration
Previously, under the Armenian Law on Banks and Banking, authority over Board remuneration was delegated by shareholders to the Board. Following adoption of the new Corporate Governance Code (August 2024), the Bank is reviewing its governance structure to restore General Meeting authority regarding remuneration matters.

5. Integrity of Reporting and Internal Controls
The Board, supported by the Audit Committee, oversees financial and non-financial reporting processes, internal and external audit independence, and internal controls. In 2024, the Board closely monitored the implementation of improvements recommended in an external gap analysis on the Bank's Internal Control over Financial Reporting (ICFR).

6. Governance Effectiveness and Continuous Improvement
The Board systematically monitors and enhances the Bank's governance framework. Since 2022, a comprehensive governance enhancement program has been underway, covering all critical aspects of governance across the Bank. This includes the reorganization of the Board's composition and structure, the establishment and strengthening of specialized committees, the appointment of new and more professional Board members, and the development of updated governance processes and policies. The program extends deeply into the organization, encompassing strategic planning, risk management, compliance, internal control, internal audit, remuneration frameworks, succession planning, and the management of conflicts of interest. Through these initiatives, the Bank is aligning its entire governance system with best practices, reinforcing its foundation for sustainable long-term value creation.

7. Conflict of Interest and Related-party Transaction Oversight
At each Board meeting, the Chairman reviews potential conflicts of interest related to the agenda items. If any such cases are identified, they are formally documented in the meeting minutes, and the concerned Board member refrains from participating in both the discussion and decision-making on the respective matter. This continuous oversight supports responsible governance and protects the interests of the Bank and its stakeholders. At the same time, the Bank sees areas for improvement and plans to address them in 2025.

8. Disclosure and Stakeholder Communication
The Board ensures transparent, accurate, and timely disclosure to stakeholders. Relevant governance practices, including composition, independence, and key decisions, are disclosed via public reporting, regulatory disclosures, and the Bank's website.

Compliance status: Partially compliant.

Explanation:
The Bank substantially fulfills the key functions of the Board as defined in the Armenian Corporate Governance Code. However, certain areas remain under enhancement, particularly the full implementation of advanced remuneration mechanisms, including risk-adjusted performance measures, deferral of variable pay, equity-linked instruments, clawback provisions, and the integration of sustainability targets. In addition, the restoration of shareholder voting rights on Board remuneration matters is under consideration. These elements are being addressed as part of the Bank's ongoing governance and remuneration reform program. The Board is also prioritizing the enhancement of Conflict of Interest regulations, which will be tackled through the implementation of the planned Code of Ethics and Conflict of Interest Policy.

PRINCIPLE II. 2. Composition of the Board

Members of the Board should have various complementary professional skills, education and experience. The organization should ensure diversity of the Board's composition to ensure the effectiveness of Board's activities and the objectivity and balance of decisions thereof.

The Bank seeks to maintain a well-balanced Board composed of individuals with complementary skills, professional experience, and personal integrity. Board composition is reviewed regularly by the Governance, Nominations and Remunerations Committee to ensure that it continues to support the Bank's long-term strategy, oversight responsibilities, and stakeholder expectations.

As of the end of 2024, the Board comprised members with backgrounds in banking, finance, agriculture, strategic planning, governance, audit, compliance, risk, and legal affairs. A formal **skills matrix** is maintained and updated annually to assess current capabilities and guide future nominations. The Board also considers sectoral experience and international exposure when evaluating its collective composition. The Bank recognizes the importance of diversity as a driver of Board effectiveness and quality of decision-making. While a formal diversity policy has not yet been adopted, the Bank adheres to the principles of the Armenian Corporate Governance Code and considers diversity of expertise, thought, and background in nomination decisions.

In 2024, the Bank appointed a new female Board member, reinforcing its commitment to **improving gender balance**. While the **30% gender threshold** recommended in the Code has not yet been reached, this appointment reflects a proactive step toward achieving greater representation over time.

Compliance status: Partially compliant.

Explanation:

The Board is composed of individuals with diverse and complementary skills, and steps have been taken to improve gender representation. However, the Bank has not yet adopted a formal diversity policy and does not currently meet the 30% gender representation target. Further progress is anticipated through continued application of the Code's principles and skills-based succession planning.

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PRINCIPLE II. 3. Non-executive members of the Board

Non-executive members of the Board should challenge the executive body through their constructive conduct, guide the strategic development of the organization, and offer consulting support to the executive body. Non-executive members should form a majority on the Board.

In line with the Bank's two-tier governance structure, all members of the Board are non-executive and independent of the Bank's executive body. This ensures a clear separation between management and oversight functions.

The Board fully assumes the responsibilities traditionally assigned to non-executive members, including guiding the Bank's strategic development, supervising the executive body, overseeing the integrity of financial and non-financial reporting, strengthening internal control and risk management systems, and leading succession planning initiatives.

Throughout 2024, the Board actively exercised its independent role, notably through the development and oversight of the Bank's 2025–2027 Strategic Development Plan, supervision of the executive remuneration framework reform, and the ongoing governance enhancement program. The Board's composition, structure, and activities fully align with the Corporate Governance Code's expectations regarding the role and majority presence of non-executive members.

Compliance status: Compliant.

The Bank's governance structure ensures that all Board members are non-executive and that the Board fulfills its strategic oversight and supervisory functions in line with the Corporate Governance Code.

PRINCIPLE II. 4. Independent members of the Board

The Board should consider the issue of nominating a sufficient number of independent members of the Board, who are capable of making independent judgements.

Independence of judgment is a cornerstone of the Bank's corporate governance framework, ensuring that the Board functions objectively and in the best interests of the Bank, its shareholders, and broader stakeholders. As of the end of 2024, four members of the Board were designated as independent, meeting the criteria established under Armenian legislation, the Corporate Governance Code, and the Bank's internal rules.

The Bank maintains comprehensive internal criteria to safeguard independence, addressing factors such as prior employment, material business relationships, receipt of additional remuneration, close family ties with management, cross-directorships, significant shareholder links, and Board tenure. Independent Board members are required to disclose any circumstances that could impair their independence throughout their term of office.

The Bank has made continuous efforts to strengthen the independence and effectiveness of its Board. In 2022, three independent members — Bruno Charrier, Klaus Gressenbauer, and Ashot Karapetyan — were appointed. Each brought substantial expertise in governance, risk management, audit, and financial services, establishing a strong foundation of independent oversight.

In 2024, the Bank further reinforced its commitment to independence with the appointment of Mr. Bernard De Wit. Mr. De Wit brings extensive international experience, having held senior leadership positions at Crédit Agricole and Amundi, particularly in risk management, institutional governance, and strategic development. He currently serves as Chairman of the Strategy Committee.

In 2024 a Shareholders' Agreement was concluded between Acba Federation and Proparco, the Bank's two major shareholders. Under this agreement, independent Board members must be co-nominated and agreed upon by both shareholders, meaning that no independent director can be elected without mutual consent, regardless of shareholding power. This co-nomination requirement strengthens the independence and balance of the Board, reinforcing mutual checks and ensuring that independent perspectives are substantively protected.

Today, the Bank's independent Board members include:

- **Bruno Charrier**, Senior Independent Director, Chairman of the Governance, Nominations and Remunerations Committee, and a member of the Risk Management and Strategy Committees, with extensive executive leadership experience within Crédit Agricole Group and the European banking sector;
- **Klaus Gressenbauer**, Chairman of the Audit Committee, an expert in audit, financial control, and governance, with strong experience in European financial institutions;
- **Ashot Karapetyan**, Chairman of the Risk Management Committee and member of the Strategy Committee, with deep expertise in financial risk management and regulatory frameworks, including prior experience at the Central Bank of Armenia and in Canada's financial sector;
- **Bernard De Wit**, Chairman of the Strategy Committee, with broad international leadership in risk management, institutional governance, and strategic growth.

Independent directors play an active role across all major Board Committees and contribute significantly to safeguarding objectivity, accountability, and the Bank's long-term strategic success.

Compliance status: Compliant.

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PRINCIPLE II. 5. Chairperson of the Board

The Board shall be chaired by the Chairperson who shall be responsible for the effective activities of the Board. The Chairperson should possess independent and impartial judgement, promote transparency of the activities of the Board and the organization, as well as encourage the culture of debate within the Board.

The Chairperson should contribute to formation of constructive relationships between the executive and non-executive members of the Board and ensure that non-executive members of the Board receive, in a timely manner, accurate and essential information in order to make informed decisions.

The Chairperson of the Board plays a pivotal role in leading the Board, promoting effective governance, and fostering strategic clarity. In accordance with the Bank's two-tier governance structure, there is a clear institutional separation between the roles of the Board and the executive body. This framework ensures that the Chairperson and the Chief Executive Officer operate with distinct mandates, enhancing the independence and integrity of oversight functions. Consistent with the Bank's governance structure, the Chairperson is a non-executive Board member.

The Chairperson is appointed under the Bank's Charter and currently serves in a full-time capacity, reflecting the Bank's commitment to sustained, engaged, and proactive governance. Since the launch of the Bank's governance enhancement program in 2022, the Chairperson has led this initiative, playing a central leadership role in reshaping Board effectiveness, strengthening internal control practices, advancing risk governance, and enhancing the Bank's overall strategic oversight framework.

The Chairperson defines and approves the agenda for Board meetings, ensures that members receive timely and relevant materials, and fosters a culture of open, inclusive, and constructive discussion. Particular emphasis is placed on promoting diversity of views within the Board and encouraging the active involvement of all members based on their respective skills, experience, and expertise. Internal-only Board discussions are convened when necessary, in line with good governance practice, to allow independent deliberations without the presence of executive management.
The Chairperson works closely with the chairs of Board Committees and management, enabling coherent and informed decision-making. Throughout 2024, the Chairperson continued to ensure the Board remained focused on long-term value creation, sound risk oversight, and stakeholder accountability.

In addition to leading the Board, the Chairperson actively contributes to the Bank's core governance structures. He serves as a member of the Audit Committee, the Governance, Nomination and Remuneration (GNR) Committee, and the Risk Management Committee, enhancing financial oversight, Board composition and succession planning, and risk governance.

The relationship between the Chairperson and the Chief Executive Officer is grounded in mutual respect and structured cooperation. While the CEO is responsible for executing the Bank's strategy and managing daily operations, the Chairperson ensures that governance, risk, and oversight remain independent, rigorous, and aligned with the Bank's mission and regulatory obligations.

Compliance status: Compliant

PRINCIPLE II. 6. Board Committees

To support its activities, the Board shall form specialized committees.

To enhance its effectiveness and ensure focused oversight, the Board operates through four specialized committees: the Audit Committee, Risk Management Committee, Governance, Nominations and Remunerations Committee, and the Strategy Committee, which was established in 2024.
Each committee operates under a Board-approved charter that clearly defines its mission, composition, scope of activities, and working procedures. The committees enable the Board to conduct detailed analysis and supervision of complex matters while maintaining efficient and structured decision-making. Committees perform supervisory and advisory functions, while the Board remains fully responsible for its decisions.

In 2024:

- **The Audit Committee** held 9 meetings and was responsible for overseeing the integrity of financial reporting, the effectiveness of internal control over financial processes, the independence and performance of internal and external audit functions, and compliance with regulatory requirements related to financial reporting. While the Chairperson of the Audit Committee is an independent Board member in accordance with best practice, the Committee as a whole is not predominantly composed of independent directors. This is due to the practical need to distribute independent members across all key Board Committees to ensure effective governance and specialized oversight.
- **The Risk Management Committee**, which met 11 times, provided oversight of the Bank's enterprise-wide risk management framework. Its responsibilities include reviewing the Bank's risk appetite and tolerance, overseeing capital and liquidity adequacy processes, assessing operational and IT resilience (including cybersecurity), and monitoring the independence and effectiveness of the Risk and Compliance function. The Committee also reviews the alignment of risk and remuneration policies and oversees the effectiveness of non-financial internal control systems.
- **The Governance, Nominations and Remunerations (GNR) Committee** convened 7 times and is tasked with supervising corporate governance practices, managing nomination and succession processes for Board and executive positions, evaluating Board performance, and overseeing the design and implementation of the Bank's remuneration policies. It also supports the onboarding and continuous development of Board members and ensures alignment with the Corporate Governance Code.
- **The Strategy Committee**, created in 2024, began its work by supporting the development of the 2025–2027 Strategic Development Plan. Its responsibilities include advising the Board on strategic direction, long-term business objectives, capital structure and equity strategy, mergers and acquisitions, shareholder structure, ESG integration, digital transformation, and IT and cybersecurity policies. The Committee monitors the strategic alignment of business plans with financial planning, risk appetite, and corporate sustainability goals.

