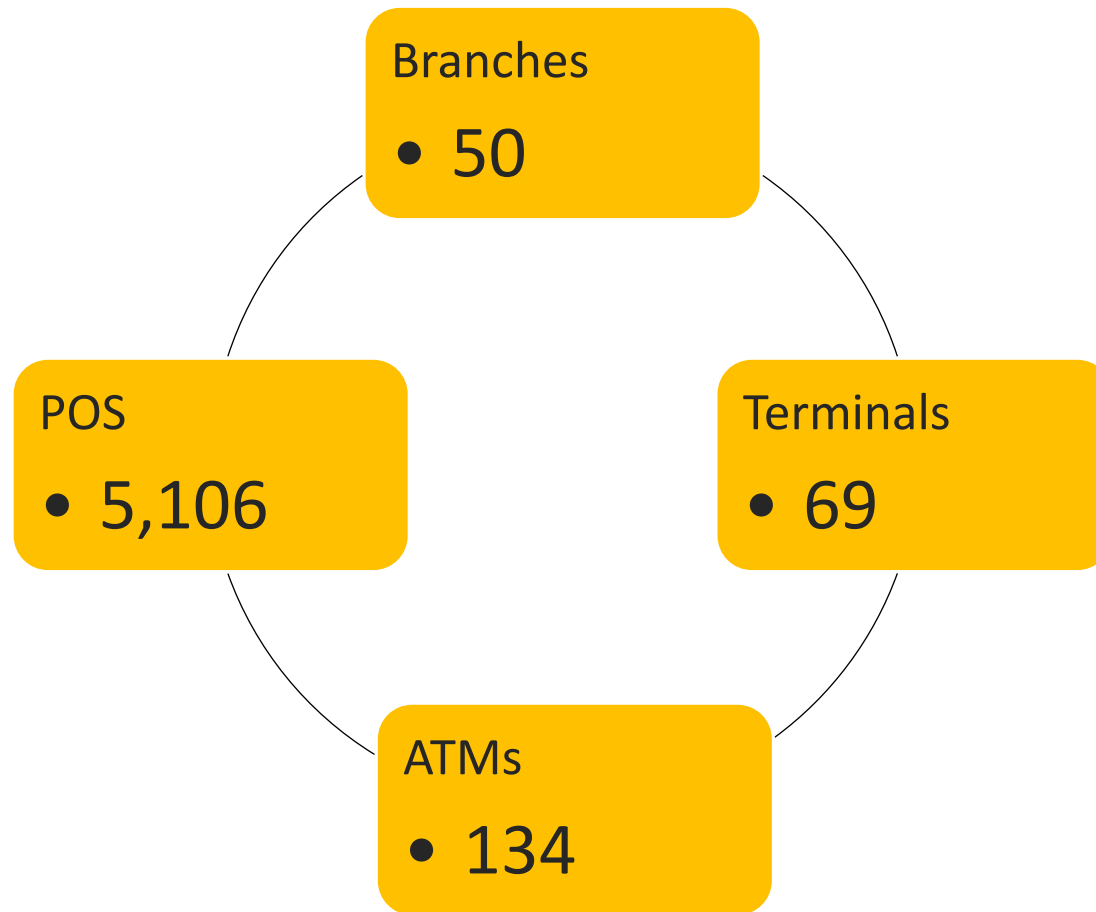




# ՏԱՐԵԿԱՆ ՀԱՇՎԵՏՎՈՒԹՅՈՒՆ ANNUAL REPORT

- Over the past year, the Bank's total assets grew by 4.0% and reached AMD 419,489 million, with the average growth rate of 11.7% achieved for the last ten years.
- Total liabilities increased by 1.6% compared to 2023 and amounted to AMD 349,659 million, with the average growth rate of 11.6% since 2014.
- Loans to customers amounted to AMD 218,114 million, increasing by 8.8% during the reporting year. In the last ten years, the indicator has grown at an average of 12.7%.
- Investments in securities decreased by 2.0%, standing at AMD 52,977 million. The average growth rate since 2014 amounted to 13.1%.
- Term deposits grew by 31.5%, amounting to AMD 147,093 million, with the average growth rate of 18.4% since 2014. Funds of individuals increased by 27.5% over the year, and those of legal entities - by 53.9%. Demand account balances decreased by 12.7% to AMD 143,075 million.
- The Bank's net interest margin increased by 0.7 pp compared to 2023 and amounted to 5.2%.
- Net profit totaled AMD 12,191 million, increasing by 12.6% compared to 2023.
- Total capital increased by 17.7% against 2023 and amounted to AMD 69,830 million, with the average growth rate of 12.4% for the last decade.
- As of December 31, 2024, the branch network of the Bank comprised 50 branches.





Dear Shareholders, Customers, Partners,

In 2024, as in the previous years, we were yet again faced with uncertainties and challenging times. While adapting and simultaneously responding to the evolving environment and technological challenges, we ensured a seamless delivery of services awaited from us, focusing on customer care and offering innovative and suitable solutions dictated by current imperatives.

The year 2024 was not only a further growth and strong performance year for the Bank, but also a time of further advancement of relationships with our partners and customers and enhanced care for our employees.

Over the past year, we have expanded our digital services, consistently introducing a digital mindset and culture that will allow us to remain competitive on the future market. We have renewed our efforts towards ensuring a more transparent and customer-centric corporate culture.

I am confident that in 2024, we took one more step in honoring the trust placed in us.

We clearly possess the will, commitment, and enthusiasm to continue to undertake projects and contribute to the further growth of the Bank, welfare of our customers, and the overall economic development of the country.

## MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear Shareholders, Customers, Partners,

Notwithstanding the challenges which could have a strong impact and implications for the RA banking system beyond 2022, the year 2024 was a year of uphill success for Araratbank, both in terms of new institutional partnerships and important accomplishments.

The international assessments documenting the strategy and sustainable development efficiency of the Bank are particularly encouraging. The Bank has signed a USD 25 million loan agreement with the Dutch Entrepreneurial Development Bank (FMO), with 40% of the loan facility earmarked for green projects, and 60% - for projects aimed at reducing social inequality. We have expanded our partnership with BlueOrchard Global Microfinance Fund and responsAbility Global Microfinance Fund, signing with each of them a loan agreement for USD 5 million. We have strengthened our partnership with the EBRD, signing two agreements worth USD 5 million each. One of the loan facilities includes a specific component aimed at supporting Armenians displaced during 2020-2023.





## MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

The expansion of international partnerships and the outcomes of activities driven by our strategic priorities have not remained unnoticed: we have been honored with a number of international awards. At the 33rd EBRD Annual Meeting, ARARATBANK received the Climate Practices and Transition Planning Programme Armenia Award. We were granted the Business Growth Achievement Award by the Ria Money Transfer System. We were named the Best Investor Relations Bank Armenia by Global Banking & Finance Review. The Bank was awarded the Large CSR Company of the Year at "Nviroum" Corporate Social Responsibility Awards ceremony held by ICC National Committee of Armenia. This recognition is a testament to our commitment to the principles of corporate social responsibility and sustainable development.

From a financial perspective, the year 2024 has yielded significant results. The Bank's assets amounted to AMD 419,489 million, with an increase of 4.0% or AMD 16.0 billion compared to the previous year. In fact, the past ten years have shown an average annual growth rate of 11.7% in the Bank's assets. The share of earning assets in total assets reached 85.8%.

The balance of loans to customers as of the end of the year amounted to AMD 218,114 million, showing an increase of 8.8% compared to the previous year. The loan portfolio makes 52.0% of total assets. A growth in the volumes was seen in all loan types, with retail loans increasing by 16.1% and corporate loans - by 0.7%.

The Bank's liabilities amounted to AMD 349,659 million, increasing by 1.6%. Term deposits reached AMD 147,093 million, increasing by 31.5% against 2023.

The Bank's equity amounted to AMD 69,830 million, showing an increase of 17.7% compared to the previous year. The book value per share reached AMD 37,276.

The Bank's net profit amounted to AMD 12,191 million, which is 12.6% higher than in 2023.

During 2024, ARARATBANK continued to play an active role in the securities market within the framework of its investment policy. As of the end of 2024, the Bank's investment securities portfolio totaled AMD 52,977 million. The average growth rate over the past ten years was 13.1%.

The Bank has also been actively involved in green finance programs. In partnership with the GGF fund and IPC consultancy firm, a technical assistance program on the introduction of green lending processes was launched at the Bank.

As we turn the page to 2025, we are fully determined to continue our sustainable long-term activity, combining the latest technological features and advanced standards of banking services, expanding our presence in the market, enhancing the quality and accessibility of services through a roll-out of innovative programs, as well as actively contributing to the economic and social development of our country.

Thank you for your trust and confidence.

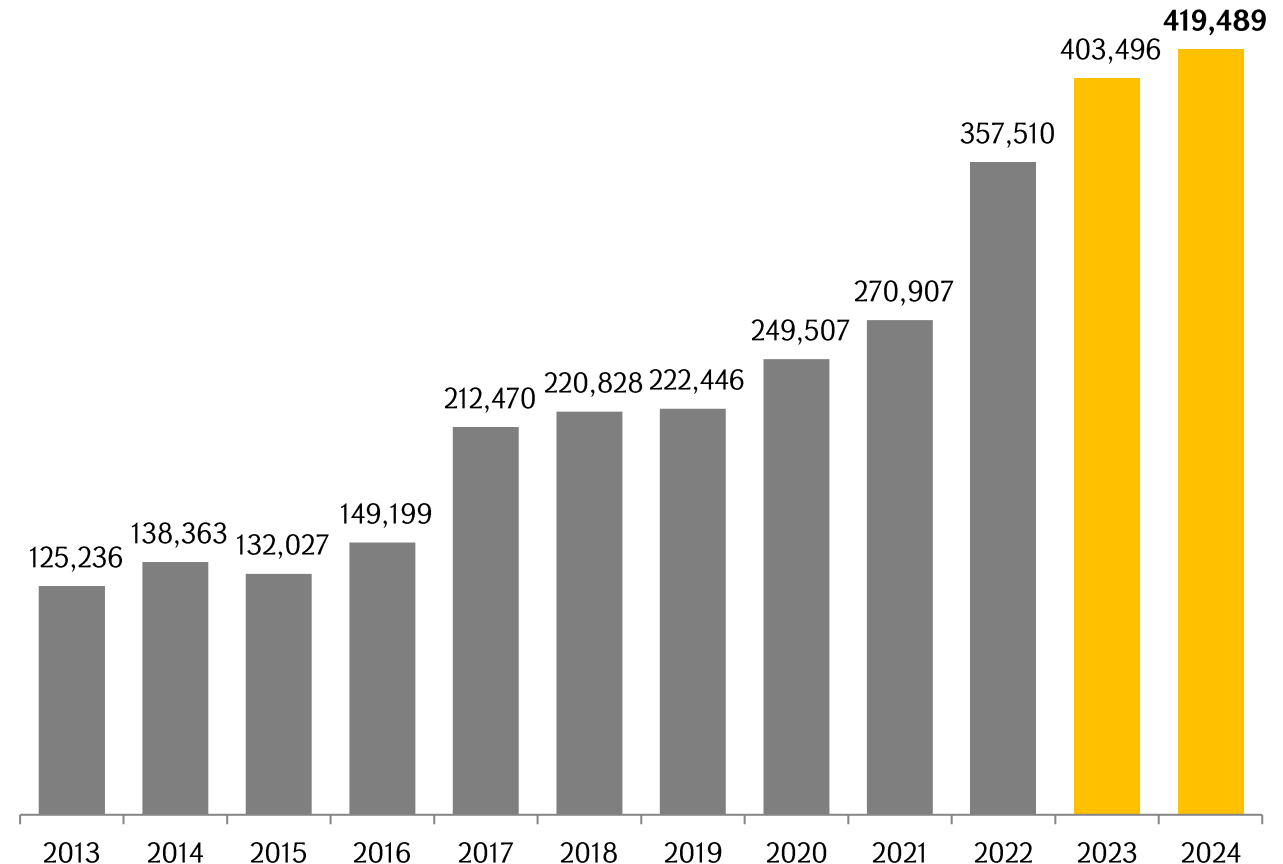
- ARARATBANK and the Dutch Entrepreneurial Development Bank (FMO) signed a \$25 million facility agreement, with 40% of the loan funds earmarked for green projects and 60% - for projects aimed at reducing social inequality.
- ARARATBANK continued its partnership with BlueOrchard Global Microfinance Fund and responsAbility Global Microfinance Fund, signing with each of them a loan agreement for USD 5 million.
- ARARATBANK and the EBRD signed two agreements worth USD 5 million each. One of the loan facilities includes a specific component aimed at supporting Armenians displaced during 2020-2023.
- At the 33rd EBRD Annual Meeting, ARARATBANK received the **Climate Practices and Transition Planning Programme Armenia** Award.
- ARARATBANK was granted the **Partner of the year 2024 in Armenia** Award by the Ria Money Transfer System.
- ARARATBANK was named the Best Investor Relations Bank Armenia by [The Global Banking and Finance Review](#).
- ARARATBANK won 5 awards at the annual AMX Awards Ceremony, including:
  - *Best Underwriter in corporate bond market*
  - *Best Collaborative Member of the Depository System*
  - *Most Progressive Member of the Depository System*
- During the first-ever Visa Cashless Forum event held in Yerevan, ARARATBANK was awarded the prestigious **Strong Partnership** Award for close and effective cooperation with Visa in implementing and delivering new projects.



