

ACBA BANK GROUP ACCOUNTING POLICY

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1. PURPOSE OF THE POLICY AND APPLICATION SCOPE

1.1. The purpose of the ACBA bank group accounting policy (hereinafter referred to as "Policy") is to establish a system for collecting, recording, and summarizing monetary information about the status and movement of assets, equity, liabilities, as well as income and expenses of ACBA Bank Group (hereinafter referred to as the Group) companies through comprehensive and documentary accounting of operations, other cases and events.

1.2. The Policy is applied by the employees of the territorial and structural subdivisions of the Group's Parent and all Subsidiaries.

2. DEFINITIONS

ACBA BANK GROUP: the Parent Company and the Subsidiaries.

Parent Company: "ACBA BANK" OJSC - Parent Company of the Group.

Subsidiary: A company is considered a subsidiary if another (parent) company, by virtue of its dominant participation in its charter capital, has the ability to predetermine the decisions of such company.

3. RESPONSIBLE BODIES

3.1. The Board of the Parent Company:

- approves this Policy,
- approves the budget of the subsidiaries,
- bears final responsibility for the supervision of accounting and financial reporting at the Group level.

3.2. The Board of Subsidiary:

- bears responsibility for the supervision of Subsidiary's accounting and financial reporting.

3.3. Chief Financial Officer-Deputy CEO of the Parent Company is responsible and accountable for the effective implementation of the Policy at the Group level, its operation and the internal controls thereof. Rule application, operational procedures, applied tools and methods as well as timings shall always be aligned and in tune with the Parent company.

3.4. The Chief Executive Officer of the Subsidiary:

- Effectively implements the Policy in the Subsidiary.
- Assure respective internal controls in the Subsidiary.

3.5. The Chief Accountant of the Parent Company:

- executes operational application, implementation and supervision of the Policy at the Group level,
- ensures the preparation and publication of consolidated financial statements at the Group level in accordance with the requirements of legal acts regulating accounting,
- submits consolidated financial statements at the Group level to the Board and executive body of the Parent Company,
- submits Subsidiary's financial statements to the Board of the Parent Company,
- bears responsibility for maintaining the Parent Company's accounting, its condition and reliability, timely submission of annual reports, financial and statistical reports to state management bodies as defined by laws and other legal acts, as well as for the reliability of financial information provided to the Parent Company's participants, creditors and press and other mass media about the Parent Company, in accordance with the law, other legal acts and the Parent Company's charter.

3.6. The Chief Accountant of the Subsidiary:

- maintains the accounting and prepares financial statements of the Subsidiary in accordance with the requirements of legal acts regulating accounting,
- submits the summary package of the Subsidiary's financial statements to the Chief Accountant of the Parent Company for preliminary approval in jointly agreed format and frequency,
- bears responsibility for maintaining the Subsidiary's accounting, its condition and reliability, timely submission of annual reports, financial and statistical reports to state management bodies as defined by laws and other legal acts, as well as for the reliability of financial information provided to

participants, creditors and press and other mass media about the Subsidiary, in accordance with the law, other legal acts and the Subsidiary's charter,

- submits the report regarding the Subsidiary to the Chief Executive Officer of the Subsidiary and the Board of the Subsidiary and to the Chief Accountant of the Parent Company for presenting to the Parent Company's Board.

4. GENERAL PROVISIONS

4.1. The Policy includes specific principles, fundamentals, rules, methods and procedures that the Parent company chooses for maintaining the Group's accounting, preparing and presenting financial statements.

4.2. The Policy is developed according to the RA law "On accounting", orders approved by the RA central bank and other normative legal acts as well as the requirements of International Accounting standards (IAS), International Financial Reporting Standards (IFRS) and their interpretations.

4.3. The Policy enables the Parent company and Subsidiary of the Group to provide relevant and reliable information in financial statements, and taking into account not only the legal form but also the economic substance of transactions, to accurately present the results of operations and financial position of the Parent company and Subsidiary. At the same time, the financial statements of the Parent company and Subsidiary are prepared in accordance with the principles of preparing and presenting financial statements published by the International Accounting Standards Board (IASB), in particular, the principles of completeness, prudence, neutrality, reliability, comparability, and other principles.

4.4. The rules and methods for recognition of assets, liabilities, equity, income and expenses of the Parent company and Subsidiary and their reflection in financial statements are established in accordance with IAS and IFRS.

5. METHOD OF MAINTAINING ACCOUNTING RECORDS

5.1. In the Parent company and Subsidiary, accounting records are maintained by the respective accounting departments.

5.2. Accounting is maintained in a journal-entry form using application software.

5.3. Accounting is carried out continuously and based on strict documentary-evidence accounting.

5.4. The requirements for accounting documents, ensuring their validation conditions, organization of document circulation and archiving procedures comply with the requirements of RA legislation and internal legal acts.

5.5. The classification and accounting of assets, equity and liabilities according to their nature and economic substance is carried out in accordance with IAS, IFRS, the current chart of accounts and the requirements of its application guidelines.

