

IDBank

2023

ANNUAL REPORT

Content

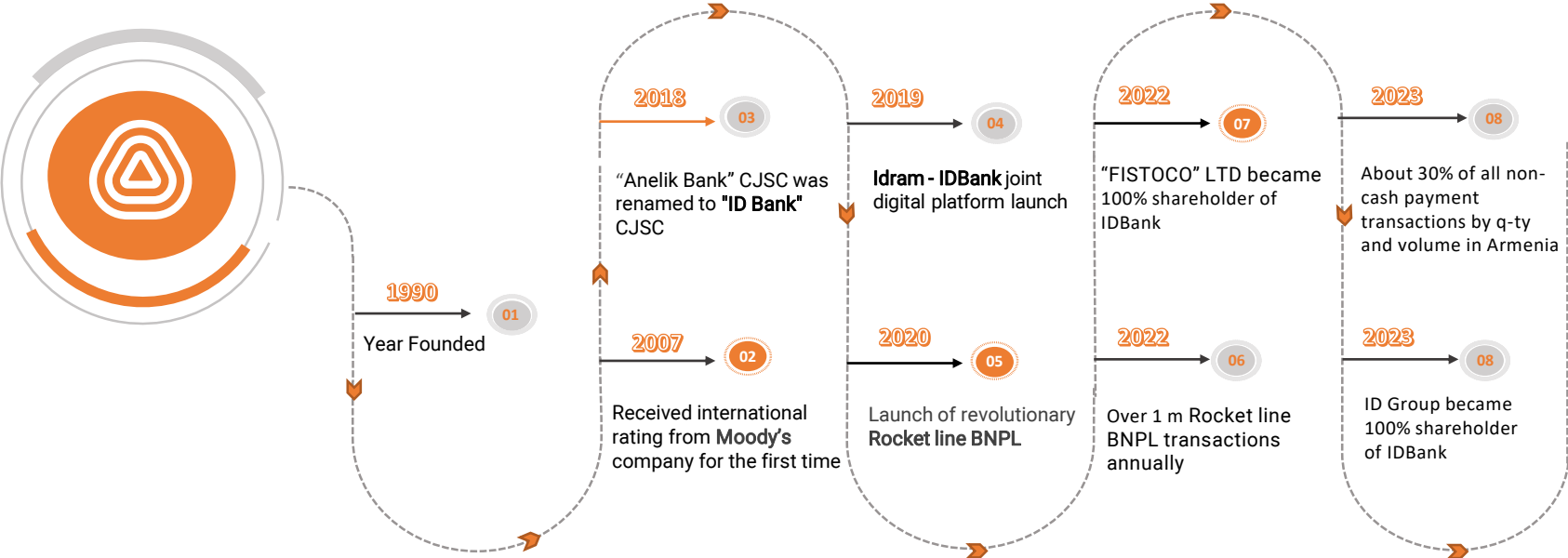
01	Briefly about the Bank	
	IDBank at a glance	04
	Mission, vision and values of the Bank	06
	Achievements of the Bank	07
	The Bank as a reporting issuer	08
02	Strategic report	
	Message from the Chairman of the Council	10
	Message from the Chairman of the Management Board	11
	RA Economy	12
	Our strategic results	15
	Financial results	19
	Our staff	22
03	Corporate management	
	Our Shareholders and Council	26
	Risk Management	28
04	Financial reporting	31
05	Statement of responsible persons	35

1

Briefly about the Bank

IDBank at a glance	04
Mission, vision and values of the Bank	06
Achievements of the Bank	07
The Bank as a reporting issuer	08

IDBank is one of the innovative developing banks of Armenia and already has 34 years of experience in the banking system



IDBank at glance

2023 results

- Among Top 5 most profitable Banks in Armenia
- Leader in BNPL solutions
- Transactional Leader

Assets	367 bln
Liabilities	303 bln
Deposits, accounts	210 bln
Capital	63,5 bln
Net profit	15,8 bln
ROE	25.8 %
CIR	38.5 %