In general, the year 2024 was economically and financially healthy for Armenia from growth and financial performance perspectives. The economic growth rates, gradually stabilizing, but still well above the long-term sustainability levels, as well as the essential volumes of foreign trade and high domestic demand played a major role in this process. For ARARATBANK, 2024 was a successful year in terms of strategic investments and particularly high profitability indicators.

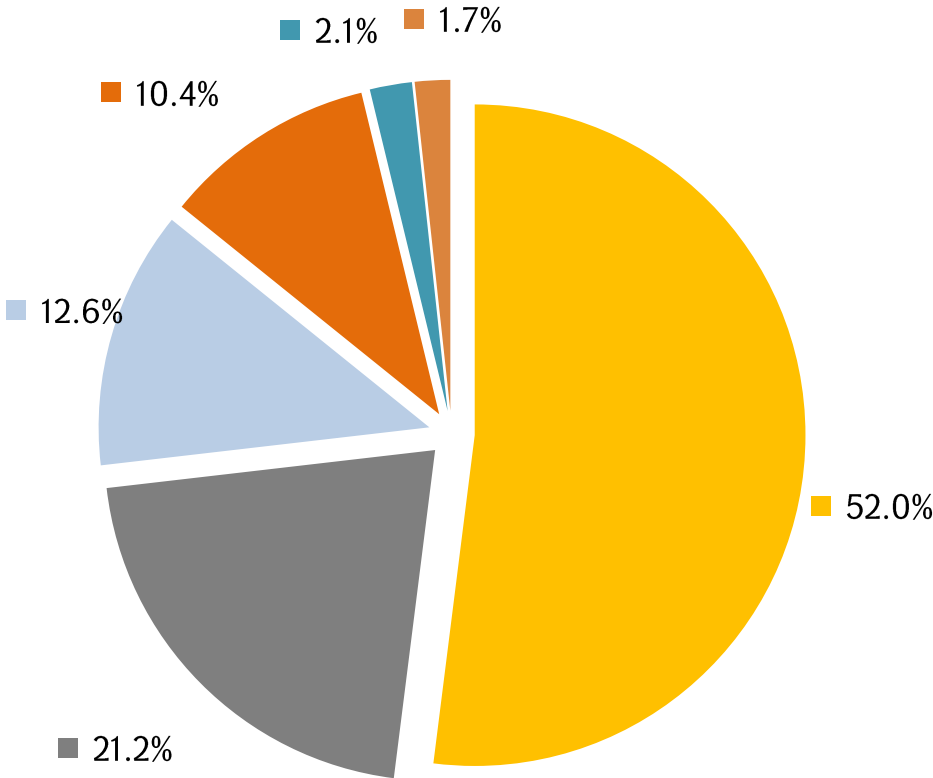
According to the 2024 yearend review, the Bank's assets amounted to AMD 419,489 million. Compared to the previous year, the indicator increased by 4.0% or AMD 16.0 billion. The Bank's assets grew by an average of 11.7% annually over the last decade.

Total assets, AMD million



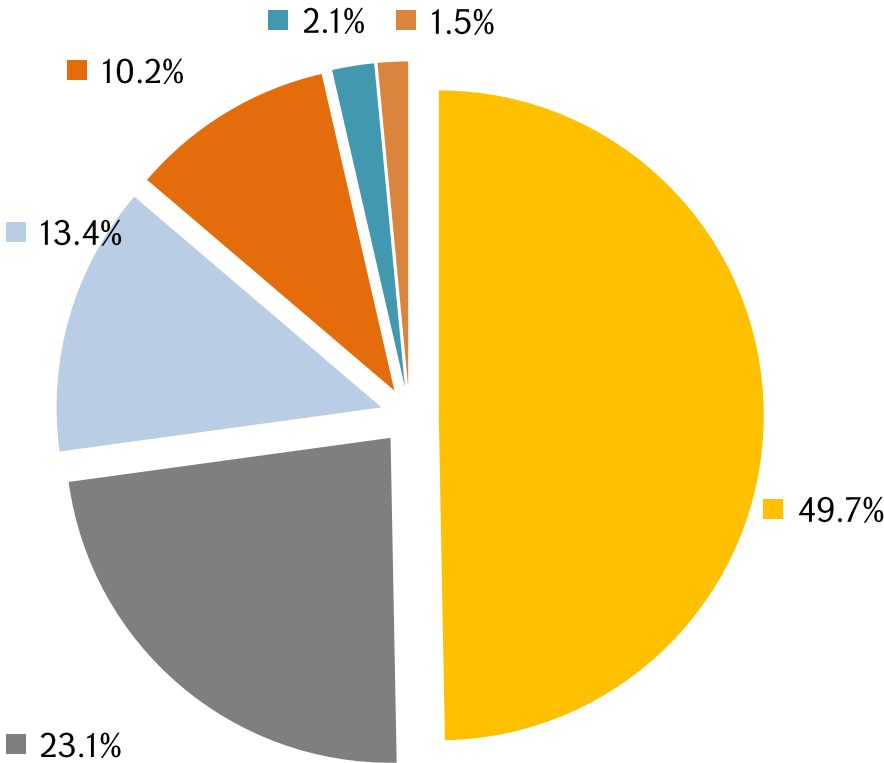
The share of earning assets in total assets stood at 85.8%.

31.12.2024



- Loans to customers
- Due from banks and other financial institutions
- Investment securities
- Cash funds
- Fixed assets and intangible assets
- Other assets

31.12.2023

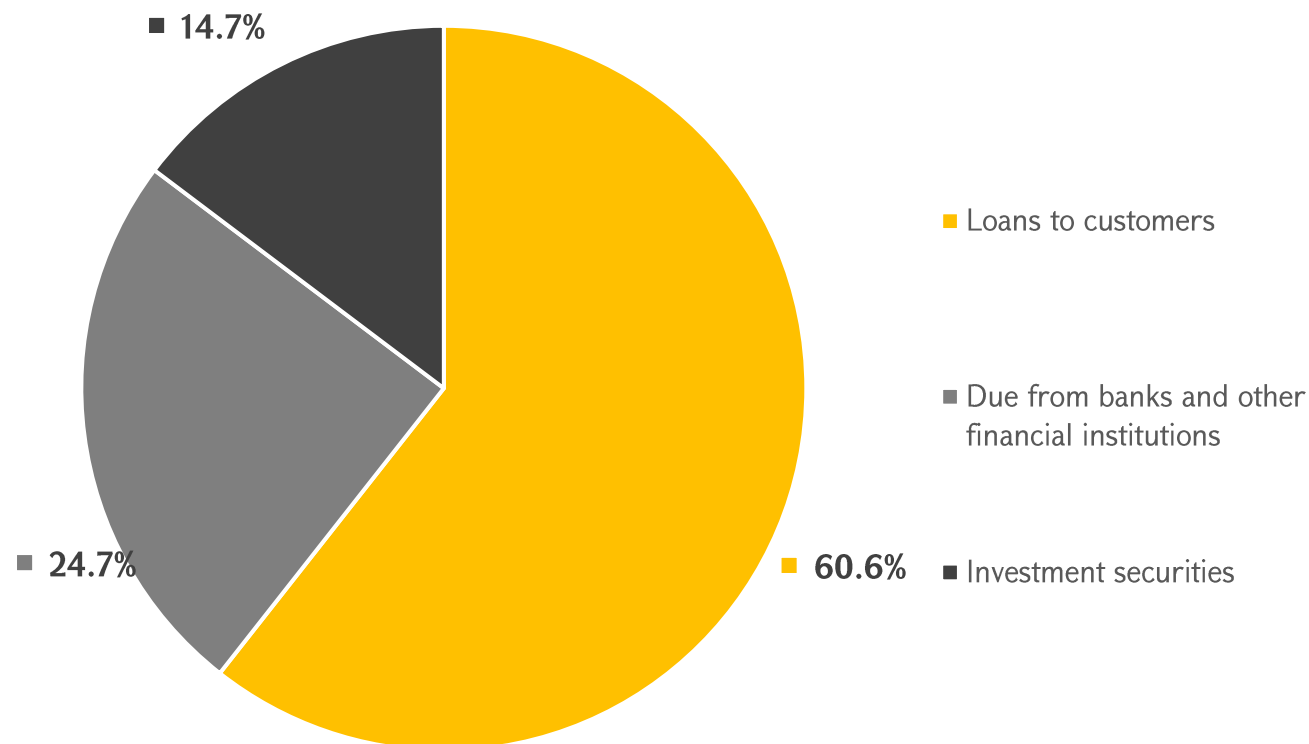


## EARNING ASSETS STRUCTURE IN 2024 AND 2023

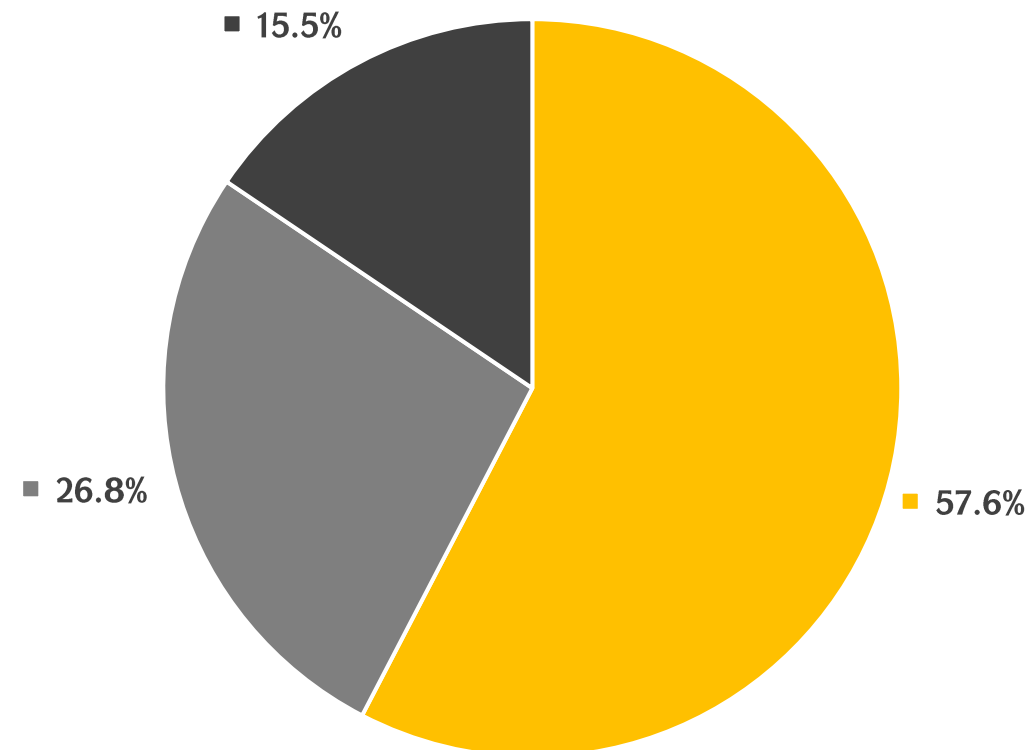
(AMD million)

	2024	2023	Change	%
<b>Assets, including</b>	<b>419,489</b>	<b>403,496</b>	<b>15,993</b>	<b>3.96%</b>
<b>Earning assets, including</b>	<b>359,894</b>	<b>347,959</b>	<b>11,935</b>	<b>3.43%</b>
<i>Loans to customers</i>	<i>218,114</i>	<i>200,539</i>	<i>17,574</i>	<i>8.76%</i>
<i>Due from financial institutions</i>	<i>88,803</i>	<i>93,334</i>	<i>-4,530</i>	<i>-4.85%</i>
<i>Investment securities at fair value through other comprehensive income</i>	<i>46,643</i>	<i>45,258</i>	<i>1,385</i>	<i>3.06%</i>
<i>Investment securities at amortized cost</i>	<i>6,335</i>	<i>8,828</i>	<i>-2,494</i>	<i>-28.25%</i>
<b>Share of earning assets</b>	<b>85.79%</b>	<b>86.24%</b>		

31.12.2024



31.12.2023



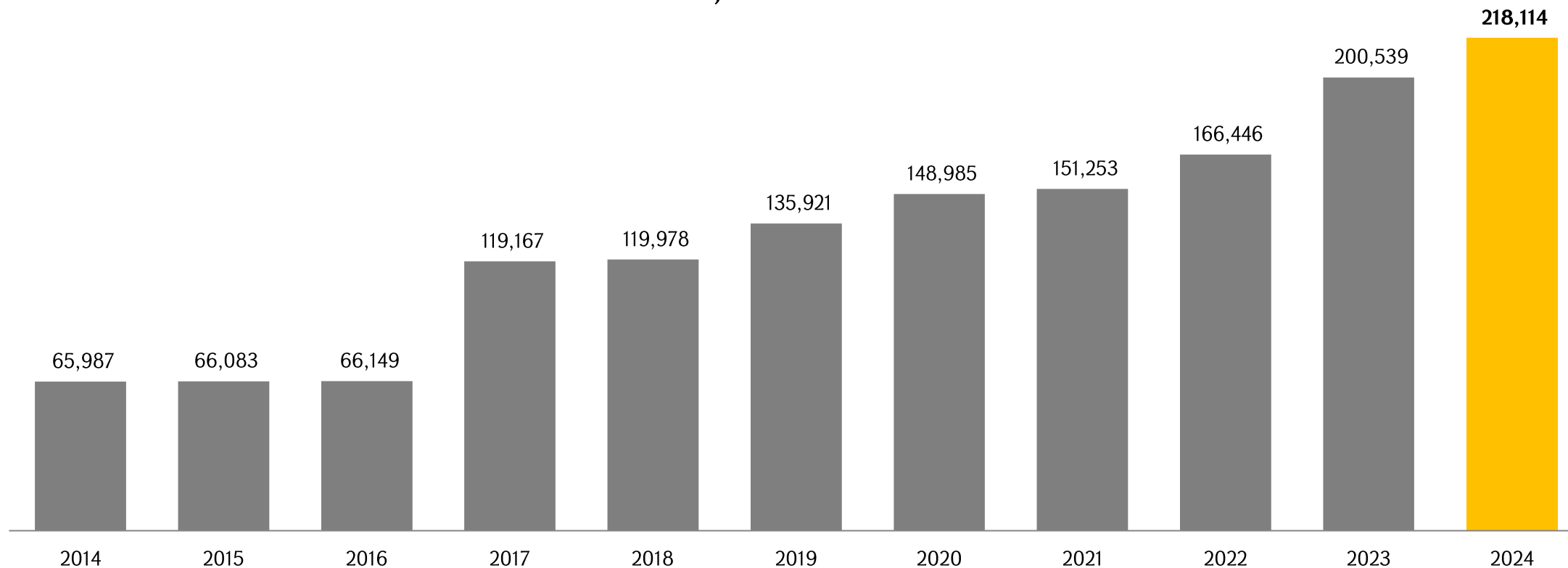
Given the fact that loans to customers grew by 8.8% compared to 2023, and amounts due from financial institutions and investment securities decreased by 4.9% and 2.0%, respectively, the share of earning assets remained almost the same against the previous year, amounting to 85.8%, with a structural shift towards loans.