6. FUNDAMENTALS OF ACCOUNTING

6.1. The Policy establishes IFRS-compliant foundations for accounting of assets, liabilities, equity, income and expenses, including:

- 1) Income and expenses are recognized and recorded on an accrual basis,
- 2) The financial statements of the Parent company and Subsidiary are prepared on a consolidated basis
- 3) Property, plant, equipment and intangible assets of the Parent company and Subsidiary, except for land, buildings and vehicles, are recorded at cost less accumulated depreciation and impairment losses,
- 4) Land, buildings and vehicles of the Parent company and Subsidiary are recorded at revalued amounts, which represent their fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses,
- 5) At the date of revaluation, accumulated amortization/depreciation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset,
- 6) Upon disposal of revalued assets, the amount included in the revaluation reserve is transferred to retained earnings,
- 7) Accounting for leased and leased-out fixed assets is carried out in accordance with IFRS 16 "Leases",
- 8) leased property that belongs to the Subsidiary by ownership right is recognized as a receivable and should be measured at the amount equal to the net investment in the lease at inception date. Interest

income is allocated over the lease term to reflect a constant periodic rate of return on the net investment outstanding,

9) In the Subsidiary's financial statements, lease receivables are presented under loans and receivables,

10) Repossessed assets are measured at the lower of cost and net realizable value,

11) Recognition and measurement of financial assets and liabilities of the Parent company and Subsidiary are carried out in accordance with IFRS 9 "Financial Instruments"

12) The Parent Company develops a methodology at the Group level for classification of financial assets in accordance with IFRS 9 "Financial Instruments",

13) Revenue from contracts is accounted for in accordance with IFRS 15. Revenue should be recognized at the amount of consideration to which the Parent company and Subsidiary expect to be entitled in exchange for transferring goods (products) and services,

14) Interest income and commission fees that are an integral part of financial instruments and leases are out of the scope of IFRS 15 and are regulated by IFRS 9 and IFRS 16,

15) Investments in associates are accounted for under the equity method and are initially recognized at cost, including goodwill. The future changes in the carrying amount reflect the changes in the Group's share in the net assets of the associated organization after the consolidation. The Group's share in profit or loss of the associated organization is recognized in the consolidated statement of comprehensive income, and the changes in provisions are recognized in other comprehensive financial results.

16) The Group measures financial instruments at fair value through profit or loss and at fair value through other comprehensive income and non-financial assets at fair value at each reporting date. Fair value is measured in accordance with IFRS 13,

17) Recognition and measurement of contingent assets and contingent liabilities of the Parent company and Subsidiary are carried out in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets",

18) Depreciation of intangible and right-of-use assets is calculated using the straight-line method,

19) Inventory costs of the Parent company and Subsidiary are recorded using the FIFO method,

20) The Parent Company measures the employee stock ownership program in accordance with IFRS 2,

21) The Parent Company performs market value assessment of consumer and mortgage loans to Group employees in accordance with IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", based on financial market rates published by the Central Bank of Armenia,

22) The Parent Company accounts for financial guarantees in accordance with IFRS 9 requirements, namely: financial guarantees are initially measured at fair value,

23) The Parent Company accounts for non-financial guarantees as loan commitments by applying the impairment requirements of IFRS 9. The accounting approach is subject to change in case of changes in legal mechanisms regulating future payments by the Guarantee provider (insured) to the issuer (Parent Company) in contracts,

24) The Subsidiary may open current and deposit accounts in the Parent Company and other banks in the normal course of business. Amounts due from banks are presented in the financial statements at amortized cost less allowances for possible losses,

25) Grants related to assets of the Parent company and Subsidiary are included in other liabilities and recognized as income on a straight-line basis over the useful life of the asset,

26) Calculation of taxes, state duties and other mandatory payments, formation and settlement of liabilities to the state budget, as well as recognition and reflection of deferred tax assets and liabilities in the statements of the Parent company and Subsidiary are carried out in accordance with the RA Tax Code, customs legislation and other regulatory acts

7. PUBLICATION OF REPORTS

7.1. The Parent company and Subsidiary publish their financial statements in accordance with the regulations and timeframes established by the legislation and by the Parent company's procedures.

7.2. The Parent company and Subsidiary publish statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, notes to the statements.

7.3. Based on the provisions of IAS 1 and IAS 8, the Financial Directorate of the Parent Company establishes a materiality threshold for the Parent company and Subsidiary for each year, which after pre-approval by the Audit Committee under the Parent Company's Board is approved by the Chief Executive Officer of the Parent Company.

7.4. The Parent Company submits daily, weekly, monthly, quarterly and annual reports to the Central Bank of RA in accordance with CBA Regulation 3, while the Subsidiary submits reports in accordance with CBA Regulation 15. The Parent company and Subsidiary prepare and submit tax reports in accordance with RA tax legislation and other regulatory acts.

8. RELATED DOCUMENTS

International accounting standards	
International financial reporting standards	
RA Law "On Accounting"	
RA Tax Code	
RA Law "On Regulation of Accounting and Auditing Activities and Public Oversight"	