All Committee Chairpersons are independent Board members, ensuring impartial leadership. Members are appointed based on their professional expertise, and Committees have access to all necessary information, internal support, and — where required — external professional advice. Each Committee regularly reports to the Board in accordance with their charters and the Board's governance procedures.

Through these Committees, the Board maintains a structured and proactive governance model capable of addressing strategic, operational, risk, and compliance challenges effectively and responsibly.

Compliance status: Partially compliant.

Explanation:
The Bank has fully implemented a specialized committee structure with clear mandates and independent leadership. However, the Audit Committee is not predominantly composed of independent Board members, due to the practical need to allocate independent directors across multiple critical committees. The Bank continues to prioritize strong committee governance and may revisit committee compositions as Board capacity allows.

PRINCIPLE II. 7. Duties of members of the Board

Members of the Board should act in a fully informed manner, in good faith, with due diligence and reasonable care, based on the best interests of the organization and participants and taking into account the interests of the stakeholders of the organization.

Board members of the Bank are entrusted with significant responsibilities and are expected to carry out their duties with diligence, integrity, and full commitment to the long-term success of the institution. In accordance with the laws of the Republic of Armenia and the Armenian Corporate Governance Code, Board members are subject to the fundamental fiduciary duties of care and loyalty.

The duty of care requires Board members to act on a fully informed basis, in good faith, and with the level of diligence and attention that a reasonably prudent person would exercise in similar circumstances. This includes staying well-informed about the Bank's financial position, risk exposures, strategic objectives, and compliance systems, and actively participating in Board and Committee work. While the duty of care allows for the exercise of sound business judgment, it does not excuse decisions taken without sufficient information or due process.

Equally central is the duty of loyalty, which obliges Board members to act in the best interests of the Bank and all of its shareholders, rather than representing the interests of individual nominating shareholders or affiliated entities. Regardless of who nominated or elected them, Board members are expected to perform their role in an even-handed and independent manner, upholding the interests of the Bank as a legal entity and, by extension, of all shareholders and stakeholders.

The Bank expects its Board members to uphold the highest standards of personal and professional integrity, to avoid conflicts of interest, and to maintain independence both in fact and in perception. In cases where a Board member has a direct or indirect personal interest in a transaction or arrangement of the Bank, the member is obliged to disclose such interest to the Board and refrain from participating in discussions and voting on the matter.

In Armenia, the law further requires that Board members take into account not only shareholder interests, but also the interests of employees, clients, suppliers, and the broader public good. Board members are

therefore expected to balance commercial objectives with their responsibilities to a wider stakeholder group, supporting the Bank's long-term success, reputation, and sustainable development.

Board members are individually responsible for performing their duties personally and cannot delegate their decision-making obligations to third parties. Each member must commit sufficient time and attention to properly fulfill their responsibilities, including preparation for meetings, participation in deliberations, and follow-up on Board decisions.

To support and protect members who act with due diligence, procedural caution, and integrity, the Bank has arranged Directors and Officers (D&O) liability insurance at its own expense, in line with best governance practice and regulatory expectations.

Compliance status: Compliant.

PRINCIPLE II. 8. Ethical commitment of the Board

The Board should follow high ethical standards.

The Board of the Bank is strongly committed to promoting a culture of integrity, responsibility, and ethical conduct at all levels of the organization. Ethical behavior is recognized as fundamental to the Bank's long-term success, public trust, and corporate reputation.

To this end, the Board actively promotes the Code of Conduct, which sets out the expected standards of behavior for all employees, management, and members of the Board. The Code of Conduct also incorporates the some Conflict of Interest rules helping to ensure objectivity and transparency in decision-making across all levels of governance.

The Board is responsible for the approval and oversight of the Bank's core ethics-related policies. This includes the Anti-Corruption Policy, which embeds a Whistleblowing Mechanism to allow employees and third parties to confidentially report suspected violations of ethical standards, legal requirements, or internal regulations. These instruments collectively define the principles of fair conduct, responsible stakeholder engagement, and zero tolerance for corruption or misconduct.

Access to these policies is facilitated through internal systems, and the Bank supports regular training and awareness efforts to ensure their effective implementation.

The Board monitors ethical compliance as part of its broader oversight responsibilities, ensuring that ethical principles are embedded into strategic decision-making, risk management, human resources, and internal control processes. The governance framework also supports open communication and responsible leadership, reinforcing the ethical tone at the top.

Compliance Status: Substantially Compliant.

Explanation:
The Bank has an approved Code of Conduct and accompanying policies aimed at consistent adherence to ethical standards. During each Board meeting, the Chairman addresses potential conflicts of interest related to agenda items. In the event of disclosure of such cases, they are officially recorded in the minutes of the meeting, and the Board member in question refrains from participating in the discussion and decision-making on that issue. At the same time, recognizing the need for improvements, the launch of a Compliance Program was initiated, which, among other things, provides for the development and implementation of a Code of Ethics and a Conflict of Interest Policy.

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PRINCIPLE II. 9. Rights of members of the Board to receive information and professional consultation

In order to perform his/her duties properly, a member of the Board should have access to and ensure that he/she receives up-to-date, reliable and relevant information. If necessary, he/she should have the opportunity to seek independent external consultancy at the expense of the organization.

To fulfil their responsibilities effectively, Board members must have access to timely, accurate, and relevant information. The Bank ensures that Board members receive structured and regular updates on key areas, including financial performance, operational results, risk exposures, compliance issues, and regulatory developments. These updates are delivered through Board reporting packages, dashboards, management presentations, and other formal communications.

Board members are also encouraged to proactively seek additional information necessary to perform their duties. When the Bank relies on complex methodologies—such as risk assessment models, internal capital adequacy assessments, or other advanced risk management systems—Board members are briefed not only on the outputs but also on the assumptions, limitations, and potential risks associated with these models. This enables the Board to exercise informed judgment and, where necessary, challenge management proposals.

The Corporate Secretary plays a critical facilitation role, ensuring that Board members have seamless access to essential documents, coordinating requests for supplementary information, and connecting members with relevant internal or external resources when needed. In addition, the Bank's internal audit, risk management, and compliance assurance functions contribute to informed Board decision-making by providing independent assessments, analysis, and reporting to the Board and its Committees.

In line with best governance practice, Board members have the right to seek independent professional advice at the Bank's expense if the complexity or significance of a matter warrants external expertise. Any request for external consultancy must be substantiated and coordinated through the Corporate Secretary in accordance with the Bank's internal procedures.
Through these arrangements, the Bank ensures that Board members are equipped with the necessary information, insights, and advisory support to perform their duties with full diligence, independence, and accountability.

Compliance status: Compliant.

PRINCIPLE II.10. Evaluation of the Board

The Board shall, on a regular basis, evaluate its performance and determine whether its members have the proper combination of experience and capacities.

Since 2022, the Bank has been undergoing a comprehensive governance enhancement program, including the restructuring of the Board, strengthening of Committees, updating of governance processes, and refinement of key corporate policies. Given the depth of these ongoing reforms, the Board made a considered decision to postpone full Board evaluations during this transitional phase, recognizing that a meaningful assessment would require a stable and fully implemented governance framework.

Nonetheless, the Bank maintained a strong commitment to governance quality by systematically evaluating the activities and effectiveness of its Board Committees during this period. These evaluations enabled the Board to monitor performance at the committee level and to identify and address operational and oversight improvements.

In 2024, the Governance, Nominations and Remunerations (GNR) Committee reviewed and developed a comprehensive **Board Self-Assessment Policy**, aimed at establishing a structured and continuous framework for evaluating Board performance in line with the Armenian Corporate Governance Code and international best practices. The policy has been finalized and is planned to be submitted to the Board for approval in 2025.

Under the proposed framework:

- **Annual internal evaluations** of the Board as a whole, individual Board members, and the Chairperson are envisaged;
- **External independent evaluation** of the Board is foreseen at least once every five years;
- Confidential surveys combining quantitative (Likert scale) and qualitative feedback will be used;
- The GNR Committee will oversee the evaluation process, and action plans will be developed based on evaluation results to support continuous improvement.

Subject to approval of the policy, the first full Board evaluation is expected to take place by the end of 2025, marking a key milestone in the Bank's commitment to systematic governance effectiveness reviews.

Through this approach, the Bank is embedding a strong culture of accountability, dynamic oversight, and continuous governance improvement.

Compliance status: Partially compliant.

Explanation:
While the Bank has systematically evaluated its Board Committees and developed a structured evaluation framework for the Board, the first full Board assessment is scheduled for 2025, following the planned approval of the new policy.

PRINCIPLE II.11. Continuous professional development of members of the Board and orientation of new members of the Board

The Board should ensure that its knowledge and activities remain aligned with the growth of the organization and complexity of its structure.

The Bank is committed to ensuring that its Board members are well-prepared to fulfill their duties from the outset and continue to develop their knowledge and competencies in line with the growth and increasing complexity of the organization.

Upon appointment, each new Board member undergoes a structured orientation program coordinated by the Governance, Nominations and Remunerations (GNR) Committee, with operational support from the Corporate Secretary and the Human Resources function. The orientation covers the Bank's governance framework, strategic objectives, organizational structure, key business lines, internal control environment, risk management systems, regulatory landscape, and stakeholder relationships. New members are also provided with access to founding documents, past governance materials, and an overview of sector-specific trends. A dedicated training session, often conducted remotely, familiarizes new members with the Armenian financial market and the Bank's internal governance procedures.

In 2024, the Board approved a set of guiding principles for the continuous professional development of its members. The framework comprises five key pillars:

1. Bank Knowledge Enhancement Program: Focused on all Board members, particularly newly appointed ones, this program addresses the Bank's regulatory environment, risk management practices, financial mechanisms, history, mission, strategic objectives, and institutional values.

2. General Knowledge Development: Designed for Board members who possess deep expertise in certain areas but require broader awareness across critical fields identified in the Board's Skills Matrix.

3. Industry Trends, Regulatory Updates, and Best Practices: An ongoing program ensuring that Board members stay informed of emerging trends in the financial sector, evolving regulatory frameworks, and corporate governance innovations.

4. Specialization Program for High-Level Expertise: A long-term initiative supporting members, particularly from ACBA Federation, who wish to deepen their technical knowledge in specialized domains critical to the Bank's strategic and operational success.

5. Governance Skills Enhancement: Targeted at strengthening members' understanding of their fiduciary duties, responsibilities, and governance practices, through specialized workshops, governance-focused training sessions, and practical development initiatives.

Together, the orientation and continuous development programs ensure that Board members remain equipped to address evolving regulatory, technological, financial, environmental, and governance challenges.

They support the Board's ability to provide effective, well-informed, and forward-looking strategic oversight, contributing to the Bank's sustainable growth and stakeholder value creation.

Compliance status: Compliant.

PRINCIPLE II.12. Nomination of members of the Board

The process of nominating and selecting members of the Board should be transparent and regulated. Selection of members of the Board should be based on objective criteria.

The Bank maintains a transparent, structured, and merit-based process for the nomination and selection of Board members, governed by an internal Bylaw adopted by the Board in 2023. This process is fully aligned with the Armenian Corporate Governance Code.