During 2024, the Bank ensured significant growth of its loan portfolio, while remaining committed to its priorities. The processes implemented in this regard during 2024 are outlined below:

- In 2021, the Bank received a guarantee coverage of USD 20 million from the Dutch Entrepreneurial Development Bank (FMO) (under NASIRA project), with a deadline of August 2025 for targeted business loan disbursements. However, thanks to competitive loan instruments and efficient work, the limit was almost fully used by early 2024.
- In 2024, determined to take an institutional approach to green lending issues, ARARATBANK initiated a technical assistance program on the introduction of green lending processes, supported by the GGF fund and IPC consultancy firm.

As of the end of 2024, the balance of loans provided to customers amounted to AMD 218,114 million. Compared to 2023, the increase in the indicator amounted to 8.8% or AMD 17,574 million, while the average growth rate over the last ten years stood at 12.7%. In 2024, the Bank's total loan portfolio amounted to 52.0% of total assets, against 49.7% of the previous year, which is attributable to high lending volumes.

**Loans to customers, AMD million**



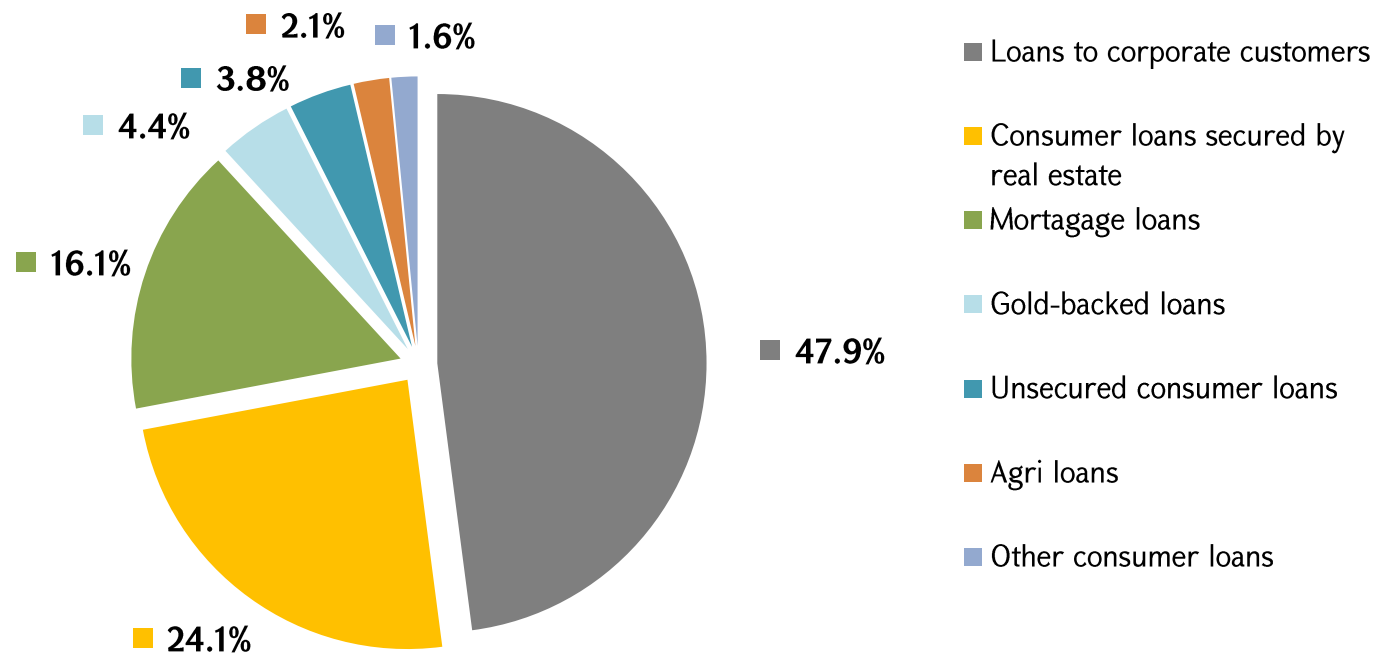


## FINANCIAL OVERVIEW

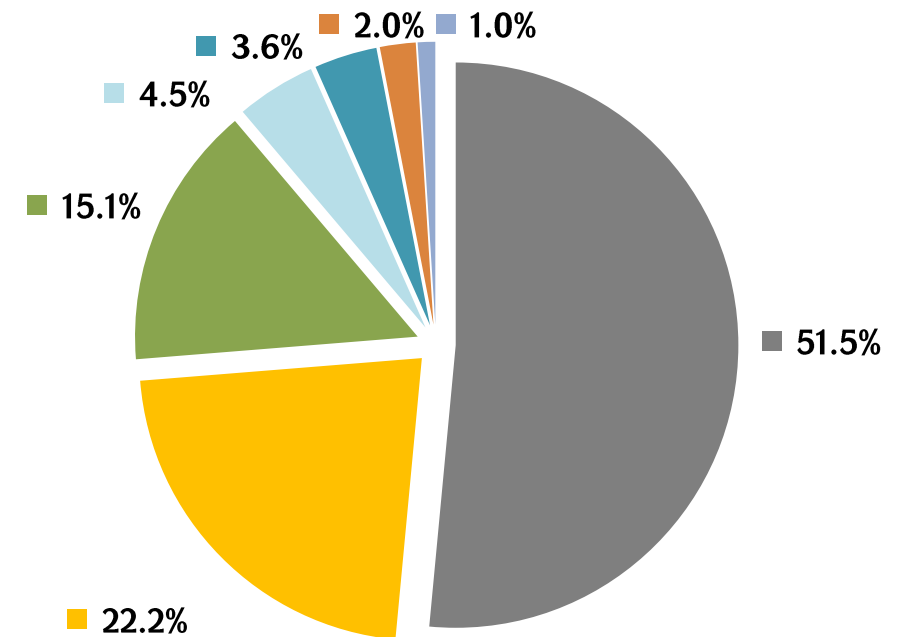
### LOANS STRUCTURE

An increase in loan volumes was recorded in all types of loans provided by the Bank. Thus, the volume of mortgage loans amounted to AMD 35,526 million as of the end of 2024, with an increase of 15.7% against AMD 30,708 million of the previous year. Secured consumer loans grew by AMD 7,812 million or 17.3% compared to 2023, amounting to AMD 53,048 million as of the end of 2024. In 2024, rises of volumes were also seen in agricultural loans (12.7%), other consumer loans (68.2%), gold-backed and unsecured consumer loans (4.7% and 12.9%, respectively). Lending volumes to corporate clients amounted to AMD 105,524 million at the end of the accounting year, increasing by 0.7% against the same period of the previous year.

**Loans Structure, 31.12.2024**



**Loans Structure, 31.12.2023**

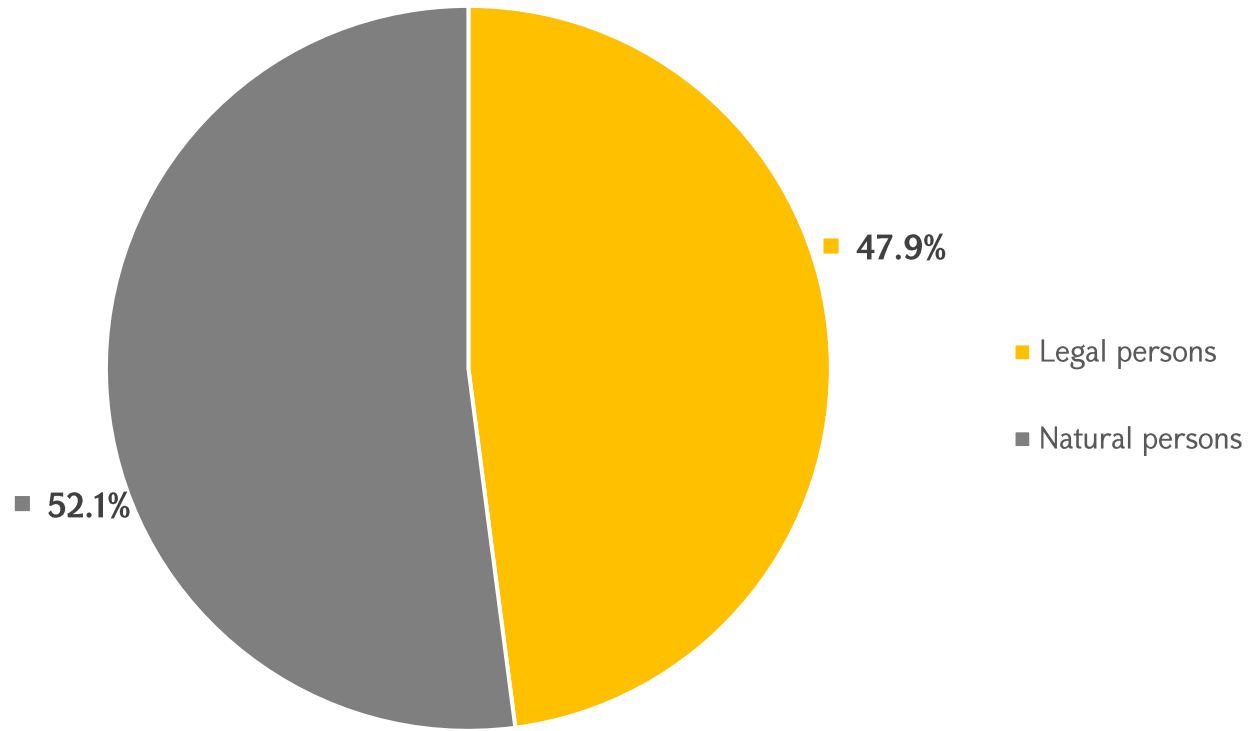


## FINANCIAL OVERVIEW

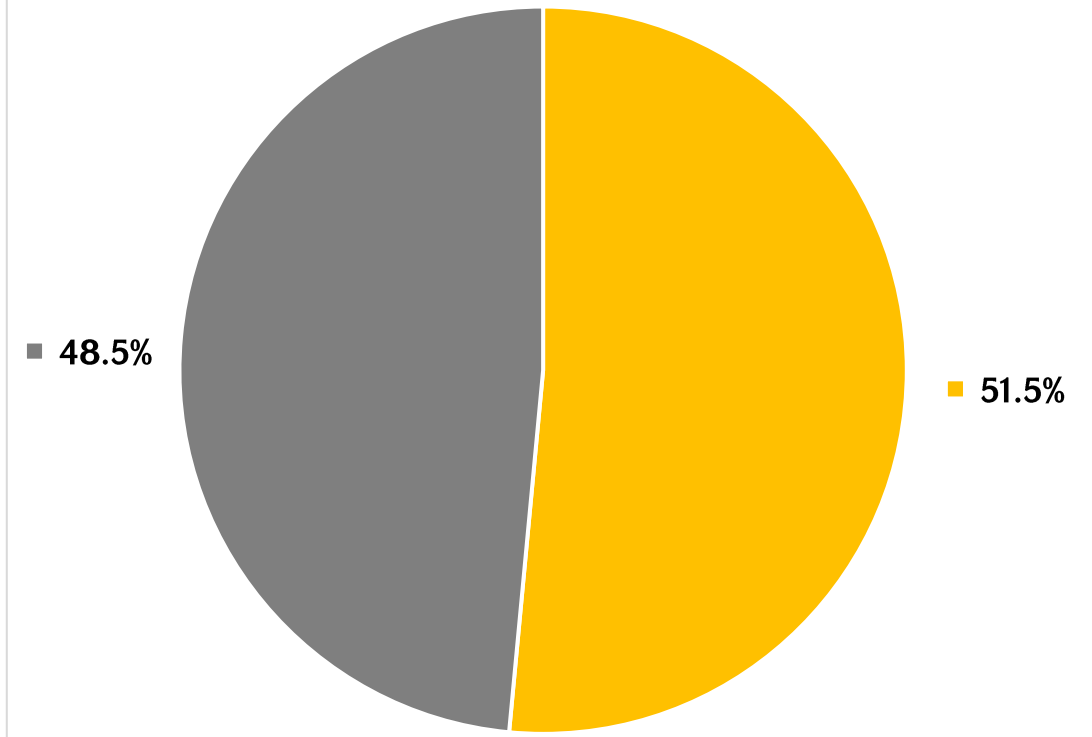
### LOANS STRUCTURE

As of 2024 yearend, the share of loans provided to natural and legal persons in the total loan portfolio changed compared to 2023, given the increase in the share of loans to individuals by 3.6% to 52.1%.