About 30% of non-cash payments in Armenia

- Highest number of emitted cards of Visa international system
- Around **140%** yearly growth of card payments
- **32%** growth of the number of active clients registered in the digital platform

Corporate banking clients	21 thous.
Retail banking clients	562 thous.
Digital active customers	83.0%
Cards	407 thous.
POS-terminals based on "Buy now, Pay later" 0%	7500+
Employees	914

Mission, vision and values of the Bank



Mission of the Bank

To be the first choice bank for our clients as the best innovative Bank in Armenia



Vision of the Bank

Become the first digital bank by expanding our innovative, client oriented activity



Values of the Bank

> **We are innovative** – One of our primary goals is to provide clients with quality, fast and boundless banking services through the open and innovative digital platform.

> **We are transparent** – We continue to make efforts to be more transparent in relations with our clients, investors, partners and shareholders.

> **We are reliable** – We emphasize the secure protection of the data of our beneficiaries by introducing great resources for the purpose of protection against cyber attacks and other threats.

> **We are loyal** – We will be next to our clients in good and bad times of life by creating a client oriented ecosystem around their needs.

> **We are a team** – We encourage the innovative approaches of our employees and we are confident that only due to team efforts we can achieve perfect results.

Our Achievements

MOODY'S



AMX Armenia Securities Exchange



- ✓ **Ba3** - Long-term Counterparty Risk Ratings (CRRs)
- ✓ **B1** - long-term foreign and local currency deposit Ratings

IDBank is one of the first Armenian banks to go live with **SWIFT global payment innovation (gpi)** service.

IDBank is the first Armenian bank that officially joins the International Chamber of Commerce (**ICC**).

ESG transformation and strategy implementation according to International Capital Market Association's ("ICMA") principles.

IDBank joined Bankers' Association for Finance and Trade (**BAFT**) in the scope of international cooperation development.

IDBank got awarded **ISO/IEC 27001:2013** international compliance certificate for Information Security Management by BSI.

Nominal coupon bonds issued by IDBank are listed on **AMX** and included in the bonds main Abond and Bbond lists.

IDBank is one of the largest issuer of **VISA** cards in Armenia.

The bank as a reporting issuer

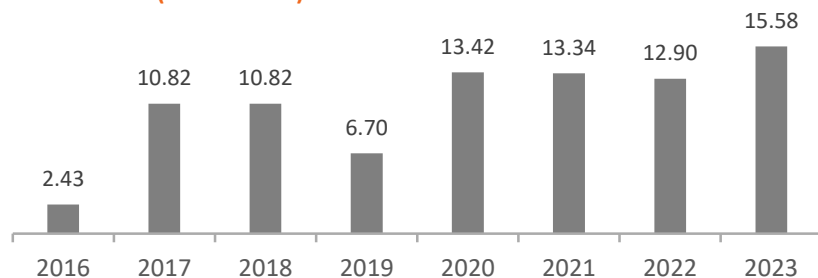
The Bank has issued and placed bonds for the first time in its history in 2016. The goal of issuance and placement of bonds by the Bank is to attract funds which shall be directed towards funding of the Bank's main activity.

During 2023, the Bank successfully carried out 3 bond issuances:

Y2023	July	August	November
Total bond issuance	5 mln USD	3 mln USD	5 mln USD
Annual YTM on bonds	4.25%	4.25%	4.25%

- ✓ 27 months validity period
- ✓ Quarterly coupon payment frequency

Bonds issued (billion AMD)



As of the end of 2023, the bonds with a nominal value of USD 33.1 million and a nominal value of AMD 2.0 billion were placed on the primary market.

As of the end of 2023, 7 issues of bonds by IDBank were traded in the secondary market, with the total value of USD 28.1 million and AMD 2.0 million.

There were no significant changes in terms of risks of investors in bonds

While acquiring bonds the investor usually bears the following risks:

- ✓ Market risk (Interest rate risk, Foreign exchange risk, etc.),
- ✓ Bonds liquidity risk,
- ✓ Inflation risk

As of 31/12/2023 no significant changes have been registered in terms of investor risk in the market.