The nomination and succession process is coordinated by the Governance, Nominations and Remunerations (GNR) Committee, ensuring that the Board's composition evolves in step with the Bank's strategic priorities, governance needs, and stakeholder expectations.

When a vacancy arises or Board refreshment is deemed necessary, the Committee first conducts a thorough needs analysis, assessing:

- Whether the vacancy must be filled or the Board's structure should be optimized;
- What specific skills, experience, or diversity attributes are needed based on the annually updated Board Skills Matrix.

Each position is supported by a job description and a person specification aligned with the Bank's strategic plan, risk profile, and long-term objectives. Special consideration is given to balancing fresh thinking with institutional knowledge.

Candidate sourcing may involve internal resources, external recruitment agencies, partners, headhunters, or public advertisements. The Bank ensures equal opportunity principles are respected and encourages diversity in applications.
Candidates are evaluated using structured and objective criteria, and a formal shortlisting and assessment process is followed. Multiple selection methods are applied where appropriate, including structured interviews, case studies, or other evaluations. A documented justification is maintained for all nominations to ensure fairness, transparency, and regulatory compliance.

The GNR Committee submits a substantiated nomination report to the Board, which, after its approval, forwards the nominee to the General Meeting for election. Appointment becomes effective only after registration of the director by the Central Bank of Armenia, followed by a comprehensive orientation program to ensure rapid integration into the Bank's governance framework.

Through this systematic and forward-looking process, the Bank ensures that its Board remains dynamic, well-qualified, and strategically aligned with the Bank's mission and future growth.

Compliance Status: Compliant.

Chapter III. Internal control, risk management and internal audit

PRINCIPLE III. 1. Internal control

An organization should have effective internal control processes and procedures to ensure the integrity of the organization's financial, non-financial and accounting information, promote accountability and prevent fraud.

The Bank maintains a comprehensive internal control framework designed to safeguard the integrity of financial and non-financial reporting, promote operational efficiency, ensure compliance with legal and regulatory requirements, and mitigate the risk of fraud and error.

The internal control system is structured around three key pillars:

- Clearly defined responsibilities at all organizational levels,
- Independent oversight mechanisms ensuring objectivity,
- Continuous monitoring and improvement of control effectiveness.

The system is overseen by the Board, implemented under the authority of executive management, and subject to regular evaluation and reporting through the Audit Committee and other relevant Board committees.

Internal Audit and the Risk Management function also play central roles by independently testing, reviewing, and validating internal controls, with direct reporting lines to the Board through the Audit and Risk Management Committees.

In 2024, a key milestone was achieved in the strengthening of internal control over financial reporting (ICFR). The results of a gap analysis conducted by an external consultant—initiated in 2023—were finalized and presented to the Board. The analysis assessed both the design and operational effectiveness of the Bank's ICFR systems. Based on its findings, executive management developed and submitted a detailed action plan to address identified areas for improvement.

The Audit Committee closely monitors the implementation of this action plan, ensuring that remediation efforts progress in a timely, structured, and transparent manner. Although the gap analysis did not fully resolve all concerns previously raised by the Audit Committee, it provided a clearer and overall more positive outlook regarding the Bank's ICFR environment, while identifying areas where controls were operating effectively.

Looking ahead, the Audit Committee has planned to extend its oversight in 2025 to include the monitoring of ICFR systems within the Bank's consolidated subsidiaries, thereby strengthening the reliability of group-level financial reporting.

The Bank is committed to the continuous enhancement of its internal control framework, ensuring it evolves in line with the organization's growth, regulatory developments, stakeholder expectations, and emerging risk trends.

Compliance Status: Substantially compliant.

Explanation:
Ongoing initiatives are in place to address remaining gaps and expand the ICFR scope to group entities.

PRINCIPLE III.2. Risk management of the organisation

The organisation should have a risk management function, which effectively and completely enables to implement the risk management strategy, ensures the accountability and communication on the risks of the organisation, as well as forms reasonable expectations for the organisation to achieve its strategic goals.

The appointment of the person responsible for the Risk management in the Bank, the termination of his powers, the approval of the remuneration conditions, the application of incentive measures and disciplinary liability are carried out by the executive body with the consent of the Board. A person responsible for the Risk management in the Bank during the reporting period, having decades of work experience in the field, had knowledge and skills corresponding with the position held, with a clear understanding of his role in the corporate governance framework.

A person responsible for the Risk management carried out the following functions stipulated by the Code:

- To identify and assess the significant financial and non-financial risks inherent in the organization's activities and support their effective management, using the leading tools and technologies in the field,
- Using a monitoring system equipped with digital technologies, to monitor the risk management process to ensure that risk management is carried out within the framework of the organization's risk management culture, risk appetite and risk limits,
- Taking into account the degree of materiality of risks and the level of acceleration, to form a system for early detection and prevention of violations,
- Having two separate lines of accountability (Executive Body/Bank's Board), to ensure accountability and communication on risk management, support timely and effective decision-making.
- Taking into account the Bank's risk profile and maintaining the principles of compliance with the regulatory framework and the requirements of the regulator, to present proposals on risk management strategy, risk appetite and risk limits, risk management policy(s), and at the same time to provide information to the Board and the executive body in a timely and appropriate manner about all circumstances that may significantly negatively affect the organization's risk management system.

Compliance Status: Partially compliant.

Explanation:
The Bank is mainly compliant with CG Code requirements regarding the risk management, but needs to enhance its non-financial risk management framework to achieve full compliance. In line with current developments in the field of risk management, as part of its continued efforts to advance risk management, the Bank has started developing and implementing a new framework for non-financial risks, ensuring alignment with international best practices.

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PRINCIPLE III. 3. Compliance assurance of the organisation

The organisation should have a compliance assurance function which shall effectively and fully enable to assess compliance risks of the organisation and contribute to compliance assurance of the organisation.

It is important to note that during the reported period, compliance function was **shared with the Legal Department**.

Considering this, and with the aim of enhancing and developing the Compliance function under a single unit, **organizational structural changes** were made at the beginning of 2025. As a result, the Compliance function was integrated into the **Legal and Compliance Directorate**. The **Legal and Compliance Director** is now the **sole responsible person** for implementing compliance assurance and ensuring adherence to all Corporate Governance Code requirements related to the Compliance function.

During the reported period, the Compliance function ensured **regulatory, governance, and internal legal adherence, in collaboration with the Legal Department**.

Specifically:

- The Legal Department monitored regulatory changes, including draft laws and regulations, to ensure **horizon scanning** for regulatory developments.
- Once enacted, the Compliance division oversaw the implementation and execution of new regulations within the bank.
- The Legal Department also ensured legal compliance with internal regulations and conducted training sessions on amendments to internal legal acts to enhance awareness and ensure prompt application by relevant employees.

To foster a compliance-oriented corporate culture:

- The Compliance division conducted **mandatory training sessions** for all employees (held every two years) and provided **on boarding sessions** for new hires.
- These sessions covered the Compliance function's role, expectations for ethical behavior, anti-corruption procedures, and potential violations.

These efforts promote **responsible and integrity-oriented conduct** within the organization and ensure compliance with legal and internal regulatory requirements. They also support the development of a corporate culture that values compliance among employees.

- The Compliance division has several control mechanisms in place to ensure compliance within the third parties, including **AML screening** and **due diligence checks**. To further enhance these measures, the Compliance Program for the upcoming year includes plans to formalize and strengthen **oversight and risk management** within the **third parties** transactionssupply chain.
- While the bank actively promotes its existing **Code of Conduct**, which also includes ethical and conflicts of interest rules, a **dedicated Code of Ethics** and a **Conflicts of Interest Policy** are scheduled for implementation in 2025. These initiatives aim to align with international best practices and further strengthen the bank's ethical and compliance framework.
- The bank has implemented an **Anti-Corruption Policy**, reinforcing its commitment to integrity.
- The bank has established **whistle blowing mechanisms** that allow employees to report misconduct, corruption, conflicts of interest, and violations of corporate rules of conduct. However, awareness and utilization of these reporting channels are still developing. **Compliance training sessions** pro-

mote the use of whistle blowing channels, with further enhancements planned to align with best practices.

- The Compliance division regularly submits **compliance assurance reports** to the **Board, Executive Management**, and other relevant stakeholders. These reports highlight **regulatory updates** and the level of adherence across business units. Based on available data, no violations have been identified. Additionally, any compliance-related issues that could adversely affect the organization are promptly reported to the Board.

Compliance Status: Partially compliant.

Explanation:
The Compliance division does not currently propose or implement corrective and preventive measures to ensure compliance across the organization. However, in 2025, the Compliance division plans to conduct **compliance monitoring activities** and, based on findings, implement **preventive measures** to mitigate the future occurrence of similar issues. The **Anti-Corruption Policy** has been implemented. The planned introduction of the **Code of Ethics** in 2025 will further strengthen the organization's **ethical governance framework**.

PRINCIPLE III.4. **Internal audit of the organisation**

The organisation should have an internal auditor/internal audit department that provides independent and objective assurances and advice to the organisation's Board and executive body regarding the adequacy and effectiveness of the organisation's internal control and risk management systems, corporate governance framework, and supports the achievement of the organisation's goals and improvement of activities.

The Bank fully adheres to the Corporate Governance Code requirements regarding Internal audit.

As the Bank's third line, Internal Audit primarily provides assurance on the adequacy and effectiveness of the activities performed by the first and second lines of defense. Internal Audit helps the Bank accomplish its objectives by evaluating and improving the effectiveness of risk management, control, and governance systems and processes, and by acting as a strategic adviser to promote continuous improvement. Internal Audit aims to promote effective, efficient and agile risk management practices.

To ensure independence, the Head of Internal Audit reports functionally to the Chairman of the Audit Committee of the Board and administratively to the Bank's Chief Executive Officer. The decisions regarding the appointment, removal and remuneration of the Head of Internal Audit and Internal Audit staff are pre-approved by the Audit Committee and approved by the Board.

To maintain objectivity, Internal Audit does not have operational responsibility for or authority over any of the activities audited.

The activities of the IA are based on a comprehensive and continuous risk assessment of Bank's processes. The Head of Internal Audit obtains risk relevant information continuously, updating the risk assessment accordingly. The Head of Internal Audit communicates to the Audit Committee results of risk assessments, as well as whether the results should translate into an action plan or change in audit plan.

The Annual Audit Plan, including its tentative outlook for the coming year, are presented to the Bank's management for comment, submitted to the Audit Committee for review and pre-approval and thereafter to the Board for approval. During 2024, significant changes in Audit Plan were communicated to Bank's management for comment and followed the pre-approval by the Audit Committee and approval by the Board.

Compliance Status: Compliant.

2. CORPORATE GOVERNANCE REPORT
ANNEX 5 - ANNUAL CORPORATE GOVERNANCE STATEMENT

Chapter 4. Disclosure of information and transparency

PRINCIPLE IV. 1. **Information policy of the organisation**

The organisation should ensure its transparency, including the timely disclosure of updated and credible information on all material matters of its financial condition, performance, sustainability, ownership, and corporate governance.

The Bank discloses information about its activities in accordance with legislative requirements and supervisory regulations.

As a reporting issuer with shares traded on a regulated market, the Bank publishes quarterly interim reports for investors. These reports provide a summary of the Bank's history, financial performance for the reporting period, share structure, corporate governance, significant events, and other details required by the Central Bank of the Republic of Armenia's Regulation 4/04 on "Prospectuses and Reports of Reporting Issuers."

To ensure transparency and effective information management, the Bank follows a structured procedure for publishing and updating information on the official website of "ACBA BANK" OJSC and its social media pages. This procedure defines responsible parties, establishes timelines, and ensures compliance with legal requirements.

By implementing these processes, the Bank meets transparency standards and provides accurate, up-to-date information, aligning with the principles of the Corporate Governance Code. Committed to enhancing its disclosure practices, the Bank is also committed to continuously refine its information management policies to better serve stakeholders.