**31.12.2024**

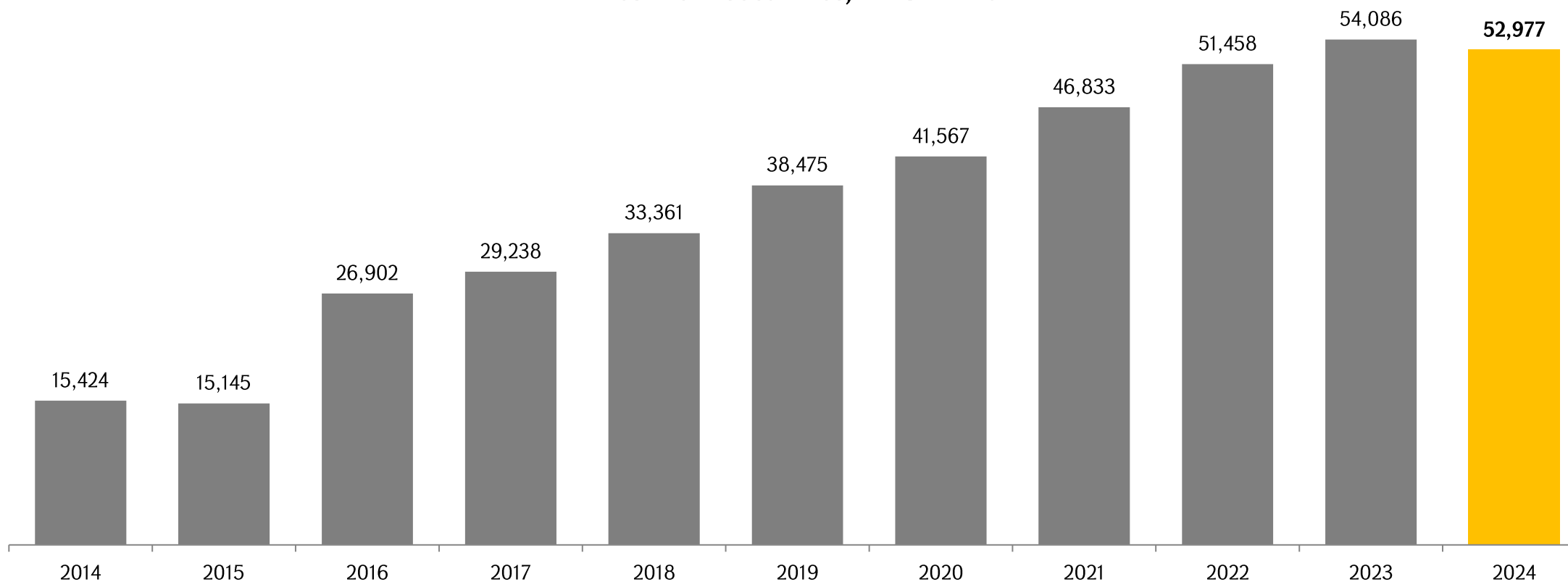


**31.12.2023**

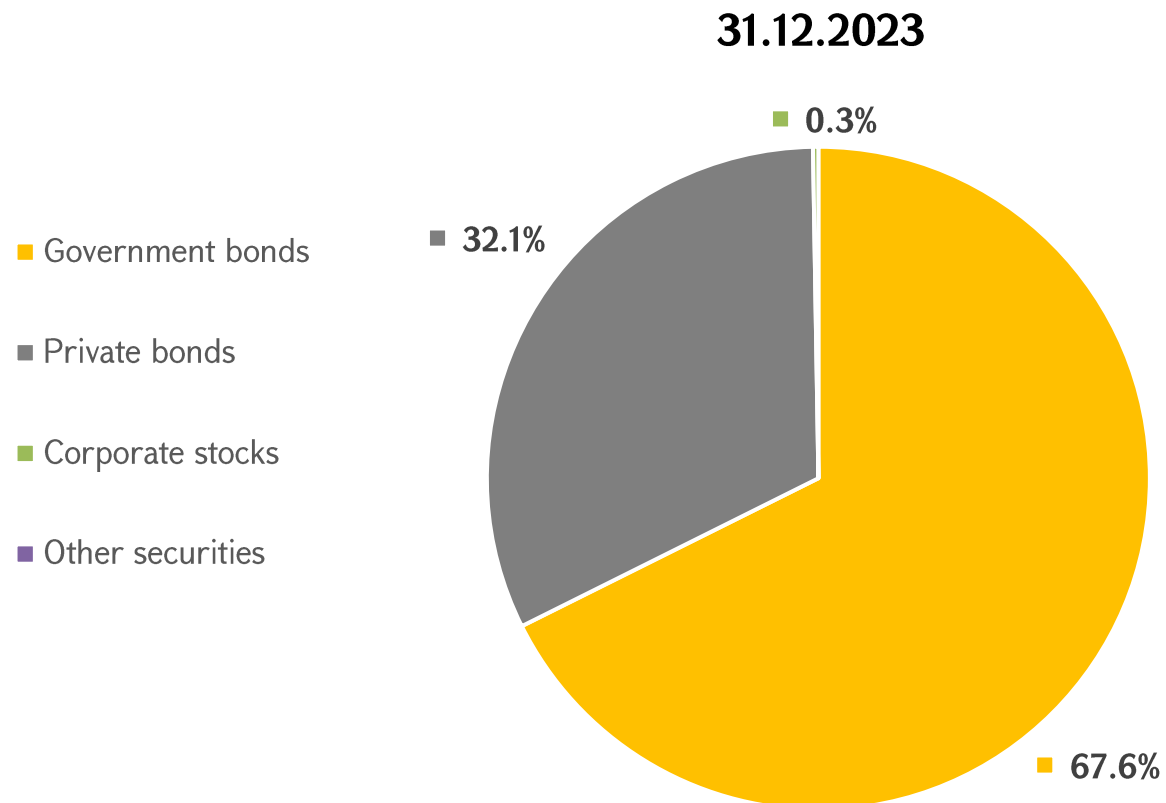
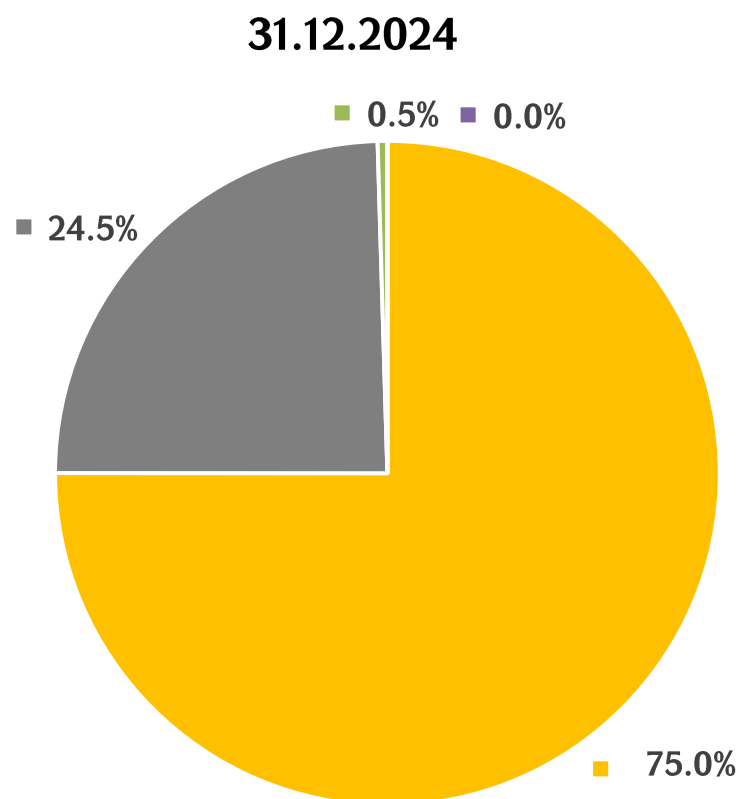


In 2024, ARARATBANK continued to be an active participant in the securities market within the frames of its investment policy. As of the end of 2024, the Bank's investment securities portfolio amounted to AMD 52,977 million. Compared to 2023, the indicator dropped by 2.0% or AMD 1,109 million, with the average growth rate of 13.1% over the last ten years.

**Investment securities, AMD million**



The share of RA government bonds in the investment portfolio increased by 8.6%, amounting to 75.0%.

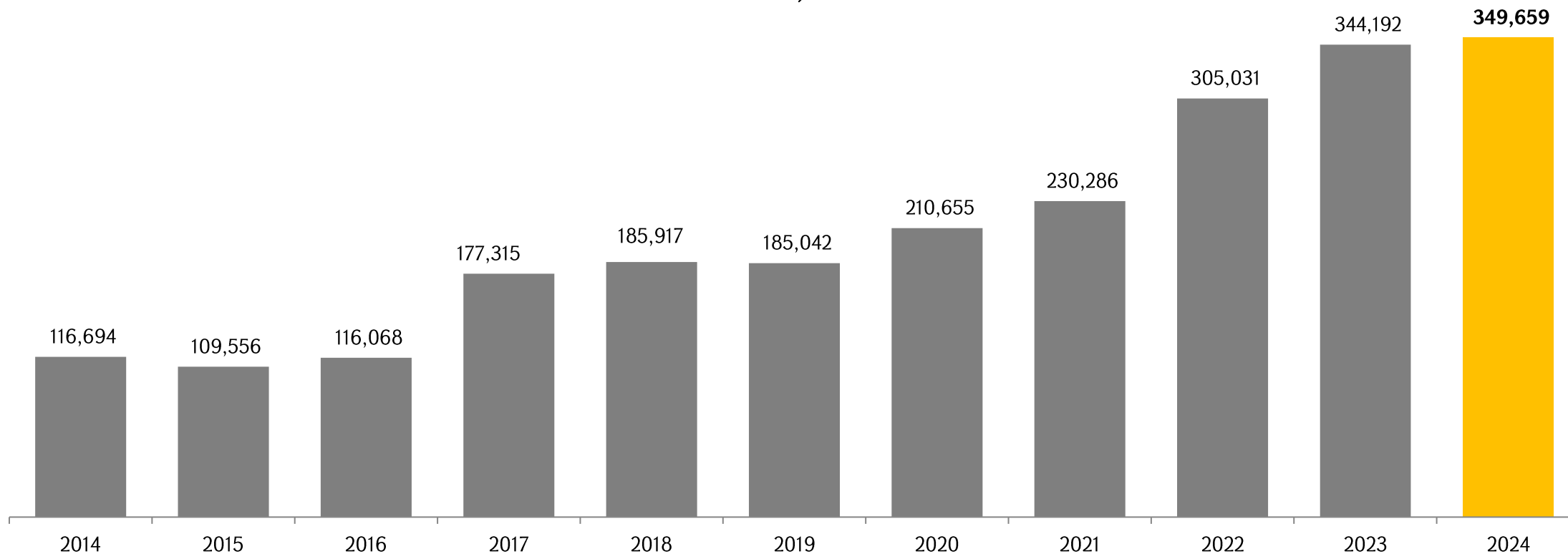


## FINANCIAL OVERVIEW

### LIABILITIES

As of the end of 2024, the Bank's liabilities amounted to AMD 349,659 million, increasing by 1.6% or AMD 5,466 million compared to the previous year.

**Total liabilities, AMD million**



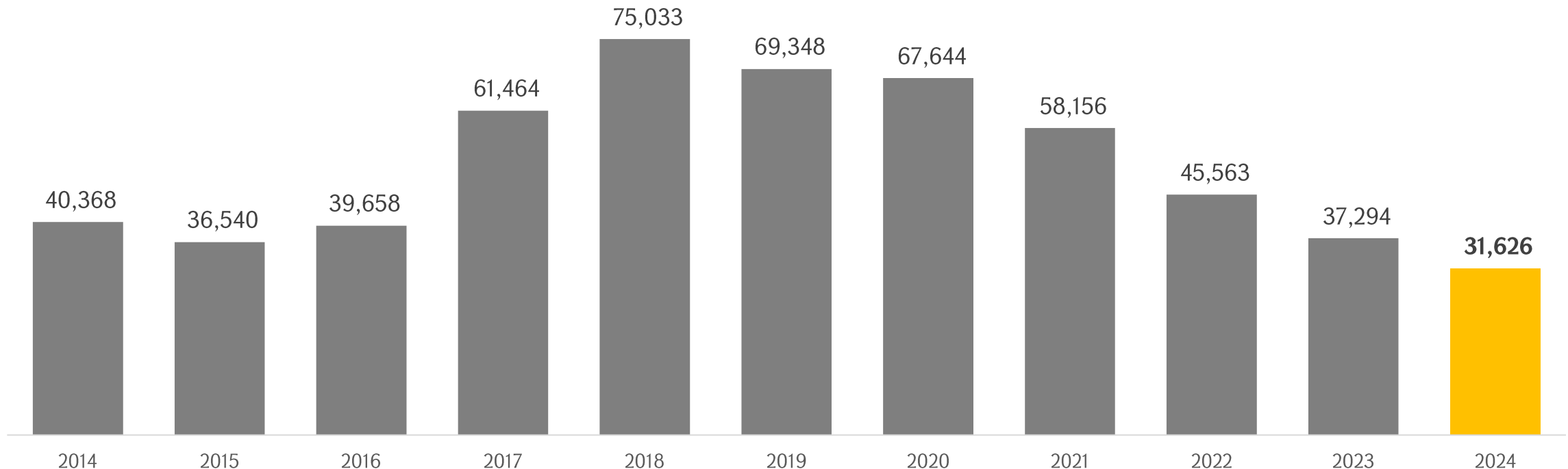
The increase in liabilities over the previous year resulted mostly from the growth in customer term deposits.

