



Questions and Answers Submitted by Shareholders at the Annual General Meeting of "ACBA BANK" Open Joint Stock Company held on May 29, 2025

Question 1: Does Acba intend to pay interim dividends, as well as to increase the dividend payout ratio to 30%, as, for example, BOG and TBC do?

Response

Chairman of the Board Rafayel Sargsyan noted that, in general, paying dividends annually was customary among financial organizations, which was due to certain regulatory requirements and the way the external audit of financial statements was organized. If, in the future, the process of auditing the financial statement changes, it might be possible to arrange for interim dividend payments. However, at that moment, the dividend payment process was dependent on the external audit opinion, which rendered information on the financial results more credible. Regarding the increase of the dividend payout ratio, Rafayel Sargsyan noted that besides paying dividends, retaining profits was also of great importance, which were used by the Bank in the following directions: 1) Achievement of strategic goals 2) Maintaining and increasing market share 3) Maintaining a capital buffer. He concluded that balancing the payment of attractive dividends and the accumulation of funds necessary for the implementation of the Bank's programs was important. CEO Hakob Andreasyan added that the Bank had great potential to develop its business, which requires capital.

Question 2: Acba's dividend relative to the nominal value of its share is very low and the market value of the shares remains below their nominal value. What is being done to improve this situation?

Question 3: Why don't the retained earnings from the previous year increase the nominal value of the shares? What determines their nominal value?

Response

CEO Hakob Andreasyan addressed both questions together. He noted that retained earnings contribute to the increase in the book value of shares. As for the reasons why the market value of shares was lower than their nominal value, they are as follows: an underdeveloped financial market, limited financial instruments, a low number of investors, and a lack of market liquidity.

Question 4: What will Acba be like in 10 years, in 2035?

Response

CEO Hakob Andreasyan noted that he would very much like to see Acba in international markets and make Acba known to international investors, for example, by listing Acba's shares on a reputable foreign stock exchange. He reminded that originally the Bank was established not only to generate profits, but also to support agriculture. He emphasized that the Bank should continue to be involved in social programs and contribute to the equitable development of communities.

Question 5: What is the bank's weighted average cost of capital (WACC). Please indicate the percentage of equity and the percentage of debt capital.

Response

Bank's CFO, Styopa Zakinyan, noted that the answer to the question is somewhat of a trade secret, but he could provide some clues for shareholders to use their calculations. The Bank's capital accounts for up to 20% of total liabilities, the remaining 80% consists of borrowed funds. The target return on equity which is around 18-20% can be considered as the cost of capital. As for borrowed funds, they predominantly consist of deposits, and deposit rates are transparent. Data on resources attracted from international organizations are confidential.

Question 6. What are the reasons behind the structural changes within the Bank? What was the goal, and how would that benefit the shareholders?

Response

CEO Hakob Andreyan noted that the goal was to increase efficiency and profitability for the shareholders, as well as to provide better service to the customers.

Question 7. In previous years, the inclusion of individuals with small shareholdings on the Board was discussed. When will this be implemented?

Response

Chairman of the Board Rafayel Sargsyan presented the four possible mechanisms for becoming a Board member, as provided by the Law "On Banks and Banking Activities": 1) Election by the General Meeting 2) Appointment by a qualifying shareholder with a holding of 10% or more 3) Appointment of a joint candidate by shareholders uniting to collectively reach a holding of 10% or more 4) Appointment of a joint candidate by the remaining shareholders who have not united and have not nominated a joint candidate. He noted that there was nothing that the Bank could do regarding the latter mechanism; the shareholders themselves must unite and appoint their candidate. The Bank held discussions with some shareholders regarding the mechanism, as well as carried out studies, but had not found a practical solution for its implementation. The Bank remains open to additional discussions on that matter.

Question 8: Please elaborate on Acba's contribution to communities, youth, and other social initiatives.

Response

CEO Hakob Andreyan noted that in 2024, the Bank implemented projects totaling 146 million AMD. He particularly highlighted the following initiatives:

- 1) In cooperation with the UN World Food Program, solar power plants were installed in schools of the Shatin and Aghavnadzor communities of Vayots Dzor region.
- 2) Three playgrounds were constructed and furnished in Gyumri, Spitak and Goris.
- 3) A yard football field was established in Goris.
- 4) The infrastructure of the Aram Khachaturian House-Museum was re-equipped.
- 5) The Bank continued its support for the treatment of children with cancer.
- 6) Organic agriculture development projects were implemented in cooperation with NABU.
- 7) Over the past five years, Bank employees have planted around 18,000 trees in the regions.

8) Through joint efforts with Hayastan All-Armenian Fund, Charles Aznavour's songs performed by the Armenian State Symphony Orchestra were recorded under the Deutsche Grammophon label.

Question 9: Does the Bank implement an individual approach to customers? If so, what are the underlying principles?

Response

CEO Hakob Andreasyan presented the following response: The Bank segments its customers into groups and, while developing and selling products, targets the desired customers within each group. In that sense, a tailored approach is applied based on customer group. The Bank intends to separate corporate clients and work with them on an individual basis, but providing an individual approach within mass-market products was not feasible. At the same time, the Bank often demonstrates an individual approach to those who objectively have difficulties in repaying their loan. Such an approach was also applied during the pandemic and war. If the question referred to “Private Banking”, then that was a relatively new concept in Armenia, and the Bank, as such, does not provide services under that title.

Question 10. What is the average monthly salary of Board members?