Regarding data security, confidentiality, and internal information protection, the Bank has an established information classification guide. This guide, in compliance with legal regulations, sets rules for handling sensitive data and, in line with other information system management procedures, ensuring confidentiality and security. Any breach of confidentiality requirements, whether under legal provisions or internal policies, is thoroughly investigated, and corrective measures are implemented to prevent recurrence.

Notably, in 2024, the Bank successfully completed the re-certification for the ISO/IEC 27001:2022 Information Security Management System and ISO/IEC 27701 Privacy Information Management System Standard, reaffirming its commitment to maintaining an internationally recognized information security framework.

Compliance Status: substantially compliant.
Explanation:
The Bank has not yet established a dedicated information policy but has already initiated the necessary measures to achieve full compliance by 2025.

PRINCIPLE IV.2.

Reports of the organization

Disclosure of information on material matters by the organisation should include but not be limited to the publication of annual reports.

The 2024 annual report, required by the Corporate Governance Code, will be published by June 30 of the current year in compliance with the Code's requirements. The corporate governance report, along with the Corporate Governance Code statement, which will be included in the annual report, is already available in the notice-brochure for the 2025 General Meeting of Shareholders, sent to shareholders.

Compliance Status: substantially compliant.

Explanation:
The Bank will provide the information required by the Corporate Governance Code as comprehensively as possible. However, certain details on remuneration and the annual Board evaluation, will be withheld, as indicated in the relevant sections of this statement.

PRINCIPLE IV.3.

External audit of the organisation

The organisation should be subjected to an external audit conducted by an independent, competent, and qualified auditing organisation, in accordance with internationally recognised auditing, ethical and independence standards to provide reasonable assurance to the Board and participants that the organisation's financial statements, in all material aspects, fairly represent its financial condition and financial performance, and are prepared in compliance with applicable financial reporting standards.

The Bank fully adheres to the Corporate Governance Code requirements regarding external audits. For the financial year 2024, PwC, a globally recognized and independent audit firm, was appointed as the external auditor, ensuring compliance with internationally accepted auditing, ethical, and independence standards.
The selection of PwC was conducted in accordance with the Bank's order on selecting an independent audit organization, which aligns with the CBA regulation on "Criteria Applied to Persons Performing Audits of Financial Organizations." This process also includes provisions for the rotation of audit firms and auditors.

As part of its audit engagement, PwC, in planning and conducting the audit of the consolidated financial statements for the reporting year, evaluates the Bank's internal control system to determine appropriate audit procedures for forming an opinion on the financial statements. However, this evaluation does not constitute an assurance on the effectiveness of the Bank's internal controls. The external auditor remains accountable to shareholders. Additionally, a representative of the external auditor is invited by the Bank to attend the Annual General Meeting of Shareholders, where shareholders have the opportunity to ask questions and address their concerns.

Any non-audit or additional audit services provided by the external auditor in the previous year were subject to approval by the Board's Audit Committee, as outlined in the committee's charter. Throughout 2024, regular meetings between the Audit Committee and the auditors ensured ongoing dialogue and oversight at every stage of the audit process, from planning to the issuance of the audit opinion.

Compliance Status: Compliant.

Chapter 5. Relations of the organisation with stakeholders

PRINCIPLE V. 1.

Stakeholders of the organisation in the corporate governance framework

The organisation should recognize the rights, roles and interests of its stakeholders and promote active collaboration among the organisation, participants and stakeholders aimed at creating value, including quality jobs, as well as building a viable and resilient organisation.

The Bank's mission, which is to contribute to the sustainable development of society through unique and innovative solutions, is underpinned by core values that include social responsibility, loyalty, transparency, innovation, and customer care. These values guide the Bank's operational and governance framework, ensuring that the legitimate interests of all stakeholders are consistently prioritized.

In line with this mission and values, the Bank actively promotes an open and transparent environment for stakeholders to express concerns related to unethical or unlawful practices. Bank does not place any restrictions on stakeholders' ability to raise concerns. Stakeholders are free to communicate their concerns to the Board or other competent bodies as needed.

The Bank remains committed to addressing any raised concerns in a manner that is consistent with the law, taking appropriate action in accordance with applicable laws and regulations. This reflects the Bank's commitment to transparency and ethical conduct in its dealings with stakeholders.

Compliance Status: substantially compliant.

Explanation:
Although the Bank has outlined its commitments above, it recognizes that there is still potential for improvement in managing its stakeholder relationships. To address this, we plan to clearly define the scope of our stakeholders, the Principles of Stakeholder Engagement, and the Board's role in engaging with shareholders. This information can be found in the draft Board regulation, which is submitted for shareholder approval. Concurrently, the Bank is in the process of strengthening its ESG framework, which also focuses on improving stakeholder relationships.

SUMMARY

COMPLIANT: 13
SUBSTANTIALLY COMPLIANT: 5
PARTIALLY COMPLIANT: 7

2. **CORPORATE** GOVERNANCE REPORT

9. SIGNIFICANT PARTICIPANTS AND BENEFICIAL OWNERS

9.1. "ACBA FEDERATION" CLOSED JOINT-STOCK COMPANY

Acba Federation has been a qualifying shareholder (significant participant) of Acba bank since 2017 and currently **holds 4,488,993** shares, representing **75%** of the Bank's equity.

Acba Federation was established in **2017** by **10 Agricultural Cooperative Regional Unions (ACRUs)**, each operating as an NGO rooted in a specific region of Armenia. These ACRUs, originally the direct shareholders and founding shareholders of Acba bank, collectively transferred their ownership to form Acba Federation. Together, they represent a network of more than 75,000 individual farmer-members from every region and community of Armenia.

Through its majority ownership in Acba bank, Acba Federation plays a pivotal role in advancing Armenia's agricultural sector. It actively supports **agricultural innovation**, community development and rural entrepreneurship. Its initiatives include backing agricultural startups, fostering rural prosperity and establishing pilot farms that promote modern farming and business practices.

Guided by its vision to create a future-oriented, opportunity-rich environment in rural Armenia, Acba Federation seeks to make agriculture more productive, sustainable and attractive — especially for the next generation. Its mission is to champion the introduction of 21st-century business models that accelerate innovation in agriculture and stimulate the development of vibrant rural communities across the country.

9.2 "SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LACOOPERATION ÉCONOMIQUE" (PROPARCO)

Proparco became a qualifying shareholder (significant participant) of Acba bank at the end of 2024, acquiring **598,500 shares**, which represent **10%** of the Bank's total equity.

Proparco is a subsidiary and the private-sector financing arm of the **Agence Française de Développement Group (AFD Group)**.

It has been a key player in promoting sustainable economic, social and environmental development for over 45 years. Operating primarily in Africa, Asia, Latin America and the Middle East, **Proparco** supports businesses and financial institutions engaged in sectors critical to development, including renewable energy, agribusiness, financial services, healthcare and education.

Its mission is to empower private sector actors whose operations contribute meaningfully to the achievement of the United Nations Sustainable Development Goals (SDGs) adopted by the international community in 2015. Through its financing activities, Proparco helps to generate employment, expand access to essential goods and services and combat climate change — ultimately fostering inclusive economic growth and poverty reduction.

Proparco is majority-owned (approximately 84%) by **Agence Française de Développement (AFD),** a French public financial institution (EPIC) dedicated to international development and governed by the French State. Through Proparco's equity stake, AFD serves as an indirect significant shareholder of Acba bank.

9.3 OTHER SHAREHOLDERS

A total of **897,507 shares**, representing **15%** of Acba bank's equity, are held by a diverse group of individual and legal entities, including Bank employees.

SACAM International, a member of the **Crédit Agricole Group (France)**, holds **2.24% of Acba bank's shares**. The company is wh**olly owned by the 39 French Regional Banks (Caisses Régionales) of Crédit Agricole**, reflecting the Crédit Agricole Group's continued strategic and historical partnership with Acba bank.

Most of employees became shareholders through the **Employee Stock Ownership Program (ESOP)** launched in April 2021. This initiative was implemented in collaboration with Acba Federation CJSC, Acba Leasing CO CJSC and the Bank, resulting in the allocation of **147,530 shares** to more than **1,100 employees** across these organizations.

Further participation came during the Bank's **initial public offering (IPO),** held between September and November 2021, during which additional employees, individual investors and legal entities acquired shares.

Since **February 1, 2022**, Acba bank's shares have been listed on the **Main "A" List of the Armenia Securities Exchange (AMX)**, providing shareholders and market participants with a transparent and flexible platform to trade the Bank's freely floating shares.

9.4 BENEFICIAL OWNERS

In accordance with the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, Mr. Hakob Andreasyan, Chief Executive Officer of Acba bank, is formally recognized as the beneficial owner of the Bank.
According to Article 3, Clause 14 of the Law, a beneficial owner is defined as the natural person on whose behalf or for whose benefit a customer acts or who exercises actual control over a legal entity or a transaction.
For legal entities (excluding trusts or similar arrangements without legal entity status under foreign law), a beneficial owner is a natural person who:

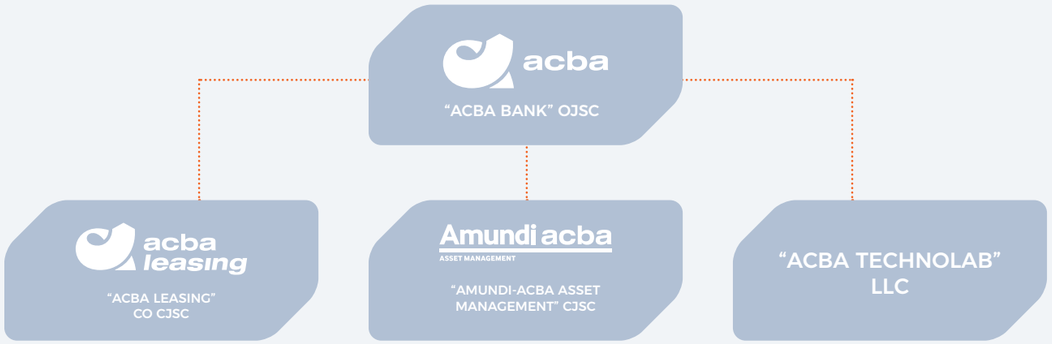
a. directly or indirectly owns 20% or more of the voting shares or equity participation of the entity;

b. exercises actual control over the entity through other means; or

c. in the absence of persons meeting criteria (a) and (b), serves as the official responsible for general or ongoing management of the entity's operations.

As there is no natural person who meets the criteria outlined in subparagraphs (a) or (b) in the case of Acba bank, the CEO is considered the beneficial owner pursuant to **subparagraph (c)** of the Law.

10. SUBSIDIARIES AND AFFILIATES



Acba bank operates as part of a broader group. The bank's subsidiaries and affiliates complement its core operations by providing specialized services, strengthening sectoral outreach and supporting the bank's commitment to inclusive, sustainable and innovation-driven financial development.

As of 2024, the key subsidiaries and affiliated entities of Acba bank include:

- **Acba Leasing Credit Organization CJSC -** The market leader in Armenia's leasing sector, fully owned by Acba bank.
- **Amundi-ACBA Asset Management CJSC -** A pension fund management company jointly owned by Acba bank (49%) and Amundi (51%), a leading European asset manager.
- **Acba Technolab LLC -** A wholly owned subsidiary dedicated to capacity building and professional development within the financial sector.

Together, these entities form a diversified and cohesive financial ecosystem aligned with the Bank's long-term strategic objectives.

In 2024, Acba bank initiated the comprehensive "Group Governance Framework" implementation program, designed to strengthen governance coordination, oversight effectiveness and operational efficiency across all subsidiary operations. This transformational initiative encompasses unified board structures, centralized oversight mechanisms and harmonized governance policies throughout the group. The completion of critical transformation milestones is targeted for **2025**.