## FINANCIAL OVERVIEW

### FUNDS ATTRACTED FROM IFIs

As of the end of the year, the Bank's borrowings from international financial institutions and non-resident banks amounted to AMD 31,626 million or 9.0% of liabilities. Compared to 2023, the attracted funds decreased by 15.2%, which is attributed to high interest rates in international markets. The Bank continued to actively cooperate with a number of international organizations, including the Dutch Entrepreneurial Development Bank (FMO), the European Bank for Reconstruction and Development (EBRD), the European Fund for Southeast Europe (EFSE), the Black Sea Trade and Development Bank (BSTDB), Incofin Investment Management, Blue Orchard, the Eurasian Development Bank (EDB), SYMBIOTICS SICAV and other financial institutions.

**Funds attracted from IFIs, AMD million**

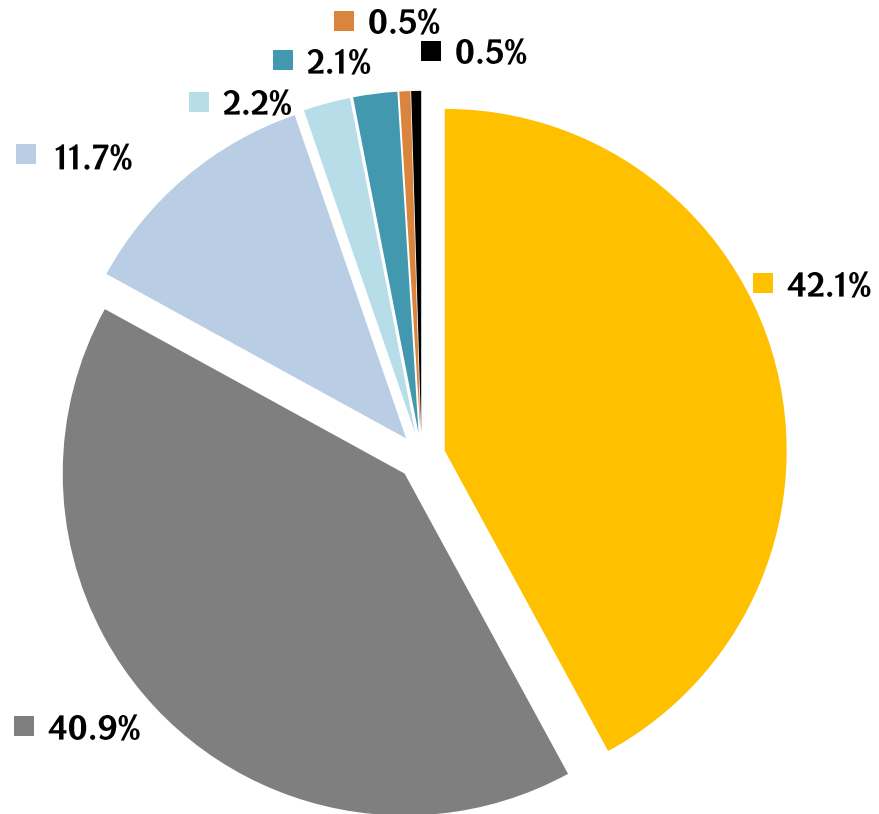




# FINANCIAL OVERVIEW

## LIABILITIES STRUCTURE

31.12.2024



Term deposits

Current accounts and demand funds

Funds received from international and other financial institutions

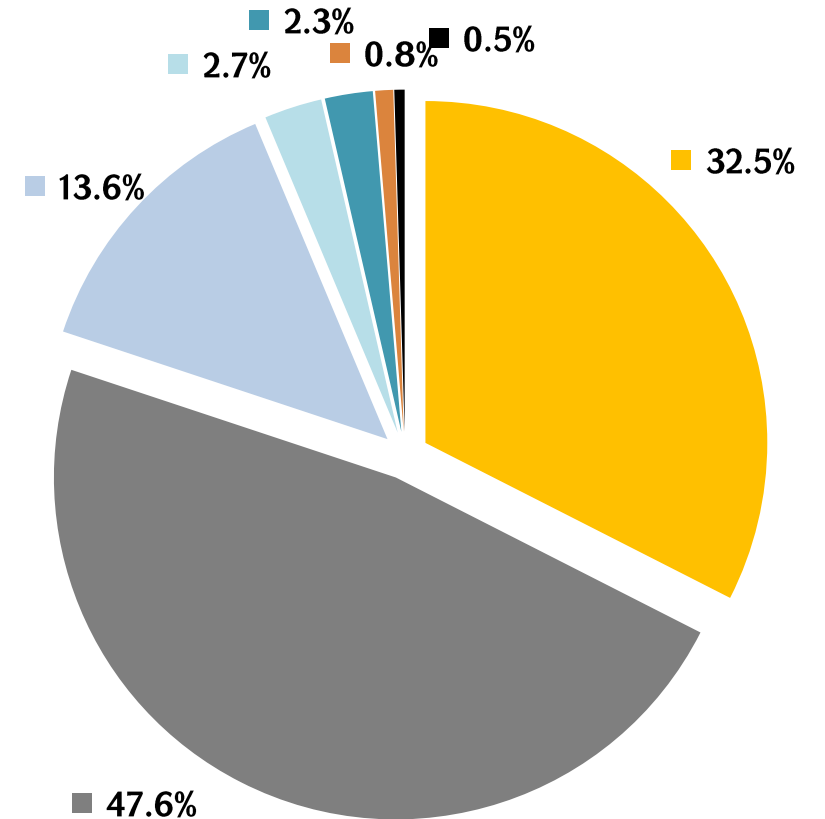
Other liabilities

Securities issued by the Bank

Liabilities to banks

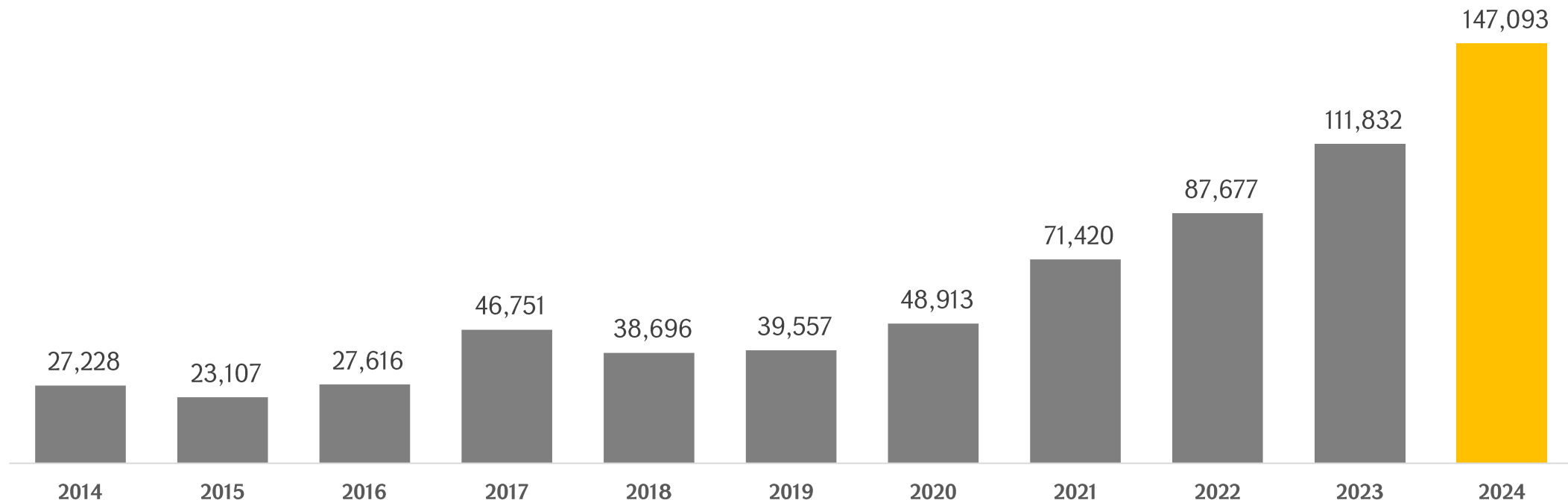
Subordinated loan

31.12.2023

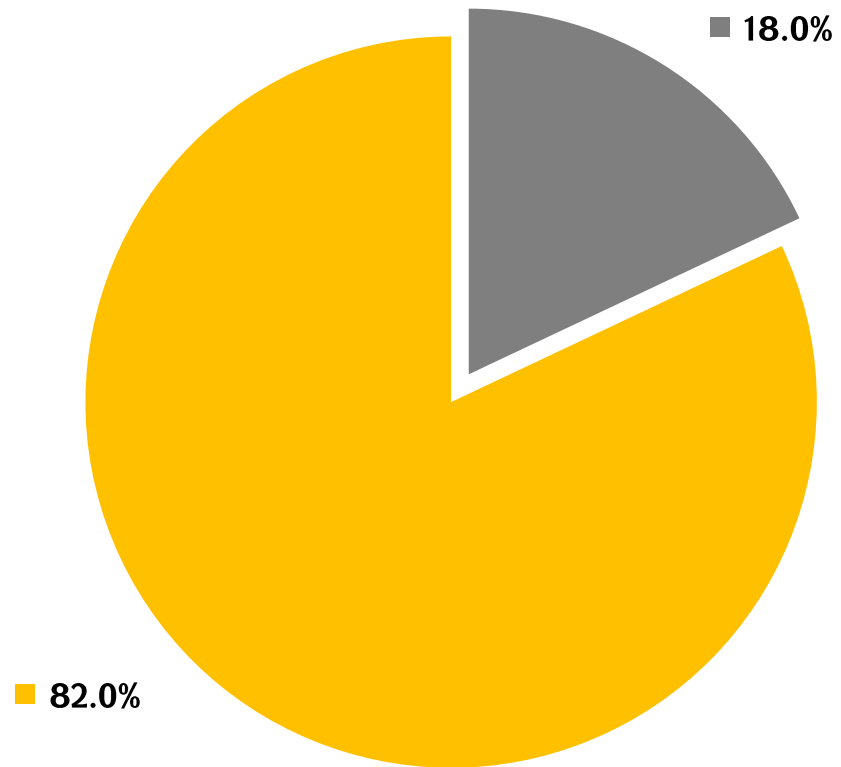


As of the end of the reporting year, term deposits amounted to AMD 147,093 million or about 42.1% of total liabilities, increasing by 31.5% compared to 2023, with the average growth rate of 18.4% over the last decade. Within a year, term deposits of individuals increased by 27.5%, and those of legal entities - by 53.9%.