2

Strategic report

Message from the Chairman of the Council	10
Message from the Chairman of the Management Board	11
RA Economy	12
Our strategic results	15
Financial results	19
Our staff	22

Message from the Chairman of the Council



Artur Javadyan
Chairman of the Council of "IDBank" CJSC

Artur Javadyan was born on 22.04.1964.

In 1986 graduated from the Faculty of Mechanization of the Armenian Agricultural Institute, and in 1989 completed postgraduate studies at "Armenian Rural Mechanization".

During 1989-1991, he held various senior positions in "Yerevan" Bank, and during 1997-2000 - at "ArmlInvestBank".

During 1997-2020, he held the positions of Chairman of the Council of the Central Bank of the RA, Advisor to the Chairman of the Central Bank, Deputy Chairman of the Central Bank, and Chairman of the Central Bank.

During 2008-2020, as the chairman of the Central Bank of Armenia, he was the chairman of the board of UCO "National Mortgage Company"; UCO "Apartment for Youth"; credit bureau "ACRA"; "ArCa" systems; CJSC "ArmlIncasation"; as well as a board member at the Armenian Stock Exchange.

From 2020 is an ambassador-at-large of the Republic of Armenia.

Dear clients and partners,

In 2023, we achieved all the goals set before the Bank and exceeded the milestones envisaged for the year.

In 2023, in a difficult period for our state and for each of us, the Bank came up with timely and detailed solutions, standing next to our compatriots who were forcibly displaced from Artsakh, not only in the form of support, but also by providing useful financial tools.

During the year, we continued to improve digital services and develop tools according to our customers' requirements, improving the Idram&IDBank online platform, adding new solutions and providing an even more comfortable experience to our customers. I can confidently say that as a result of close cooperation with Idram, we retain the right to be called "the best fintech platform".

An important event for the Bank took place in 2023. IDBank and Idram merged into the ID Group Armenian holding company, which currently controls 100% of the shares of both companies. The establishment of ID Group was an important event in the Armenian financial market, as it combines the strengths of IDBank and Idram under the common vision of ID Group. Together the companies are ready to lead the way to shaping the future of digital finance in Armenia and beyond.

In 2024, we will continue to set high standards and achieve them, keeping our customers at the center of our activities.

Thank you for being with us

Best regards,
Chairman of the Council
Artur Javadyan

Message from the Chairman of the Management Board



Mher Abrahamyan
Chairman of the Management Board

Born on October 16, 1975.

In 1997 graduated from the Yerevan Institute of National Economy, faculty of Management and Economic Relations; in 2004 Fletcher School of Law and Diplomacy, Tufts University, USA.

Has qualification of CFA I, II levels.

Since 1999 has been employed at the CBA, first as an Economist, Senior Economist, Macroeconomist at Monetary Policy Department.

2007-2012 served as the Head of Banking System Regulation Division within the CBA Financial System Regulation Department.

During 2012 - 2018, held the position of the Head of Financial System Regulation Department.

From 2019 to today, he is the chairman of the Board of IDBank.

Dear partners and clients,

2023 was another year full of challenges for the Bank. During this year, we managed not only to overcome the existing challenges and problems, but also to register significant growth in almost all directions.

Thus, in 2023, IDBank strengthened its position among the five most profitable banks in Armenia, and became the 3rd in terms of profitability. In addition, the prestigious international rating agency Moody's raised IDBank's long-term bank deposit rating from B2 to B1 in national currency and foreign currency with a stable outlook. With the growth of the credit portfolio, the number of issued cards and a number of other indicators, IDBank continues to occupy a leading position in the market.

In addition to the planned programs, the Bank also implemented certain extraordinary measures to alleviate the crisis for our compatriots forcibly displaced from Artsakh. Not only did we develop support programs, which we will continue to implement in 2024, but we also created a complete privileged package of financial instruments, "Compatriot", a set of essential services for our displaced compatriots.

In 2023, the Bank issued the first metal card in Armenia, the Visa Infinite Special Edition premium class card, which promises the widest opportunities and the best experience to the Bank's cardholders, providing a large package of privileges. Another novelty was planned for premium customers, and in 2023 the Bank launched the IDBank Concierge program, which was created to provide 24/7 customer support.