By the Central Bank's decision dated April 28, 2017, "ACBA-CREDIT AGRICOLE BANK" CJSC, "ACBA LEASING" CC CJSC and "AMUNDI-ACBA ASSET MANAGEMENT" CJSC were qualified (recognized) as a financial group – "ACBA CREDIT AGRICOLE GROUP." By the Board decision of "ACBA BANK" OJSC dated August 14, 2020, the Financial Group was renamed "ACBA GROUP." "ACBA BANK" OJSC was designated as the responsible entity for the "ACBA GROUP" financial group.

2. **CORPORATE** GOVERNANCE REPORT

acba leasing

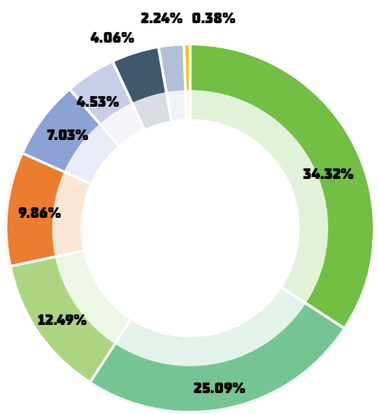
10.1 ACBA LEASING

Acba Leasing CJSC is the absolute market leader in Armenia's leasing sector. A wholly owned subsidiary of Acba bank, it plays a critical role in expanding access to modern equipment, vehicles and infrastructure financing across various sectors of the Armenian economy.

Market Position and Growth
In 2024, Acba Leasing maintained its leading position in the national leasing market, holding approximately **47.5%** market share. The company's leasing portfolio reached **AMD 98.29 bln**, marking a year-on-year growth of **11.5%.**

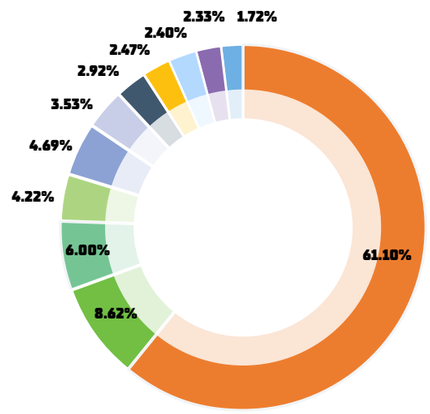
Notably, the volume of "assets in transit" contracts nearly doubled, increasing from **AMD 10 bln** in 2023 to **AMD 19.98 bln** in 2024 — a **99.45%** growth.

Sectoral Portfolio Composition (2024)



Manufacturing	34.32%
Construction	25.09%
Agriculture	12.49%
Trade	9.86%
Healthcare	7.03%
Telecommunica-tions	4.53%
Services	4.06%
Consumer	2.24%
Other	0.38%

Regional Distribution of Leasing Portfolio (2024)



Yerevan	61.10%
Ararat	8.62%
Armavir	6.00%
Kotayk	4.22%
Gegharkunik	4.69%
Aragatsotn	3.53%
Vayots Dzor	2.92%
Lori	2.47%
Shirak	2.40%
Syunik	2.33%
Tavush	1.72%

GREEN LEASING

Operating under the sub-brand **"Green Leasing"** Acba Leasing financed **AMD 17.3 bln** in green projects in 2024. The active green leasing portfolio reached **AMD 42.53 bln**, accounting for over **43%** of the total leasing portfolio — reaffirming the company's leadership in sustainable financing.

PUBLIC-PRIVATE PARTNERSHIPS AND SUBSIDY PROGRAMS

In 2024, Acba Leasing actively participated in state-subsidized financing programs, signing **1,582 leasing contracts** totaling **AMD 38.86 bln**.

The company holds:

- **61%** of the agricultural machinery leasing subsidy portfolio
- **48%** of the agri-processing equipment leasing subsidy portfolio

These programs significantly contribute to rural development, modernization of agriculture and SME competitiveness.

OPERATIONAL MILESTONE

In 2024, Acba Leasing moved to a new, modern head office, designed to enhance client experience and support growing operational needs. The new premises provide an improved environment for delivering high-quality, client-centric services.

2. **CORPORATE** GOVERNANCE REPORT

Amundi acba
ASSET MANAGEMENT

10.2 AMUNDI-ACBA ASSET MANAGEMENT

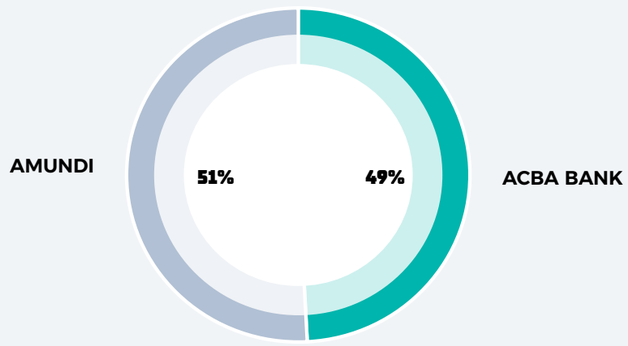
Established in 2013, Amundi-ACBA Asset Management CJSC is a joint venture between France's Amundi—the largest asset manager in Europe—and Acba bank. The company plays a pivotal role in Armenia's pension system, managing three mandatory pension funds:

- **AMUNDI-ACBA Balanced Fund (AMBAL)**
- **AMUNDI-ACBA Conservative Fund (AMCON)**
- **AMUNDI-ACBA Fixed Income Fund (AMFIX)**

These funds are regulated by the Central Bank of Armenia and benefit from Amundi's global expertise in asset management.

SHAREHOLDING STRUCTURE

Amundi-ACBA Asset Management is jointly owned by:



This partnership combines Amundi's international investment proficiency with Acba bank's deep understanding of the local financial landscape.

LEADERSHIP AND GOVERNANCE

The company is led by Chief Executive Officer **Jean Mazedjian**, who has been at the helm since 2016. The Board of Directors includes notable figures such as **Hakob Andreasyan** (Chairman), **Anthony Mellor** and **Julien Fontaine**, bringing a wealth of experience from both local and international financial sectors.

KEY DEVELOPMENTS IN 2024

- **Management Fee Reduction:** Effective January 1, 2024, Amundi-ACBA reduced management fees across all three pension funds to enhance participant benefits:
  - **Balanced Fund: from 1.30% to 1.15%**
  - **Conservative Fund: from 1.10% to 0.95%**
  - **Fixed Income Fund: from 1.00% to 0.85%**

This initiative underscores the company's commitment to maximizing returns for pension fund participants.

- **10th Anniversary Milestone:**
In 2024, Amundi-ACBA celebrated a decade of successful operations in Armenia. The company has been instrumental in implementing the country's pension reform, contributing to the development of a robust and sustainable pension system.

- **Amundi-ACBA Academy Launch:**
To promote financial literacy and professional development, the company launched the Amundi-ACBA Academy. This initiative offers online courses on fundamental, expert, CFA and ESG principles, in collaboration with local universities.

10.3 OTHER ENTITIES

Acba Technolab LLC

Established in 2021, Acba Technolab LLC was a wholly owned subsidiary of Acba bank, created to provide educational services and serve as a training hub for the group's staff and the broader financial sector. The organization aimed to enhance professional development and capacity building within the industry.

In 2025, following a strategic review of the Bank's organizational structure and training needs, Acba Technolab LLC underwent a liquidation process. The decision was made to integrate its functions directly into the Bank's internal departments, streamlining operations and ensuring the continued provision of high-quality training and development programs.

imID CJSC

imID CJSC is a pioneering digital identity and trust service provider in Armenia, established in 2024 through a consortium of 10 leading Armenian banks, including Acba bank and 3 major telecommunications companies. imID's mission is to establish a secure digital identity ecosystem that empowers Armenian citizens and organizations to engage in trusted and verifiable digital interactions, both domestically and internationally.

The company delivers secure and legally compliant electronic identification solutions for individuals, businesses and government entities. Its services encompass Identity-as-a-Service (IDaaS), Signature-as-a-Service (SignaaS) and eSeal-as-a-Service (eSealaaS), facilitating secure digital authentication, electronic signatures and digital sealing of documents.

imID operates under the European Union's eIDAS regulation framework, aiming to achieve Qualified Trust Service Provider (QTSP) status. This compliance ensures that digital identities and transactions are recognized and legally valid across EU countries, enhancing the reliability and efficiency of digital commerce.

Acba bank plays a significant role in imID's governance, with Tigran Simonyan, Deputy CEO and Chief Digital Platforms and Technology Officer at Acba bank, serving as Chairman of the Founding Board.

FINANCIAL STATEMENTS

1. INDEPENDENT AUDITOR'S REPORT
2. CONSOLIDATED FINANCIAL STATEMENTS
3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (LINK)

3. FINANCIAL STATEMENTS

1. INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders and Board of ACBA Bank OJSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ACBA Bank OJSC (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2024, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

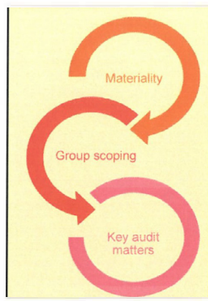
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Armenia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

PricewaterhouseCoopers Armenia LLC
2 Vazgen Sargsyan street, KAMAR Business Center, 8th floor, Yerevan 0010, Armenia
T: (+374 10) 51 21 51, F: (+ 374 10) 52 10 00, www.pwc.com/am

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Our audit approach

Overview



- Overall Group materiality: AMD 1,757,000 thousand, which represents approximately 5% of the Group's profit before income tax expense (PBT) for 2024.
- We conducted full scope audit work on two significant components of the Group. The third component was assessed as insignificant with no material transactions for the audit of the consolidated financial statements. Our audit scope addressed approximately 100% of the Group's interest and commission income, approximately 100% of the Group's profit before income tax expense and approximately 100% of the Group's total assets .
- Audit matter which was of most significance in the audit of consolidated financial statements is: Expected Credit Loss allowance for loans to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	AMD 1,757,000 thousand
How we determined it	5% of annual PBT
Rationale for the materiality benchmark applied	We chose PBT as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in the financial services sector.

3. FINANCIAL STATEMENTS

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance for loans to customers Refer to Note 3 - Material accounting policy information, Note 4 - Critical accounting estimates and judgments in applying accounting policies, and to Note 12 - Loans to customers. We focused on this area as the management estimates and assumptions regarding the expected credit losses ("ECL") allowance for loans to customers are complex and require a significant degree of judgment. In terms of IFRS 9, Financial instruments, management is required to estimate an ECL allowance corresponding to the losses that are expected to occur over the next 12 months for stage 1 loans, or over the life of stage 2 and 3 loans. The management also considers the impact of different future macroeconomic conditions in determination of ECL. Management has designed and implemented a number of models to achieve compliance with the requirements of IFRS 9 and with management policies.. Areas of the most significance relate to the appropriateness of model methodologies and critical judgements and assumptions applied by the management to estimation of parameters used to determine the ECL. This includes: • Judgemental criteria applied to identification of significant increase in credit risk ("SICR"), including qualitative assessment of borrowers' creditworthiness relevant to the Group portfolios; • Critical assumptions applied in the determination of loss given default ("LGD") and probability of default ("PD"); and • Assessment of the key assumptions related to forward-looking information ("FLI") including the appropriateness of scenario weightings and macroeconomic variables.	We assessed whether the IFRS 9 ECL model methodologies developed by management are appropriate, engaging our credit risk modelling experts and our industry knowledge. This included an evaluation of the judgemental criteria set by management for determining whether there had been a SICR (applicable to corporate, SME and retail portfolios) , and the critical judgements and assumptions applied in determination of LGDs and PDs. We obtained an understanding of and evaluated the design of the key controls over the determination of ECL allowance and tested their operating effectiveness. These controls included among others: • Controls over model performance monitoring, including periodic reviews of the policy and models, testing model estimates against actual outcomes and approval of model methodology changes, including controls over key parameters calculations by the calculation engine; • Controls over ECL calculation and analysis of results; and • Controls over transfer of data for ECL calculations. In addition, we performed the substantive procedures described below. We independently verified the calculation of ECL and assessed whether the ECL calculations were consistent with the approved model methodologies. We challenged management in respect of the appropriateness of the macroeconomic models as well as weightings applied to each macroeconomic scenario. We have also assessed accuracy and completeness of disclosures.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's activities are carried out primarily in Armenia. The Group's main operations relate to the banking and leasing businesses. The banking activities that make up the largest component of the

Group represent approximately 88% of the Group's total assets and 71% of the Group's profit before income tax expense. The remaining Group activities are mainly attributable to the leasing business. The Group audit team undertook the necessary audit procedures on both the banking and leasing components.