Term deposits, AMD million

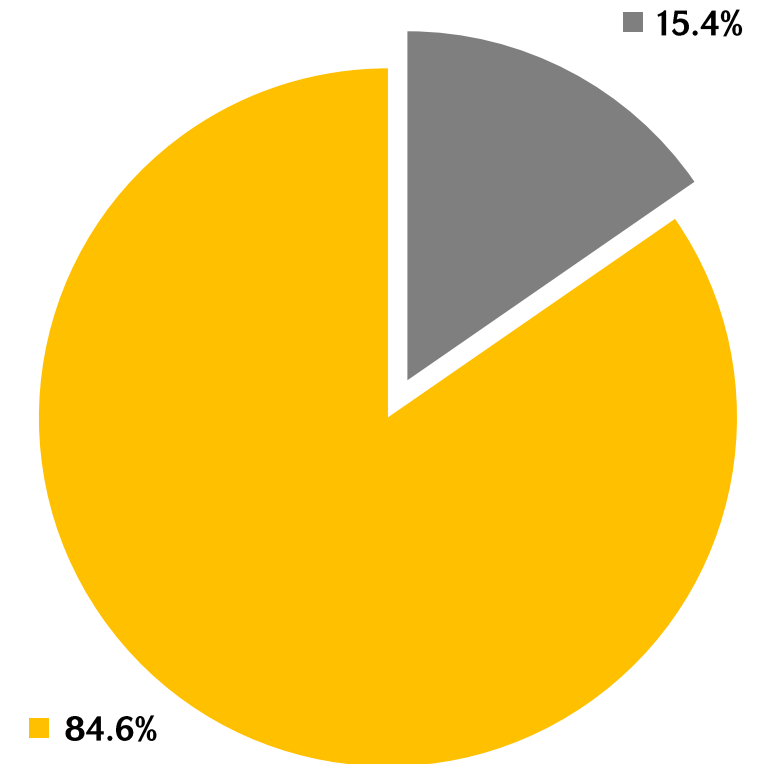


31.12.2024



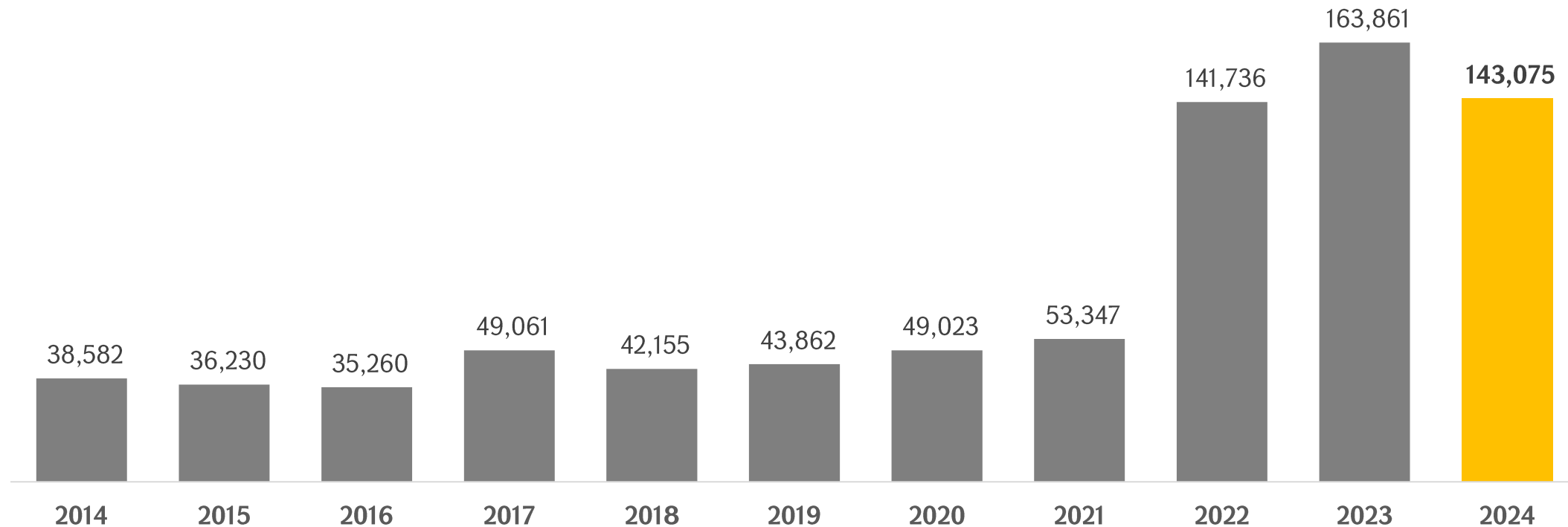
■ Legal persons  
■ Natural persons

31.12.2023

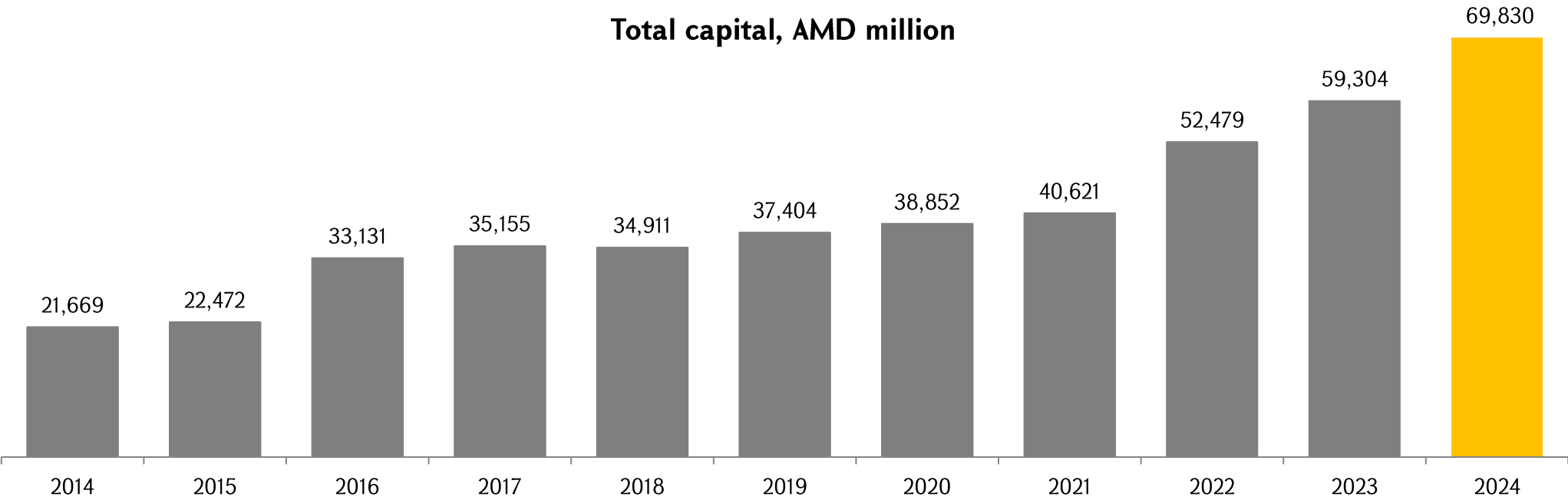


At the end of the reporting year, the Bank's current accounts and demand deposits amounted to AMD 143,075 million or about 40.9% of total liabilities. Against 2023, the indicator dropped by 12.7%, and the average growth rate over the last ten years stood at 14.0%. The share of funds from individuals was 61.7%, while the share of funds attracted from legal entities stood at 38.3%.

Current accounts and demand funds, AMD million



As of the end of 2024, the Bank's equity totaled AMD 69,830 million, growing by AMD 10,526 million or 17.7% over the previous year. Dividends were paid during the accounting year. The change in the total capital is primarily attributed to the net profit of AMD 12,191 million resulting from the Bank's activity during 2024. The Bank's capital was also positively impacted by the change in securities revaluation reserves.

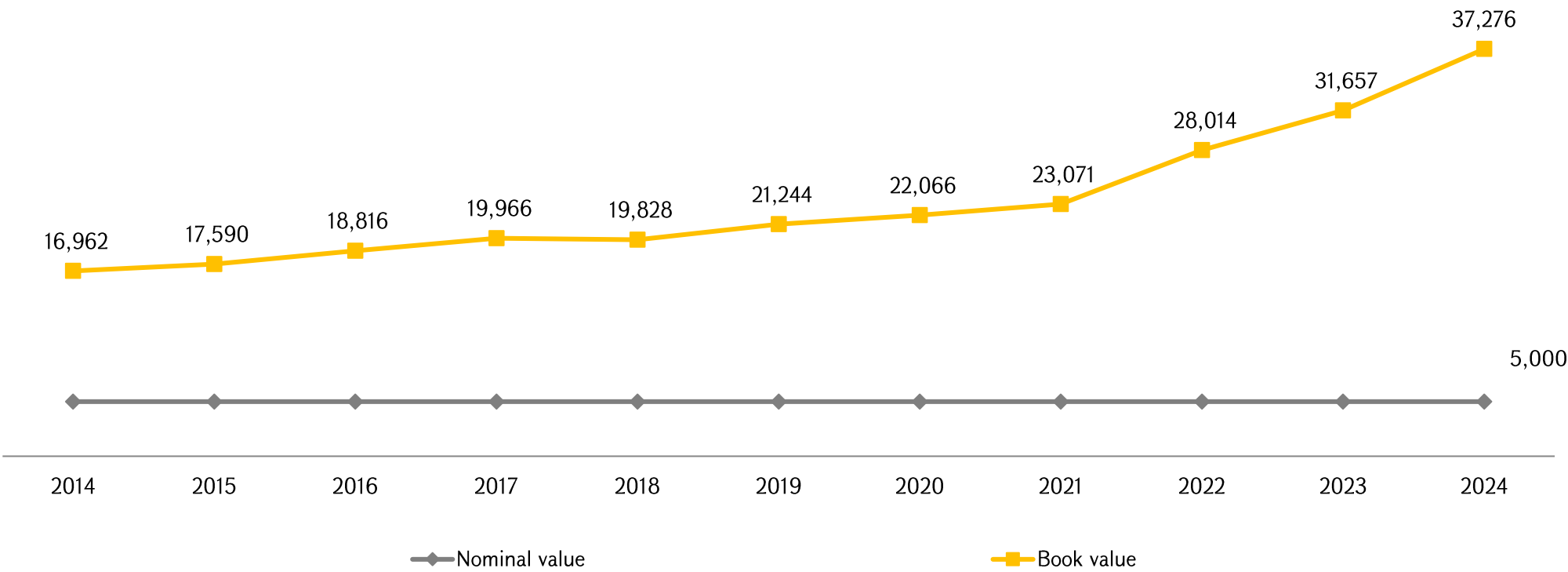


# FINANCIAL OVERVIEW

## TOTAL CAPITAL

As of December 31, 2024, the Bank's registered and fully paid-up charter capital totaled AMD 9,366,725 thousand. According to the Bank's Charter, the share capital consists of 1,873,375 ordinary registered shares with a nominal value of AMD 5,000 each. Due to the change in the total capital in 2024, the book value per share amounted to AMD 37,276, rising by 17.7% against AMD 31,657 of the previous year.

Dynamics in book value per share, AMD





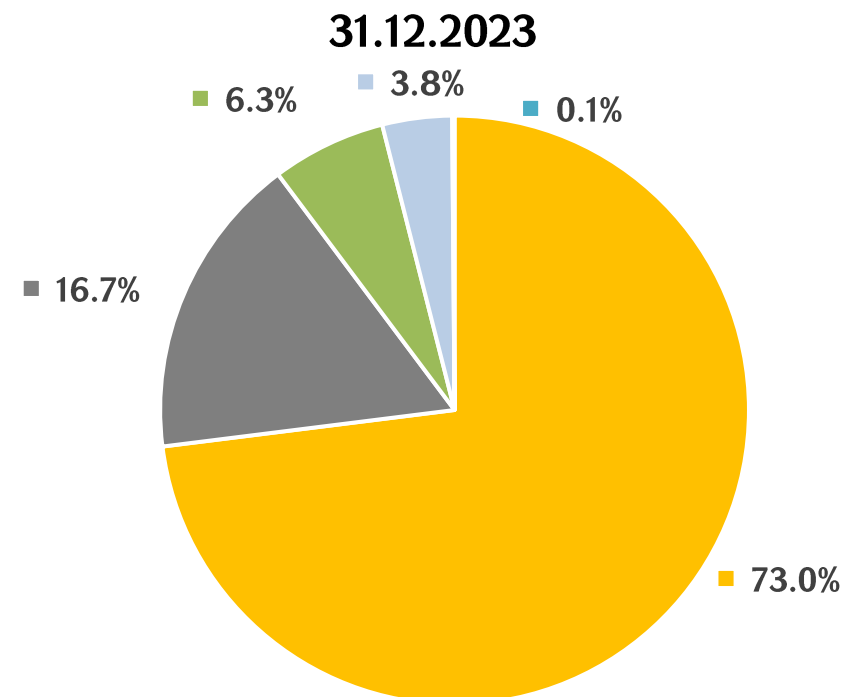
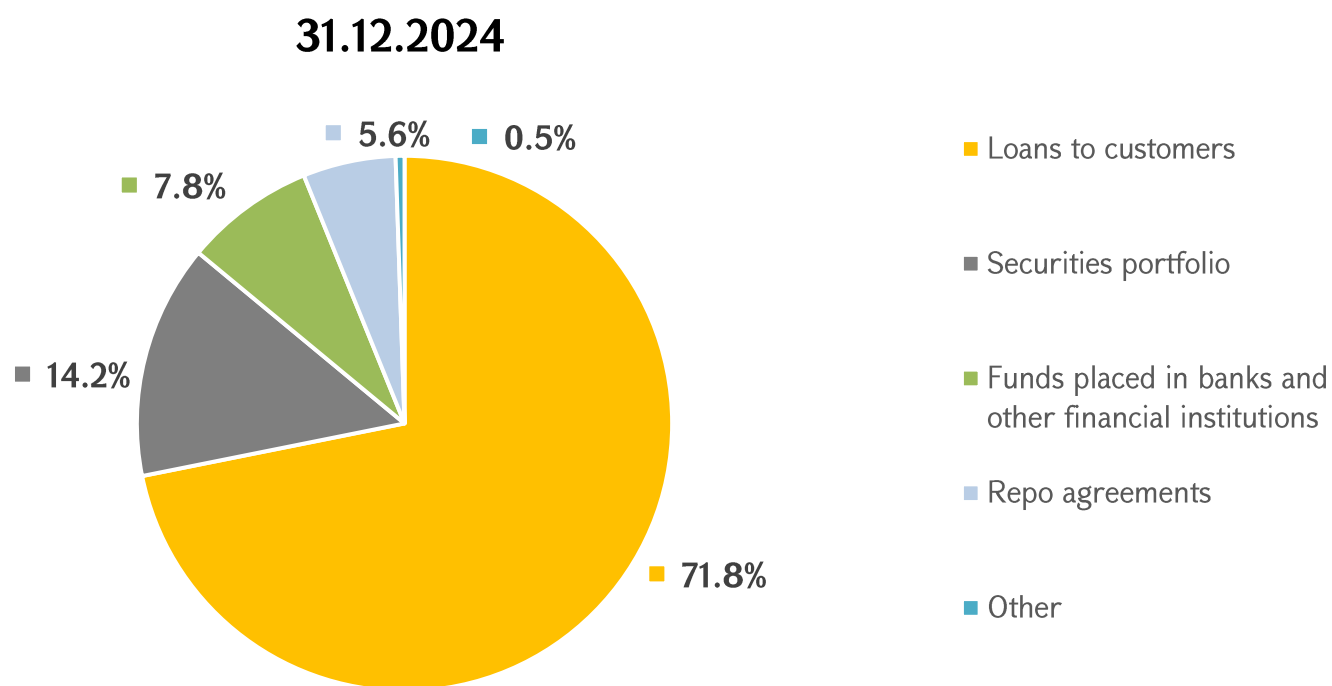
## FINANCIAL OVERVIEW

### INCOME AND EXPENSES

Interest and similar income resulting from the Bank's activity during the accounting year amounted to AMD 35,011 million, increasing by 21.9% or AMD 6,289 million. The increase in interest and similar income is largely the result of a 19.9 percent or AMD 4,182 million increase in interest income on loans provided to customers, which amounted to 71.8% of total interest income, compared to 73.0% of the previous year. In the structure of interest and similar income, the share of interest income earned on amounts due from banks and other financial institutions amounted to 7.8% against 6.3% of the previous year, resulting in a gain of AMD 2,748 million.