Response

Chairman of the Board Rafayel Sargsyan noted that starting next year, that matter would be submitted to the General Meeting of Shareholders for approval. He informed that a new remuneration system for board members had been introduced. The goal of the new system is to reward Board members according to their merit, taking into account each member's skills, level of involvement, and contribution, but at the same time compensating them at market levels. Determining the market-level remuneration was challenging, as remunerations are not typically disclosed. Given that issue and in order to attract and retain highly qualified Board members from abroad, the benchmark was set at the level of remuneration in medium-sized financial institutions in Western Europe.

Question 11. Please inform us when the new headquarters will be ready.

Response

The Bank's Chief Operating Officer Nikolay Hovhannisyan informed that the new headquarters building of the Bank would have a complete appearance by the end of the year, and the relocation process would begin next year.

Question 12. Last year there were talks about the formation of committees, please provide detailed information.

Response

Chairman of the Board Rafayel Sargsyan informed that three Board committees were established in November 2022, each chaired by an independent Board member with international experience in their respective field: the Risk Management Committee, the Audit Committee, and the Governance, Nominations, and Remuneration Committee. The committees were selected based on international best practices, the requirements of the RA legislation and the needs of the Bank. In 2024, the Strategy Committee was established. If previously the Board was focused on

institutionalizing corporate governance within the Bank, in 2024 the Board began to place greater emphasis on overseeing the Bank's strategy.

Question 13. Are there any indicators of how many of Acba Bank's customers have been affected by fraud?

Response

Tigran Simonyan, Director of Digital Platforms and Technologies, noted that if they were referring to the recent cyber attack—which received extensive public coverage—very few customers (no more than ten) of the Bank were affected. Compared to the total number of users of the ACBA Digital app (around 575,000) and the volume of annual transactions (approximately 40 million), this was a very small figure. He also explained the fraud scheme in detail: through a cyberattack, a virus program is installed on the customer's phone. The customer is then deceived to logging in the banking app. After that, the phone's screen turns off (goes black), and the customer's online banking app becomes remotely controlled to carry out fraudulent transactions on customer's behalf. Thanks to the Bank's information security team, this vulnerability was also prevented. At the same time, it should be noted that fraud schemes evolve over time, and the Bank continuously works to enhance the security mechanisms of its mobile application.

Question 14. What is the Bank's position on Western sanctions, especially when some competitors appear to only partially comply them? Is there any such "temptation" at Acba?

Response

The Bank's CEO, Hakob Andreasyan, stated that Acba takes a stricter approach to sanctions, considering its reputation as a bank that operates in accordance with international standards. He emphasized that compliance with international sanctions is unequivocally necessary. However, he also noted the importance of evaluating whether the Bank's approach might be excessively strict.

Question 15. With increasing digitalization rates, what programs does the Board have to ensure IT governance, taking into consideration the experience and competencies of the Board members?

Response

Rafayel Sargsyan, Chairman of the Board, stated that Board members are selected based on a skills matrix, which was approved by the Board and notified to shareholders. This matrix does include competencies in IT governance, and there are plans to engage professionals with expertise in this area on the Board. He added that the Bank had asked its qualifying shareholder Proparco, to appoint a Board member with expertise in that field, if possible. Additionally, the Bank places significant emphasis on enhancing IT knowledge of its Board members and regularly organizes targeted training sessions. Rafayel Sargsyan also noted that there is view which states that it is not strictly necessary to have highly specialized IT professionals on the Board. Experienced Board members who have occupied senior positions in large organizations typically have sufficient knowledge to have a high-level understanding of IT governance issues and required steps in that area. He noted that he agreed with that position and confirmed that there already are such individuals on the Board. He added that the Strategy Committee had identified digital development and transformation, and cybersecurity as key priorities.

Question 16. What work has been done to integrate blockchain technologies? Last year you noted that work was underway. Was it no longer included in this year's plans?

Response

Tigran Simonyan, Director of Digital Platforms and Technologies, confirmed that such work was indeed carried out last year. He noted that the Bank recognized the potential in that field and the necessary technologies to realize that potential were there; however, challenges were present regarding the regulatory policy of the area and the negative position of the Bank's international partners. Only after these issues are resolved will innovative products related to blockchain technologies and digital assets be introduced.

Question 17. My question is addressed to the independent auditor. What served as evidence for the audit?

Response

To answer the question, Thomas Magill, representative of the Bank's external auditor PricewaterhouseCoopers, referred to the auditor's responsibility section in the external audit opinion. He noted that that section discloses the purpose of the audit, which is to obtain a reasonable level of assurance. He added that they follow international auditing standards, which mandate professional judgment and skepticism. To achieve the audit objective, they first duly study the control environment, operating systems, and management processes. Based on these studies, they design tests and procedures such as testing control mechanisms, testing of IT systems of invoices, and recalculating management's estimates and judgments.

Question 18. How do you determine the level of satisfaction of the Bank's customers, and how has it changed since becoming a public company?

Response

Arsen Melkonyan, Director of Retail Business, stated that in 2023 they conducted a CSI study, which revealed a level of satisfaction of 83%. In 2024, that figure had already increased to 89%. He added that the NPS was also rising dynamically, notably from 32% in 2022 to 48% currently.

Question 19. The idea of customer education is very interesting. Are there any programs already in place?

Response

CEO Hakob Andreyan informed that educational programs have long been in place. He noted that the Bank conducts training sessions on various topics, including financial management, marketing, and digital marketing. He added that ACBA Federation regularly organizes training on agriculture and new technologies and approaches in the agriculture. He also emphasized the role of the Bank's branches in helping customers use digital tools and comply with information security rules.