IDBank became the leading bank for cashless transactions in 2023. About 30% of non-cash transactions in Armenia are made with IDBank cards. As for the Bank's cards, it is also important to note that the number of annual card transactions has increased by 140%. The number of active customers registered on the joint digital platform of IDBank and Idram increased by 32%, and this is just the beginning.

When mentioning the cooperation with Idram company, I consider it necessary to mention that at the end of 2023, IDBank and Idram merged into the ID Group Armenian holding company, which currently controls 100% of the shares of both companies. The establishment of ID Group was an important event in the Armenian financial market, as it combines the strengths of IDBank and Idram under the common vision of ID Group.

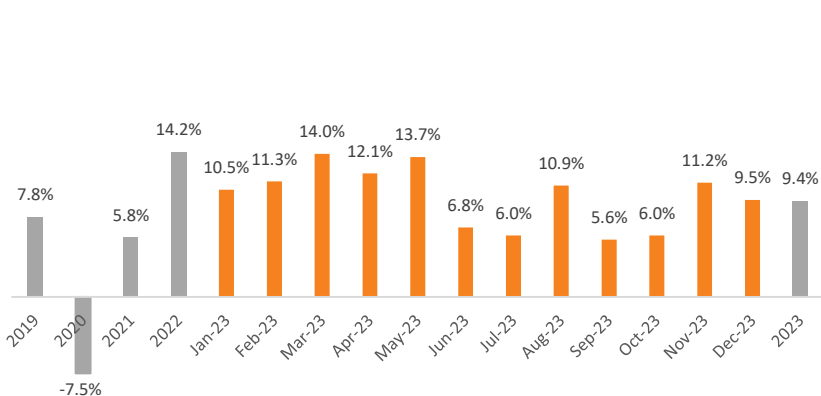
I am sure that in 2024 we will continue to set new milestones, expanding our activities around and for our customers. Thank you for your trust.

Best regards,

Chairman of the Management Board
Mher Abrahamyan

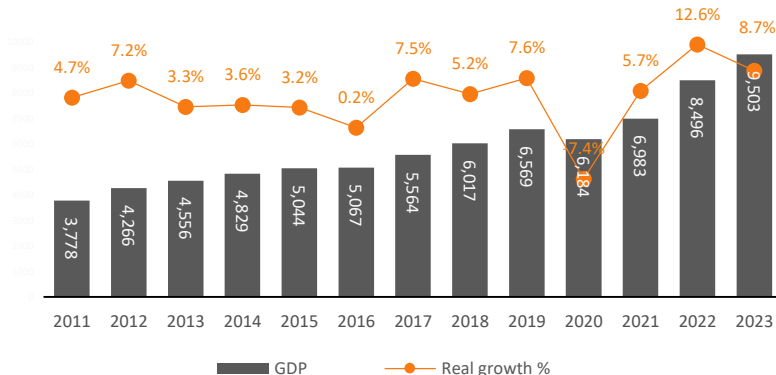
RA Economy

Indicator of economic activity



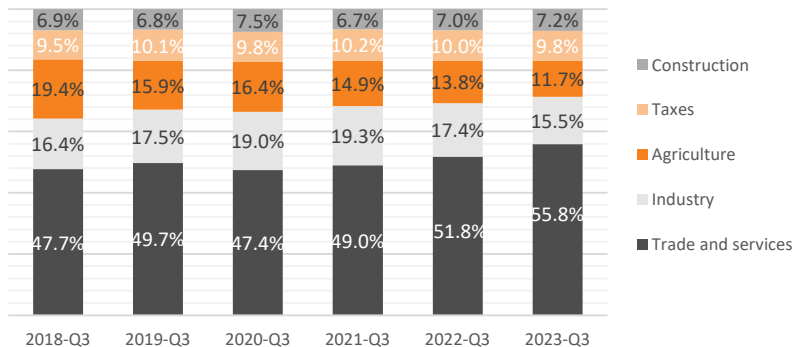
Source: RA Statistical Committee

GDP at current prices, bln AMD



Source: RA Statistical Committee

The structure of GDP by main components (%)