Interest income earned on investment securities increased by 3.1% compared to the previous year and amounted to AMD 4,958 million, and their share in total interest income totaled 14.2% against 16.7% of the previous year.

The charts below show the structure of interest and similar income:



Interest and similar expenses resulting from the Bank's activity during the accounting year amounted to AMD 14,282 million, increasing by 20.1% or AMD 2,391 million compared to the previous year.

Expenses incurred on demand and term deposits of the Bank's customers in 2024 amounted to AMD 9,846 million, and their share in total interest expenses stood at 68.9%. Compared to 2023, the expenses grew by 35.4%, which is quite natural against the backdrop of the portfolio growth.

Interest expenses on securities issued by the Bank stood at AMD 392 million, with an increase of 42.3% over the previous year.

Compared to 2023, the share of expenses on deposits and other funds borrowed from banks and other financial institutions dropped from 32.5% to 25.0%. These expenses decreased by 7.7% or AMD 300 million, which is a result of a structural change in liabilities.

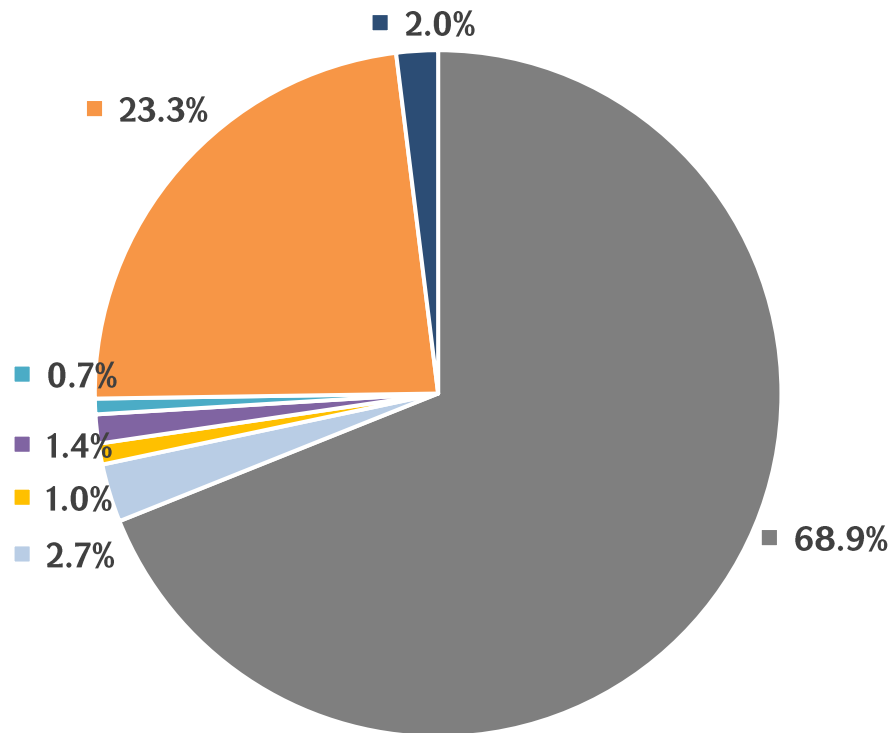
In 2024, the Bank's net interest and similar income amounted to AMD 20,730 million, increasing by AMD 3,897 million or 23.2% against 2023.

The Bank's net interest margin increased by 0.7 pp against 2023, reaching 5.2%.

# FINANCIAL OVERVIEW

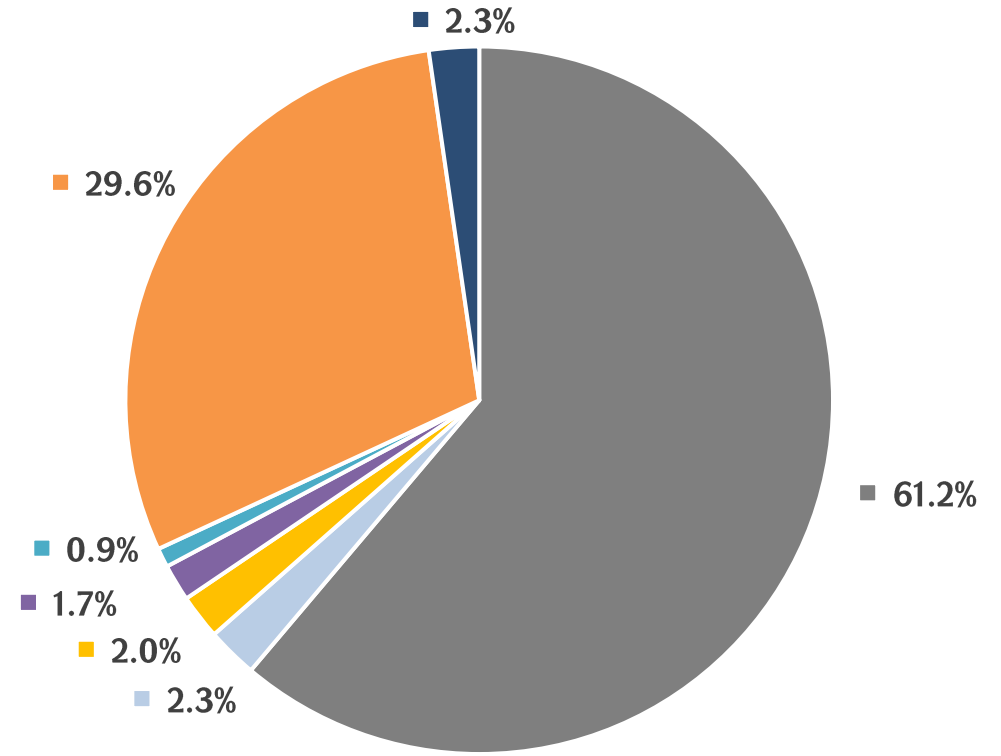
## INCOME AND EXPENSES

31.12.2024



- Customer term deposits and current accounts
- Securities issued by the Bank
- Funds attracted from banks and other financial institutions
- Repo agreements
- Subordinated loans
- Other attracted funds
- Other

31.12.2023



During the accounting year, income from commissions and other fees amounted to AMD 5,294 million, increasing by 4.2% or about AMD 211 million against 2023.

Expenses on commissions and other fees reached AMD 2,873 million, increasing by 30.6% or AMD 674 million compared to 2023.

As a result, in 2024, the Bank's income from net commissions and other fees amounted to AMD 2,421 million, which is AMD 463 million or 16.0% less than the corresponding figure reached in 2023. Compared to 2023, net commissions received from payment card transactions dropped by about 21.4%, and commissions from money transfers decreased by 28.8%.

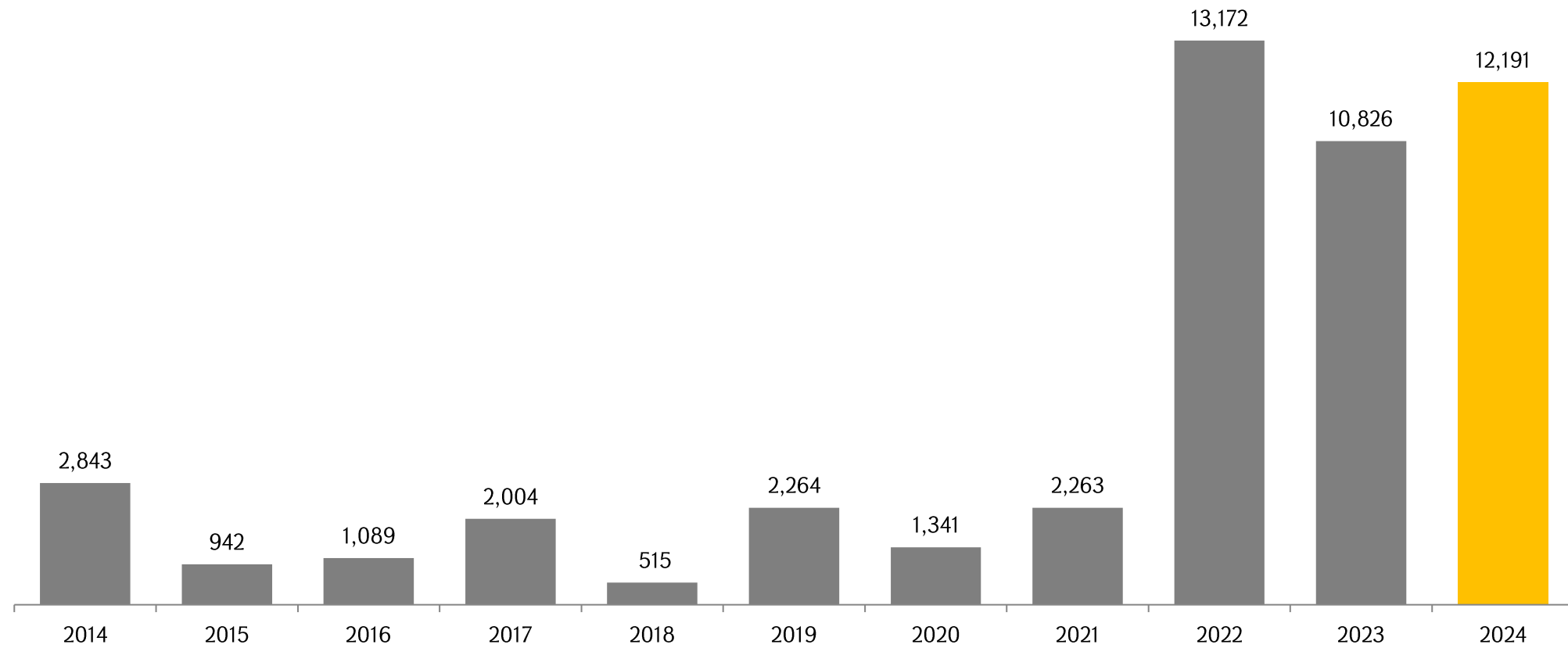
During 2024, the Bank generated net income of AMD 4,905 million from FX transactions. Compared to the corresponding indicator in 2023, the incomes dropped by AMD 393 million or 7.4%.

The Bank's total administrative expenses amounted to AMD 11,959 million against AMD 10,619 million of 2023. The 12.6% difference in the indicator is due to the increase in staff expenses, which grew by AMD 593 million compared to 2023.

## FINANCIAL OVERVIEW PROFITABILITY RATIOS

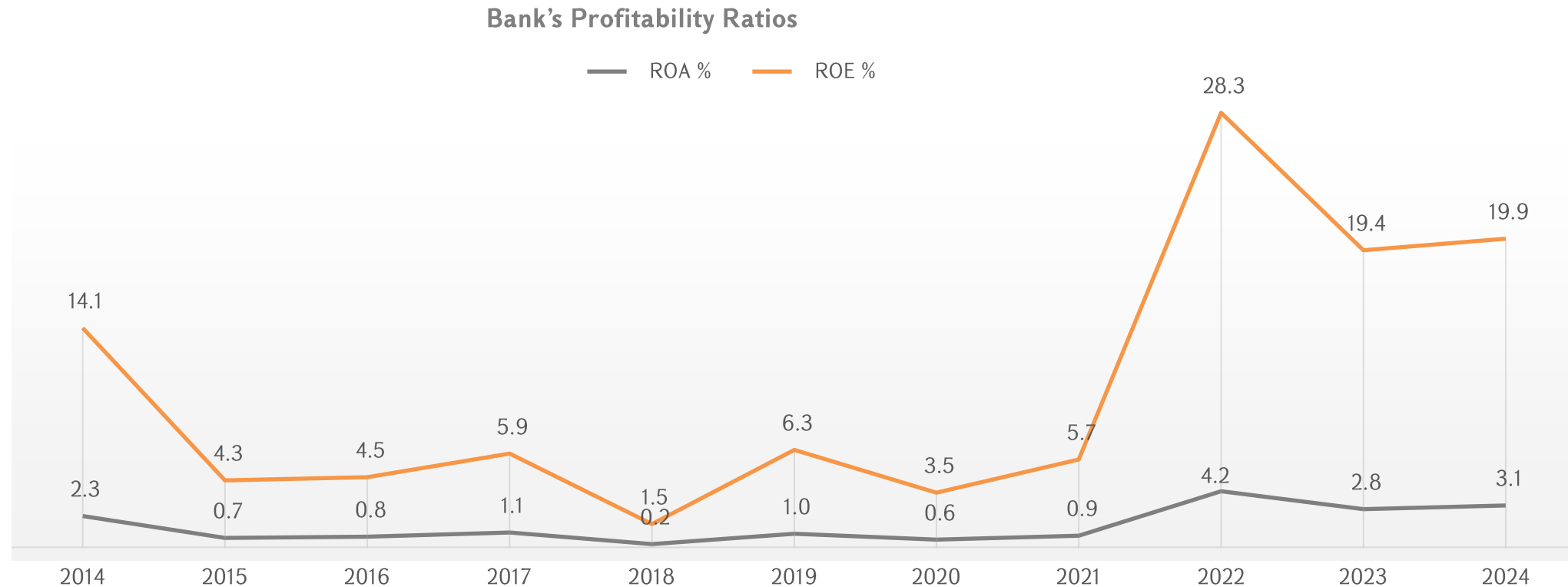
In 2024, the Bank's net profit amounted to AMD 12.191 million.