Our audit approach and team set-up were designed to reflect the structure of the Group. Based on the procedures we performed over the two significant reporting units, our audit scoping and coverage accounted for approximately 100% of the Group's interest and commission income, approximately 100% of the Group's profit before income tax expense and approximately 100% of the Group's total assets .

Other information

Management is responsible for the other information. The other information comprises the Annual Report, which is expected to be made available to us after the date of this auditor's report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 consolidated financial statements.

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

3. FINANCIAL STATEMENTS

- Identify and assess the risks of material misstatement of the consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override 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 Group'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, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 related disclosures in the consolidated financial statements or, if such disclosures are inadequate, 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The Responsible Auditor on the audit resulting in this independent auditor's report is Levan Kankava.

Levan Kankava
Responsible Auditor

Nino Kadagishvili
Director

16 April 2025
Yerevan, Republic of Armenia

PricewaterhouseCoopers Armenia LLC

2. CONSOLIDATED FINANCIAL STATEMENTS

ACBA Bank OJSC
Consolidated Statement of Financial Position as at 31 December 2024

In thousands of Armenian Drams	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	8	106,030,069	78,159,849
Derivative financial assets	9	158,180	199,957
Loans and advances to banks	10	81,482,428	99,410,514
Investment securities	*11*		
-Held by the Bank		62,108,609	21,422,936
Loans to customers	12	536,210,032	455,199,337
Receivables from finance leases	13	93,105,821	83,406,426
Investments in associates	37	2,044,092	1,775,530
Property, equipment and intangible assets	14	29,114,084	27,110,978
Other assets	17	21,443,834	17,108,253
TOTAL ASSETS		**931,697,149**	**783,793,780**
LIABILITIES			
Deposits and balances from banks	18	462,797	1,152,894
Current accounts and deposits from customers	19	584,122,036	503,231,650
Debt securities issued	20	39,408,576	21,087,118
Other borrowed funds	21	110,883,860	95,125,094
Current income tax liabilities		3,313,374	3,812,792
Deferred tax liabilities	15	505,767	732,149
Other liabilities	23	16,927,858	12,880,467
Subordinated loans	22	12,632,502	12,661,577
TOTAL LIABILITIES		**768,256,770**	**650,683,741**
EQUITY			
Share capital	24	89,775,000	55,000,000
Share premium	24	3,811,978	1,750,000
Share-based payment reserve	25	3,517,422	3,517,422
Revaluation reserve for property and equipment		3,757,943	3,909,911
Revaluation reserve for investment securities		304,799	151,526
General reserve		13,466,250	8,250,000
Retained earnings		48,806,987	60,531,180
Total equity		**163,440,379**	**133,110,039**
TOTAL EQUITY AND LIABILITIES		**931,697,149**	**783,793,780**

Signed and authorized for release on behalf of the Management of the Bank on 16 April 2025.

Hakob Andreasyan
Chief Executive Officer

Armen Hakobyan
Chief Accountant

3. FINANCIAL STATEMENTS

ACBA Bank OJSC
Consolidated statement of profit or loss for the year ended 31 December 2024

In thousands of Armenian Drams	Note	2024	2023
Interest revenue calculated using effective interest rate	27	79,644,047	68,851,092
Other interest revenue	27	12,524,767	10,445,440
Interest expense	27	(37,604,761)	(32,040,310)
Net interest income		**54,564,053**	**47,256,222**
Credit loss (expense)/reversal	16	(2,350,038)	565,530
Net interest income after credit loss expense		**52,214,015**	**47,821,752**
Fee and commission income	28	14,706,808	13,097,686
Fee and commission expense	28	(6,599,484)	(5,014,623)
Net gain on financial instruments at fair value through profit and loss		581,991	400,019
Net gain from foreign exchange trading activities		4,995,441	5,333,764
Net gain/(loss) from foreign exchange translation		58,725	(27,845)
Share of profit of associates	37	1,211,887	1,019,338
(Charge for)/reversal of other impairment and provisions	32	(88,096)	2,783,748
Other income	29	837,153	853,917
Non-interest income		**15,704,425**	**18,446,004**
Personnel expenses		(21,022,475)	(20,325,827)
Depreciation and amortization	14	(3,828,836)	(3,312,788)
Other operating expenses	30	(2,562,445)	(3,032,516)
Other general administrative expenses	31	(5,360,949)	(4,831,447)
Non-interest expense		**(32,774,705)**	**(31,502,578)**
Profit before income tax expense		**35,143,735**	**34,765,178**
Income tax expense	15	(6,378,646)	(6,372,416)
Profit for the year		**28,765,089**	**28,392,762**
Earnings per share			
Basic and diluted, attributable to equity holders of the parent, AMD	24	5,182.44	5,162.32

ACBA Bank OJSC
Consolidated statement of other comprehensive income for the year ended 31 December 2024

In thousands of Armenian Drams	Note	2024	2023
Profit for the year		**28,765,089**	**28,392,762**
Other comprehensive income			
To be reclassified to profit or loss in subsequent periods			
Change in fair value of investment securities at fair value through other comprehensive income		95,083	(981,961)
Included changes in allowance for expected credit losses		(25,386)	(735,920)
Income tax relating to components of other comprehensive income	15	(17,115)	176,753
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**77,968**	**(805,208)**
Not to be reclassified to profit or loss in subsequent periods			
(Loss)/gain on equity instruments at fair value through other comprehensive income		(861)	705
Income tax relating to components of other comprehensive income	15	155	(127)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		**(706)**	**578**
Not to be reclassified to profit or loss in subsequent periods-associates			
Share of the other comprehensive income of associates	37	76,011	96,166
Income tax relating to components of other comprehensive income	15	-	(17,310)
Total share of the other comprehensive income of associates		**76,011**	**78,856**
Other comprehensive income/(loss) for the year, net of tax		**153,273**	**(725,774)**
Total comprehensive income for the year		**28,918,362**	**27,666,988**

ACBA Bank OJSC
Consolidated statement of changes in equity for the year ended 31 December 2024

In thousands of Armenian Drams	Share capital	Share premium	Share-based payment reserve	Revaluation surplus for property and equipment	Revaluation reserve for financial assets at fair value through other comprehensive income	General reserve*	Retained earnings	Total Equity
Balance as at 1 January 2023	**55,000,000**	**1,750,000**	**3,076,495**	**4,985,941**	**877,300**	**8,250,000**	**35,462,388**	**109,402,124**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	28,392,762	28,392,762
Other comprehensive loss	-	-	-	-	(725,774)	-	-	(725,774)
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	(1,076,030)	-	-	1,076,030	-
Transactions with owners, recorded directly in equity								
Dividends declared	-	-	-	-	-	-	(4,400,000)	(4,400,000)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(4,400,000)**	**(4,400,000)**
Share-based payments (Note 25)	-	-	440,927	-	-	-	-	440,927
Balance as at 31 December 2023	**55,000,000**	**1,750,000**	**3,517,422**	**3,909,911**	**151,526**	**8,250,000**	**60,531,180**	**133,110,039**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	28,765,089	**28,765,089**
Other comprehensive income	-	-	-	-	153,273	-		**153,273**
Transfer of revaluation surplus to retained earnings due to disposal of fixed assets	-	-	-	(151,968)	-	-	151,968	-
Transactions with owners, recorded directly in equity								
Replenishment of share capital from Retained earnings	29,925,000	-	-	-	-	-	(29,925,000)	-
Issue of share capital	4,850,000	2,061,978	-	-	-	-	-	**6,911,978**
Replenishment of general reserve	-	-	-	-	-	5,216,250	(5,216,250)	-
Dividends declared	-	-	-	-	-	-	(5,500,000)	**(5,500,000)**
Total transactions with owners	**34,775,000**	**2,061,978**	**-**	**-**	**-**	**5,216,250**	**(40,641,250)**	**1,411,978**
Share-based payments (Note 25)	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	**89,775,000**	**3,811,978**	**3,517,422**	**3,757,943**	**304,799**	**13,466,250**	**48,806,987**	**163,440,379**

* In order to enhance transparent presentation statutory general reserve amount is presented with separate column.

The accompanying notes on pages 6 to 84 are an integral part of these financial statements

ACBA Bank OJSC
Consolidated statement of cash flows for the year ended 31 December 2024

In thousands of Armenian Drams	Note	2024	2023
Cash flows from operating activities			
Interest received (calculated using effective interest rate)		75,767,634	65,435,119
Other interest received		12,524,767	10,445,440
Interest paid		(36,541,492)	(29,840,347)
Fees and commissions received		14,706,808	13,097,686
Fees and commissions paid		(6,599,484)	(5,014,623)
Net receipt/(payment) from derivative financial instruments at fair value through profit or loss		509,248	(663,718)
Net receipts from foreign exchange		4,995,441	5,333,764
Other operating expenses paid		(4,386,019)	(2,985,401)
Other income received		347,986	854,113
Salaries and other payments to employees		(20,806,431)	(18,700,666)
Other general administrative expenses paid		(5,360,949)	(3,755,177)
Cash flows from operating activities before changes in operating assets and liabilities		**35,157,509**	**34,206,190**
Net (increase)/decrease in operating assets			
Derivative financial assets		113,203	317,095
Loans and advances to banks		17,641,851	(48,347,859)
Loans to customers		(88,310,951)	(40,369,750)
Receivables from finance lease		(9,618,295)	(30,196,753)
Other assets		(1,280,097)	(1,262,502)
Net increase/(decrease) in operating liabilities			
Deposits and balances from banks		(626,281)	(8,637,177)
Current accounts and deposits from customers		86,140,124	71,747,907
Other liabilities		4,502,742	(5,658,758)
Net cash from/(used in) operating activities before income tax		**43,719,805**	**(28,201,607)**
Income tax paid		(7,121,405)	(7,383,676)
Net cash from/(used in) operating activities		**36,598,400**	**(35,585,283)**
Cash flows from investing activities			
Purchase of property, equipment, and intangible assets		(2,089,494)	(2,444,064)
Proceeds from sale of property, equipment		586,500	1,217,572
Purchases of investment securities		(52,730,602)	(13,364,866)
Sale of investment securities		12,327,722	16,049,251
Dividends received	37	1,019,336	701,763
Net cash (used in)/from investing activities		**(40,886,538)**	**2,159,656**
Cash flows from financing activities			
Proceeds from issue of share capital	24	6,911,978	-
Proceeds from debt securities issued	38	18,438,324	18,339,013
Redemption of debt securities issued	38	(137,535)	(3,684,744)
Proceeds from other borrowed funds	38	50,390,846	34,345,599
Repayment of other borrowed funds	38	(35,940,115)	(27,032,928)
Subordinated loans received	38	703,613	4,479,000
Repayment of subordinated loans	38	(3,957)	-
Dividends paid	24	(5,500,000)	(4,400,000)
Net cash from financing activities		**34,863,154**	**22,045,940**
Effect of exchange rates changes on cash and cash equivalents		(2,681,458)	1,123,992
Effect of changes in impairment allowance		(23,338)	46,259
Net increase/(decrease) in cash and cash equivalents		**27,870,220**	**(10,209,436)**
Cash and cash equivalents, beginning		**78,159,849**	**88,369,285**
Cash and cash equivalents, ending	**8**	**106,030,069**	**78,159,849**

The accompanying notes on pages 6 to 84 are an integral part of these financial statements

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The notes accompanying the Bank's consolidated financial statements for the financial year ended December 31, 2024, are presented on the Bank's official website **(www.acba.am)**, under the "Reports" section, in the document titled "Annual Financial Statements, Independent Auditor's Report."