**Bank profit, AMD million**



## FINANCIAL OVERVIEW PROFITABILITY RATIOS

The Bank's profitability indicators are summarized in the chart below:



Earnings per share (EPS) amounted to AMD 6,508.



During 2024, the Bank ensured the ongoing development of the digital banking system as its strategic priority. Particular emphasis was laid on improvements in AraratMobile app. Innovations and progress achieved in this regard are outlined below:

- Introduction of new functionalities:
  - ✓ Enlisting new partners to conclude MTPL insurance contracts,
  - ✓ Intercom payments
  - ✓ Compulsory Enforcement Service payments,
  - ✓ VISA Subscription Management (VSPS)
  - ✓ Display of cardholder name and surname when making card-to-card transfers
  - ✓ Setting and changing the card PIN code
  - ✓ Changing pension funds
  - ✓ Unblocking app users
- 36% increase in the number of AraratMobile app users.

In 2024, the Bank, as one of the leaders in the investment services market, continued to focus on the sector and established mechanisms for improved service efficiency (custody, brokerage, placement, preparation of analytical reviews on securities transactions, publication). Actions taken in this context are presented below:

- Preparation of weekly updates on financial markets for ARARATBANK Trading Platform subscribers in a bilingual version (Armenian and English),
- Preparation of fact sheets on ETFs from reputable asset managers for ARARATBANK Trading Platform subscribers,
- Stock exchange placement of National Mortgage Company RCO CJSC bonds on the latter's behalf,
- Preparation of a program prospectus for the placement of 27th and 28th issues of ARARATBANK OJSC bonds and arrangement of the issuance and placement process of 2 bond tranches.

Customer satisfaction is one of the fundamental objectives of the Bank, oriented at people-centered service, diverse banking products, competitive prices, partnership and responsibility. In this context, the Bank sees the customer service staff as the essential representative of the bank-customer framework and the pivot of banking sales. Therefore, professional training of the service staff and capacity-building for enhanced customer communication and timeliness and quality of sales are always in the Bank's spotlight.

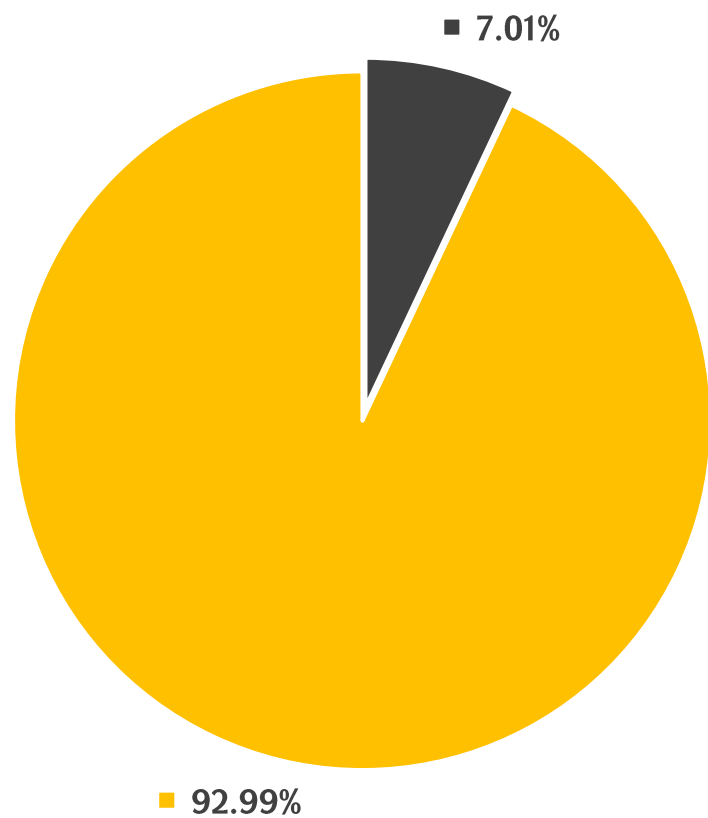
In 2021-2024, along with the rebranding process launched in 2020, the Bank undertook to re-formulate the Bank's core values to serve as pillars for the formation of a new corporate culture, bring about changes in approaches to customers, promote customer-centric principles, and retain and improve levels of customer satisfaction and loyalty.

Emphasizing the importance of service professionalism and ensuring quality customer service and integrated service delivery, the Bank has continuously taken appropriate steps to develop the customer relationship management system. This is also highly relevant in the context of intensive growth and cross-selling principles underlying the Bank's strategy.

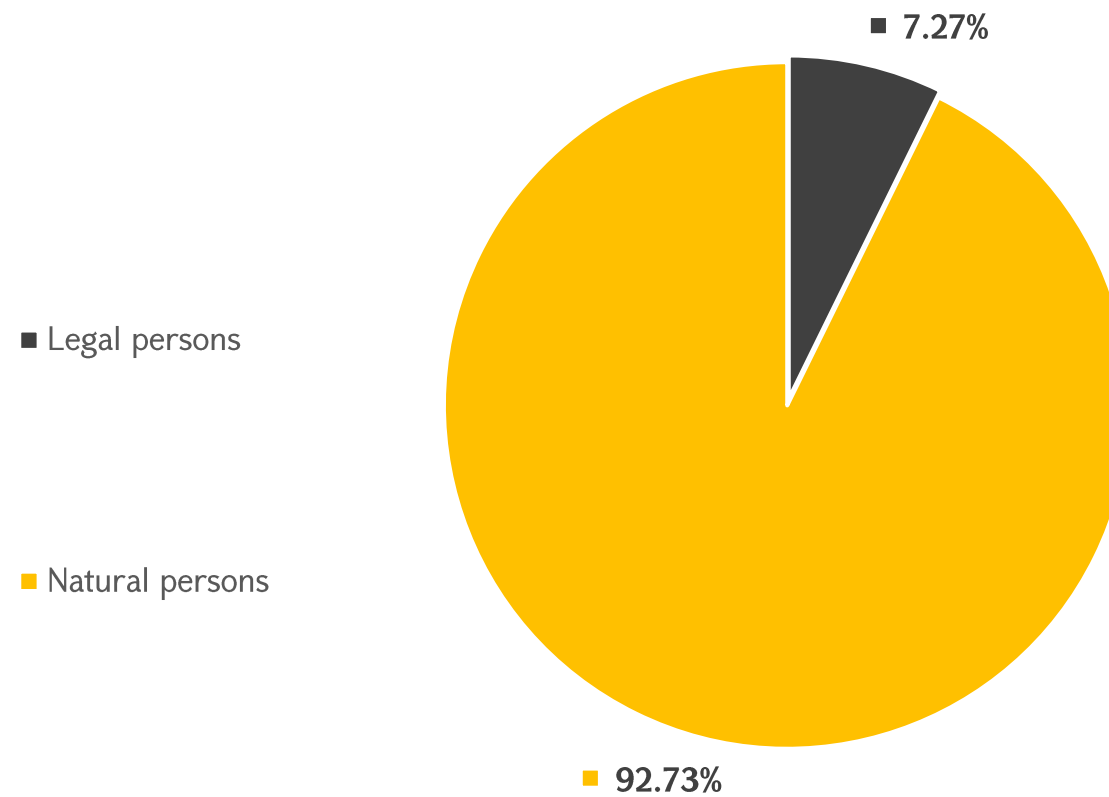
A reporting year full of challenges and tasks is the best measure of the level of customer loyalty. The Bank's careful and competent policy ensured a 9.3% growth in the number of active customers over the past year, with 95.9% attributed to individuals and 4.1% - to legal entities. At the same time, the increase in the number of non-cash transactions in the online domain over the past year clearly demonstrates the effectiveness of AraratMobile app.

In 2024, in a highly competitive market environment, the Bank succeeded in retaining and expanding its customer base as compared to 2023.

31.12.2024



31.12.2023



The internal control system is one of the critical elements in the implementation and management of the Bank's strategic development goals. The internal control system is called to ensure and further enhance the efficiency of the Bank's operation, to support the Bank in accomplishing its goals by managing risks, ensuring oversight and assessing and constantly improving the processes of digital transformation.

The internal control system implemented by the Bank is undergoing continuous improvement in line with international best practices, including the risk-based internal audit function of the Bank, including IT audit, work planning, auditing and post-audit control.

The internal audit function, which has been implemented in accordance with worldwide professional practices of internal auditing, ensures the independent and impartial assurance activity designed to increase the effectiveness of the Bank's management, internal control and risk management systems and processes.

For this purpose, the internal audit plans mainly address the assessment of the effectiveness of the Bank's business processes, IT systems, as well as evaluation and identification of risks in the activities of territorial subdivisions of the Bank.

The findings of audits and assessments have contributed to the implementation of corrective and preventive measures based on the Internal Audit's recommendations and conclusions, aiming to eliminate the identified problems and ensure increased efficiency of the Bank's internal control and risk management systems and processes.

ARARATBANK's internal control system operates in line with the current market needs and requirements. The Compliance Team supports the implementation of business processes in accordance with the requirements of the RA legislation, regulatory and internal legal instruments, as well as contributes to fostering ethical corporate culture through regular workshops on rules of conduct that reflect the Bank's corporate values, as well as on key legal and supervisory obligations for high-responsibility posts.

The process of automation and compliance of the Bank's existing contracts with the RA legislation is continually monitored.

To reduce risks, upgrade and improve the existing processes, ongoing audits and studies of operations are carried out.

The Compliance Team actively cooperates with all structural subdivisions of the Bank.

The Compliance Team participates in operational risk management functions and discussions, assists in reaching appropriate solutions, enabling to identify and assess issues and develop solutions to improve the existing mechanisms and ensure the continuity of current control mechanisms.

The Compliance Team evaluates internal legal acts by separate operations in terms of their conformity with the requirements of RA laws and regulatory legal acts of the Central Bank of Armenia, as well as submits recommendations on optimization of processes.

In recent times, the Bank has been confronted with numerous challenges from both within the RA economic and banking system and from the outside. The Bank has been able to retain its competitive advantages in a volatile geopolitical situation and ensure high profit levels during the past year. The current geopolitical tensions and the resulting instability of the financial markets are anticipated to persist, and in order to withstand the risks expected in the coming years, consistent and efficient risk management efforts are required.

The Bank plans to maintain low levels of liquidity, operational, credit and market risks. To ensure the liquidity risk management, the Bank conducts daily monitoring of internal liquidity indicators set by the Bank. In the event of violation of the indicators, the reasons for the violation are immediately explored and appropriate and timely response is ensured in order to eliminate the violations.

Within the market risk management context, limits on FX positions has been set, analyses of maturity gap and interest rate-sensitive assets and liabilities and regular monitoring of market fluctuations in interest rates are conducted for interest rate management purposes.

In the event of sudden geopolitical changes and force majeure situations, the Bank conducts stress tests to predict and minimize potential losses. For the purpose of effective credit risk management, taking account of the anticipations for negative economic developments and deterioration of loan portfolio quality, the Bank will continue to pursue a cautious credit policy, while paying close attention to sensitive loans in the existing loan portfolio and undertaking active measures to ensure repayment of loans to vulnerable sectors.

To meet the challenges of competitive financial system of Armenia as well as to retain its well-established position in the market and ensure high indicators of profitability, the Bank intends to enhance the efficiency of the existing credit risk management policy. The Bank continues its work towards improving the methodology for classification of financial assets in conformity with IFRS 9 Financial Instruments.

The first-level risk indicators set by the Bank's risk appetite define the target risk profile, which represents a system of internal limits, enabling to exercise control over the maintenance of the Bank's risk appetite at the initial stage, without hindering the regular course of the Bank's operation and the effective asset management process. The Bank's current risk appetite encompasses the following guiding principles:

- The magnitude of the risk assumed by the Bank should not reach a level that would lead to the cessation of the Bank's operation, including in shock situations.
- In the event of unforeseen losses, the size of the Bank's capital should meet the requirements of the Bank's lending partners.
- When performing banking operations, the Bank shall ensure that the structure of cash flows and liquidity buffers guarantee the timely fulfillment of obligations to customers, both in the long and short term. To this end, the Bank has established a number of liquidity indicators monitored on a daily, monthly and quarterly basis.
- The current structure of the Bank's assets and liabilities ensures the efficient use of resources by the Bank and is consistent with the Bank's business model.
- In the course of its operation, the Bank avoids concentrations by establishing concentration limits.
- For the purpose of loan portfolio management, the Bank has established a number of loan portfolio risk mitigation indicators, taking into account the credit risk profile and strategy of the Bank as well as the expected changes in the market.
- The Bank ensures its long-term sustainability and efficient operation.
- The Bank ensures proper fulfillment of the requirements set by the Central Bank of Armenia.
- In the course of its operation, the Bank maintains a good reputation, avoiding actions that could compromise its business reputation.



- The market risk management function is carried out through interest rate and foreign exchange risk management. In order to identify and assess these risks, the Bank conducts sensitivity analyses, calculation of foreign exchange positions, and stress tests. The Bank intends to examine international best practices in the coming year to improve the models employed for market risk management.
- For effective management of operational risks, the Bank's structural subdivisions carry out a weekly analysis of incidents registered through the Operational Risk Management electronic database. At its weekly meetings, the Operational Risk Management Committee gives recommendations to relevant subdivisions to address issues and reduce operational risks. Calculation of operational risks is performed quarterly. Risk management processes are carried out in conformity with the risk appetite policy approved by the Bank's Board of Directors and are at the forefront of the Bank's attention. The Bank constantly studies and applies international experience with a view to increasing the effectiveness of the risk management system and achieving an optimal balance between risk and profitability, while minimizing associated risks.



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