They can be accessed via the following link: **https://www.acba.am/files/audit-report-2024.pdf**

ADDITIONAL INFORMATION

1. SHAREHOLDER INFORMATION
2. STOCK EXCHANGE DISCLOSURES
3. INVESTOR CALENDAR
4. CONTACT INFORMATION
5. DISCLAIMER
6. GLOSSARY OF TERMS

4. ADDITIONAL INFORMATION

1. SHAREHOLDER INFORMATION

1.1. SHARE CAPITAL STRUCTURE

As of **31 December 2024, Acba bank's authorized and fully paid-up share capital** amounted to **AMD 89,775,000,000**, represented by **5,985,000 ordinary shares**, each with a **nominal value of AMD 15,000**. The Bank is authorized to issue up to **2,500,000 additional ordinary shares**. All shares are **non-documentary, indivisible** and **carry equal voting and dividend rights**.

While the Bank has not **issued any preferred shares**, its Charter permits such issuance provided that the **total nominal value of preferred shares does not exceed 25%** of the Bank's total share capital.

In 2024, Acba initiated a **major capital structure transformation initiative**, aimed at strengthening capital positions. **On November 10, 2024**, the Bank, within the framework of its capital strategy and ensuring Proporco's entry, issued **an additional 485,000 ordinary shares through private placement**.

Simultaneously, the Bank directed a portion of its retained earnings toward statutory capital increase, resulting in **an increase in the nominal value of shares from AMD 10,000 to AMD 15,000**.

These changes were **approved by the Extraordinary General Meeting of Shareholders** held on **21 November 2024** and were subsequently **registered with the Central Bank of Armenia on 11 December 2024**.

1.2. OWNERSHIP STRUCTURE

Following the 2024 capital increase, the Bank's ownership structure as of December 31, 2024, is as follows:

- **ACBA Federation CJSC:** 4,488,993 shares (75%)
- **Proparco:** 598,500 shares (10%)
- **Sacam International (Crédit Agricole Group):** 134,098 shares (2.24%)
- **Free Float (5000+ individuals and legal entities, including employees):** 763,409 shares (12.76%)

Proparco, the private sector financing arm of the Agence Française de Développement Group (AFD Group), became a qualifying shareholder by acquiring 598,500 shares, representing 10% of the Bank's equity. Proparco's entry as a strategic investor aligns with Acba bank's commitment to sustainable development and strengthening its capital base.

1.3. DIVIDEND POLICY

The dividend policy is defined by the Board of Acba bank. The amount of dividend to be allocated cannot be less than 20 percent of the Bank's net profit based on the results of the previous financial period, with the exception of the cases defined in Clause 4.2 of the Policy.

Based on the Bank's results of the previous year, each year the Board submits a proposal to the General Meeting of Shareholders about the payment of dividends, which makes the final decision on the payment of dividends during the given year.

Acba's Dividend Policy is published on its home webpage, in the section "Shareholders and Investors". You can access the Bank's dividend policy by the following **link.**

For the last five financial years, Acba bank distributed the following dividends, as indicated in the table below **(presented according to the financial results of the mentioned year)**:*

	2019	2020	2021	2022	2023
Total distributed dividends (AMD)	**1.7 bln**	**2.5 bln**	**3.3 bln**	**4.4 bln**	**5.5 bln**
Net dividend per 1 share (AMD)*	**680,000**	**500**	**600**	**800**	**1000**
Payout ratio (paid dividends/profit)	**24%**	**92%**	**34%**	**19,5%**	**19,4%**
Number of shares	**2,500**	**5,000,000**	**5,500,000**	**5,500,000**	**5,500,000**
Profit per 1 share (AMD)*	**2,782,091**	**545**	**1,801.56**	**4,104**	**5,162**

The bank's shares are listed on the Armenia Security exchange. For more information, please visit the following link**: https://amx.am/en/market_data/equity.**

* As a result of the placement of additional shares in 2021, the number of the Bank's shares amounted to **5,500,000 (five million five hundred thousand) shares**. The Extraordinary General Meeting of Shareholders of 21/11/2024 approved a new edition of the Bank's Charter. In scope of this, the Bank's charter capital increased by **4,850,000,000 AMD** due to the issuance of additional shares, and by **29,925,000,000 AMD** due to the increase in the nominal value of the shares. Consequently, the total increase in the Bank's charter capital was **34,775,000,000 AMD**, bringing the total to **89,775,000,000 AMD**, while the nominal value of one share increased from **10,000 AMD to 15,000 AMD**. This amendment to the Charter was officially registered with the Central Bank of the Republic of Armenia on 11/12/2024.

4. ADDITIONAL INFORMATION

1.4. SHARE PERFORMANCE

Acba bank's shares are listed on the Armenia Securities Exchange under the ticker symbol ACBA. During 2024, Acba bank shares maintained stable market performance on the Armenia Stock Exchange, commanding approximately two-thirds **(66.2%)** of total equity trading volume and reinforcing our position as the market's most actively traded security. The inclusion of Proparco as a strategic investor and the successful capital increase contributed positively to market perception. Our share price reflected market sentiment, operational performance and overall trends in the Armenian capital market.

Share performance during 2024:

- Opening price (Jan 3): **AMD 14,900**
- Closing price (Dec 30): **AMD 14,000**
- Highest price: **AMD 15,200**
- Lowest price: **AMD 12,250**
- Average daily trading volume: **629 shares**
- Market capitalization at year-end: **AMD 84,388,500,000**

1.5. TRADING INFORMATION

- **Stock Exchange:** Armenia Securities Exchange (AMX)
- **List:** "A"
- **ISIN:** AMACBAS10ER7
- **Ticker Symbol:** ACBA
- **Listing Date:** 01/02/2022

We remain committed to enhancing share tradability through increased investor engagement, improved financial disclosures and targeted capital market outreach. We ensure transparency and compliance with all trading regulations, providing investors with reliable access to share information and transactions.

1.6. SHAREHOLDER RIGHTS AND PROTECTIONS

Each ordinary share entitles the holder to one vote at the General Meeting of Shareholders, the right to receive dividends and a share in the residual assets upon liquidation.
We ensure equal treatment of all shareholders and comply with Armenian legislation and AMX listing rules. All shareholders benefit from full access to disclosures, fair voting processes and participation opportunities.

Each ordinary share provides its holder with equal rights, including the right to:

- participate in and vote at the General Meeting on all matters within the mandate of the General Meeting, proportionate to the number of voting shares owned;
- engage in the governance of the Bank;
- receive dividends from the profit generated by the Bank's activity;
- exercise a pre-emptive right to acquire shares issued by the Bank;
- access information regarding the Bank's activities envisaged by law, including financial statements and reports, upon written request, free of charge, within three business days;
- initiate external audit (if holding at least 5% of voting shares), select the auditor and seek reimbursement of audit expenses if the audit is deemed justified by the General Meeting;
- be represented at the General meeting by authorised third party;
- submit proposals and recommendations to the General Meeting;
- vote in proportion to fully paid voting shares
- receive a due part of the property in case of Bank's liquidation; file a claim in court to challenge decisions of the General Meeting that contradict the applicable laws, other legal acts or the Bank's Charter;
- freely alienate or transfer their shares without the consent of other shareholders;
- unite with other shareholders to appoint a representative to the Board*;
- demand that the Board convene a meeting, of holding at least 5% of voting shares;
- review the minutes of General Meetings. Shareholders bear the risk of losses related to the Bank's activity within the limits of the value of the shares they own and are not liable for the obligations of the Bank.

* Shareholders holding 10% or more of the voting shares as of the date of compiling the list of shareholders entitled to participate in the General Meeting may appoint a representative to the Board without election by the General Meeting. Those holding less than 10% individually may unite and if their total exceeds 10% of voting shares, they may also appoint a joint representative to the Board without an election, provided there is a formal shareholder agreement and the General Meeting is informed of its existence in accordance with the law. Shareholders holding less than 10% and not united may still jointly elect a common representative to the Board without General Meeting election. Only minority shareholders, even if only one, participate in this.

1.7. SHAREHOLDER ENGAGEMENT AND COMMUNICATION

The Bank maintains open and proactive communication channels with its shareholders, including regular updates through its website, quarterly investor presentations and annual reports. Shareholders are encouraged to engage with the Bank's management and participate in decision-making processes during general meetings.

Acba launched a structured Investor Relations implementation strategy, aimed at enhancing transparency, increasing engagement with current and potential investors and aligning investor communications with international best practices. This strategic initiative is designed to support the Bank's long-term equity strategy and capital market development objectives.

Moving forward, Acba bank will continue to place strong strategic emphasis on strengthening its IR function, fostering dialogue with stakeholders and broadening its shareholder base through targeted outreach, improved accessibility of financial information and consistent updates tailored to investor needs.

1.8. EXTERNAL AUDITOR

For the financial year ended 31 December 2024, PricewaterhouseCoopers Armenia LLC (PwC) served as the Bank's independent external auditor. The total contractual fee for audit services rendered during the period amounted to AMD 57,240,000, as disclosed in the ACBA BANK OJSC IFRS Consolidated Financial Statements and Independent Auditor's Report as of 31 December 2024.

Assessment of Auditor Independenceb
PwC has confirmed its **independence** in accordance with the **International Code of Ethics for Professional Accountants**, including the I**nternational Independence Standards** issued by the **International Ethics Standards Board for Accountants (IESBA Code)**.
In line with the Bank's strong commitment to upholding auditor independence, the Audit Committee is responsible for:

- **Overseeing management's adherence** to the Bank's policy on engaging the external auditor for non-audit services and ensuring compliance with regulatory requirements;
- **Pre-approving** any proposed non-audit services by the external auditor to safeguard impartiality.

Throughout 2024, **no breaches of auditor independence** were identified. PwC also formally **declared its independence** during meetings with the Audit Committee, reaffirming its adherence to ethical and professional standards across the duration of its engagement.

4. ADDITIONAL INFORMATION

2. STOCK EXCHANGE DISCLOSURES

Acba bank is committed to ensuring transparency, fairness and timely communication with all stakeholders through full compliance with the disclosure obligations imposed by the Armenia Securities Exchange (AMX) and other applicable regulatory frameworks.

2.1. COMPLIANCE WITH LISTING RULES

As an issuer listed on the Armenia Securities Exchange, Acba bank complies with:

- **AMX Listing and Trading Rules**
- **Central Depository regulatory requirements**
- **The Corporate Governance Code of the Republic of Armenia, joined in 2025 and following years of adherence to Acba bank's own internal governance code**

The Bank continues to align its disclosure practices with international best standards, aiming to ensure investor confidence and an informed market environment.

2.2. DISCLOSURES PUBLISHED IN 2024

Below is a summary of regulatory disclosures during 2024:

DATE	DISCLOSURE TYPE
15.01.2024	Q4 2023 consolidated interim financial statements
29.04.2024	2023 consolidated annual financial statements
30.04.2024	Annual General Meeting of Shareholders notification
23.05.2024	Dividend payment announcement
15.04.2024	Q1 2024 consolidated interim financial statements
15.07.2024	Q2 2024 consolidated interim financial statements
15.10.2024	Q3 2024 consolidated interim financial statements
03.07.2024 28.08.2024	Changes in Board composition
22.10.2024	Extraordinary General Meeting of Shareholders notification
16.09.2024	Additional share issuance prospectus
11.12.2024	New shareholder entry and share equity increase
25.12.2024	Charter amendment registration due to statutory capital growth

All disclosures are archived and publicly accessible via the Bank's webpage.

Beyond mandatory disclosures, Acba bank proactively shared value-driven content for investors and the public, including quarterly investor presentations and updates on material changes.
These efforts aim to promote transparency, strengthen investor engagement and build confidence in Acba's equity story.

2.3. ENHANCEMENTS IN DISCLOSURE AND REPORTING

In 2024, initiated the groundwork for a series of improvements in its public disclosure and investor relations practices, with full implementation progressing in 2025.

Key developments included:

- Strong initiative to establish a dedicated Investor Relations unit under the CFO's oversight
- Standardizing the structure and format of quarterly reports to ensure greater clarity and comparability for investors and stakeholders
- Increased use of visual reporting tools (e.g., graphs, summaries, KPIs)

2.4. OUTLOOK FOR 2025

For the coming year, Acba bank aims to:

- Establish and continuously develop of a **dedicated Investor Relations unit** under the CFO's oversight
- Enhance reporting and communication with existing and potential shareholders
- Ensuring continued compliance with applicable legislation and regulatory standards
- Increase **non-financial disclosures**, particularly around ESG and stakeholder engagement
- Strengthen relationships across all investor segments, **brokers and analysts** to improve market perception, enhance visibility and promote share liquidity

4. ADDITIONAL INFORMATION

3. INVESTOR CALENDAR

To support timely shareholder engagement, regulatory compliance and market transparency, Acba bank maintains a structured investor calendar. The following key dates and events are planned for the year 2025, subject to change in accordance with regulatory requirements or Board decisions.

Key Dates for Investors in 2025

CORPORATE EVENT	SCHEDULED DATE
FINANCIAL REPORTING	
Fourth quarter 2024 consolidated interim financial statements	15.01.2025
First quarter 2025 consolidated interim financial statements	20.02.2025
Second quarter 2025 consolidated interim financial statements	29.04.2025
Third quarter 2025 consolidated interim financial statements	05.06.2025
2024 consolidated annual financial statements	28.04.2025
SHAREHOLDER COMMUNICATIONS	
Dividend declaration	15.04.2025
Annual General Meeting notification	15.07.2025
Dividend payment date	15.10.2025
INVESTOR ENGAGEMENT	
Quarterly investor presentations	QUARTERLY BASIS
Investor meetings and conferences	QUARTERLY BASIS
2024 Annual Report publication	30.06.2025

Governance and Board Activity Calendar

EVENT	FREQUENCY
Regular Board Meetings	At least once every 2 months
Board Committee Meetings (Audit, Risk, GNR, Strategy)	At least quarterly or as needed

In addition to statutory meetings and disclosures, Acba bank will continue to maintain open channels for investor inquiries via email and phone, as well as issue periodic market updates.

4. ADDITIONAL INFORMATION

4. CONTACT INFORMATION

Acba bank is committed to open, transparent and timely communication with all stakeholders. Below are the key contact channels for inquiries related to investor relations, media requests, regulatory matters and general correspondence.

Investor Relations
For inquiries from shareholders, potential investors, analysts or financial media:

NAREK ANTONYAN
Investor Relations Officer

ir@acba.am
+374 10 318888 (8129), +374 94 700681
Head Office: 82-84 Aram Street, Yerevan 0002, Armenia

Corporate Secretary
For inquiries related to corporate governance, General Meeting procedures and Board matters:

TATEVIK IGITYAN
Corporate Secretary
lawyer@acba.am
+374 10 318888 (8329)
Head Office: 82-84 Aram Street, Yerevan 0002, Armenia

Media and Public Relations
For press and media inquiries:

NAREK ASATRYAN
Head of PR Division

pr@acba.am
+374 10 318888 (8111)
Head Office: 82-84 Aram Street, Yerevan 0002, Armenia

General Inquiries
For customer service and general questions about Acba bank products and services

acba@acba.am
Call Center (24/7): +374 10 31 88 88
www.acba.am

External Auditor
PricewaterhouseCoopers Armenia LLC (PWC)
Armenia, Yerevan, Vazgen Sargsyan 2, KAMAR Business Center, 8th floor
am_office.yerevan@pwc.com
+374 10 51 21 51
www.pwc.com/am

Our website
All shareholders and potential shareholders can gain access to the Annual Report, presentations to investors, key financial information, regulatory news, share and dividend data, General Meetings documentation and other significant information about Acba bank at **https://www.acba.am/en**

Our registered address
ACBA BANK OJSC
82-84 Aram Street, Yerevan 0002, Armenia

5. DISCLAIMER

REPORT PURPOSE AND SCOPE. This annual report has been prepared by "ACBA BANK" OJSC to provide shareholders, investors, regulatory authorities and other stakeholders with a comprehensive overview of the Bank's operations, financial performance, strategic direction and future prospects for the year ended December 31, 2024. The report incorporates our Corporate Governance Report and Corporate Governance Annual Statement in compliance with the Republic of Armenia's Corporate Governance Code requirements.

FORWARD-LOOKING STATEMENTS. This document contains forward-looking statements, including forecasts, strategic plans, estimates, expectations, and projections regarding future events and financial performance. These statements are based on current assumptions and available information as of the publication date and are subject to significant risks, uncertainties and factors largely beyond the Bank's control. Actual results may differ materially from those expressed or implied in forward-looking statements due to various factors including, but not limited to:

- Macroeconomic and political environment changes
- Monetary and regulatory policy revisions
- Banking sector competitive dynamics
- Technological disruptions and innovations
- Credit, market and liquidity risk exposures

DATA SOURCES AND RELIABILITY. This report may include data and analysis from publicly available sources, including macroeconomic indicators and banking sector statistics current as of the publication date. While Acba relies on sources considered reliable, we do not guarantee the accuracy or completeness of such information, which may be subject to change without notice.

PERFORMANCE METRICS. In addition to IFRS-compliant financial indicators, this report may include alternative performance measures designed to enhance understanding of our operational results. These metrics may not be directly comparable to similar measures used by other financial institutions.

LEGAL DISCLAIMERS. This report is provided for informational purposes only and does not constitute an offer to sell or purchase any securities issued by "ACBA BANK" OJSC, nor an invitation to make such offers. It should not be used as the sole basis for investment decisions. While reasonable measures have been taken to ensure information accuracy and completeness, the Bank assumes no responsibility for errors, omissions or consequences arising from the use of this report.

TECHNICAL NOTES. Certain numerical figures have been subject to rounding and adjustments. Consequently, totals in some tables may not equal the arithmetic sum of individual components.

UPDATE OBLIGATIONS. Acba assumes no obligation to update or revise forward-looking statements or other information contained herein due to new developments, future events or other circumstances, except as required by applicable law.

4. ADDITIONAL INFORMATION

6. GLOSSARY OF TERMS

TERM	DEFINITION
ACTIVE CLIENT	A customer who regularly uses the bank's products or services within a defined period, usually monthly.
AFD	Agence Française de Développement – A French public financial institution that finances sustainable development projects.
AGM (ANNUAL GENERAL MEETING)	A meeting where shareholders vote on company matters, including board elections and dividend declarations.
AML/CFT	Anti-Money Laundering / Combating the Financing of Terrorism – Regulatory frameworks to detect and prevent financial crimes.
ARMENIA SECURITIES EXCHANGE (AMX)	The official stock exchange of Armenia where securities like shares and bonds are listed and traded.
AUTHORIZED SHARE CAPITAL	The maximum amount of share capital that a company is legally authorized to issue to shareholders.
BENEFICIAL OWNER	A natural person who ultimately owns or controls a legal entity or the person on whose behalf a transaction is conducted.
CAR	Capital Adequacy Ratio – A measure of a bank's capital, expressed as a percentage of its risk-weighted credit exposures.
CASH FLOW STATEMENT	A report that shows how changes in the balance sheet affect cash and cash equivalents.
CBA (CENTRAL BANK OF ARMENIA)	The national regulatory authority responsible for monetary policy, financial system oversight and supervision of banks in Armenia.
CDD	Customer Due Diligence – The procedures for verifying a customer's identity and assessing the risk they may pose.
CIR	Cost-to-Income Ratio – A key efficiency metric that shows operating costs as a percentage of operating income.
DIVIDEND	A portion of a company's profits distributed to shareholders.
EAD	Exposure at Default – The total value a bank is exposed to when a borrower defaults on a loan.
ECL	Expected Credit Loss – A forward-looking estimate of potential losses due to credit risk under IFRS 9.
EDD	**Enhanced Due Diligence – Additional scrutiny applied to high-risk customers, including politically exposed persons (PEPs).**
EPS	Earnings Per Share – The portion of a company's profit allocated to each outstanding share of common stock.
ESG	Environmental, Social, and Governance – A framework for evaluating the sustainability and ethical impact of a business.
ES (EXPECTED SHORTFALL)	A risk measure that estimates the average loss beyond the Value at Risk threshold; also known as Conditional VaR.
EMPLOYEE STOCK OWNERSHIP PROGRAM (ESOP)	A program that provides a company's workforce with an ownership interest in the company.
EXPECTED SHORTFALL (ES)	See above (duplicate for clarity if desired in two places).
FATF	Financial Action Task Force – An intergovernmental body that sets international standards for combating money laundering and terrorism financing.
GDP	Gross Domestic Product – The total market value of all goods and services produced within a country over a specific period.
GNR	Governance, Nominations and Remuneration Committee – A Board-level committee overseeing governance, board composition, and executive pay.

4. ADDITIONAL INFORMATION

TERM	DEFINITION
GREEN LEASING	Leasing arrangements that finance environmentally sustainable assets, such as energy-efficient equipment.
ICAAP	Internal Capital Adequacy Assessment Process – A bank's internal process for evaluating its capital adequacy relative to its risks.
IFRS	International Financial Reporting Standards – A set of accounting standards developed by the International Accounting Standards Board.
IFRS CONSOLIDATED FINANCIAL STATEMENTS	Financial statements prepared according to IFRS and presented for a group of companies.
INITIAL PUBLIC OFFERING (IPO)	The first sale of a company's stock to the public.
KYC	Know Your Customer – A process to verify the identity and assess the risk of customers before engaging in financial transactions.
LCR	Liquidity Coverage Ratio – The percentage of high-quality liquid assets held by a bank to meet short-term obligations.
LGD	Loss Given Default – The share of an asset that is lost when a borrower defaults.
NET PROMOTER SCORE (NPS)	A customer loyalty metric that measures the likelihood of customers to recommend a company's products or services.
NPL	Non-Performing Loan – A loan on which the borrower is not making interest payments or repaying any principal.
NSFR	Net Stable Funding Ratio – A long-term liquidity measure ensuring banks maintain a stable funding profile in relation to their assets.
PD	Probability of Default – The likelihood that a borrower will default on their debt obligations.
RCSA	Risk and Control Self-Assessment – A process through which business units assess their own risks and controls.

TERM	DEFINITION
ROA	Return on Assets – An indicator of how profitable a company is relative to its total assets.
ROE	Return on Equity – A measure of financial performance calculated by dividing net income by shareholders' equity.
RISK APPETITE	The amount and type of risk that an organization is willing to take in pursuit of its objectives.
RISK APPETITE STATEMENT (RAS)	A formal document defining the level and type of risk a bank is willing to accept to achieve its strategic goals.
RISK TOLERANCE	The maximum level of risk a bank is prepared to accept before taking corrective action.
SME	Small and Medium Enterprise – Businesses with a limited scale in terms of employees, revenue, or assets, playing a key role in economic development.
SOFTPOS	Software Point of Sale – A mobile payment solution that turns a smartphone into a contactless payment terminal.
STRESS TESTING	The process of evaluating the financial resilience of an institution under hypothetical adverse conditions.
SUBSIDIARY	A company that is controlled by another company, typically through majority ownership.
TACIS	Technical Assistance to the Commonwealth of Independent States – An EU program supporting CIS countries' transition to market economies.
TOP OF MIND (TOM)	A brand awareness metric indicating the first brand that comes to mind when consumers think of a product category.
VALUE AT RISK (VAR)	A statistical technique that measures the maximum potential loss of a portfolio over a set time horizon at a given confidence level.
VOICE OF CUSTOMER (VOC)	A process of capturing customer expectations, preferences, and aversions to improve services and satisfaction.



"ACBA BANK" OJSC
82-84 Aram Street, Yerevan 0002, Republic of Armenia
www.acba.am | 010 31 88 88
ir@acba.am

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