Source: RA Statistical Committee

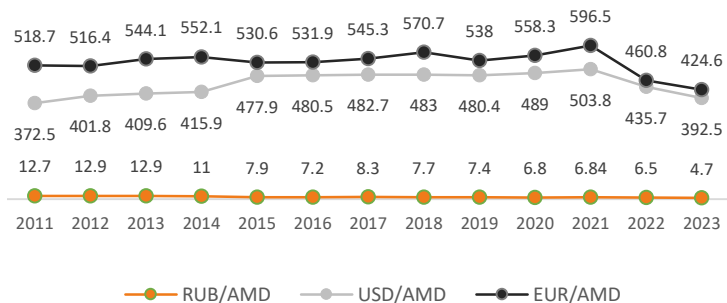


According to the results of 2023, an increase in economic activity was recorded in Armenia by 9.4%, the GDP increased by 8.7%.

Due to uncertain geopolitical developments in 2024, economic growth rates are predicted to slow down to 6-7%.

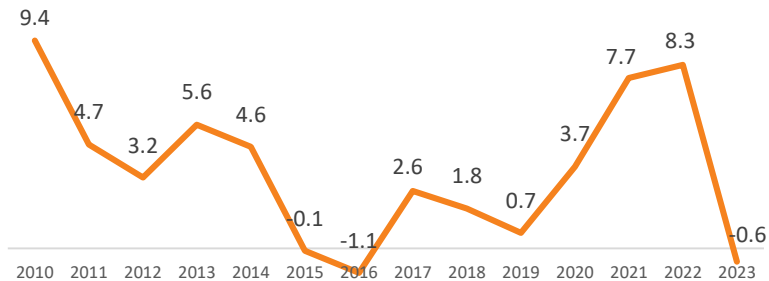
RA Economy

Average annual exchange rates



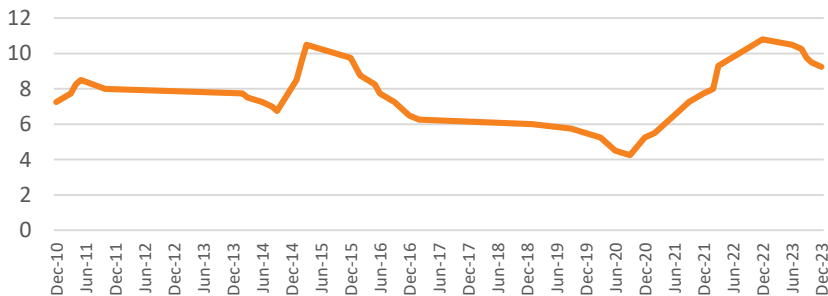
Source: CBA

Inflation annual, end of period



Source: CBA

Refinancing rate (%)



Source: CBA



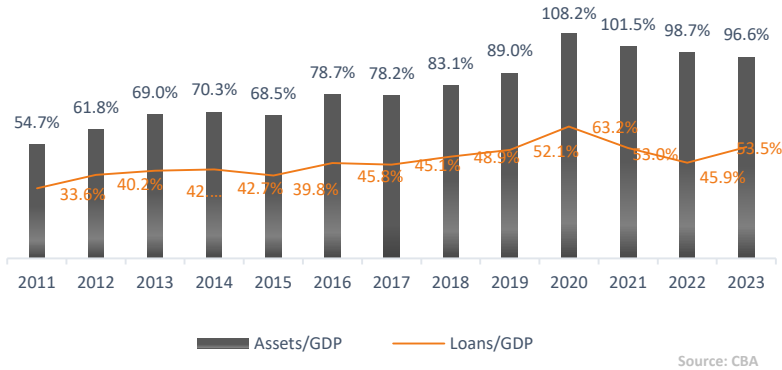
During 2023, the AMD continued to rise significantly in price against the USD.

In December 2023, compared to the same period of the previous year, a 0.6% deflation was recorded in the RA consumer market.

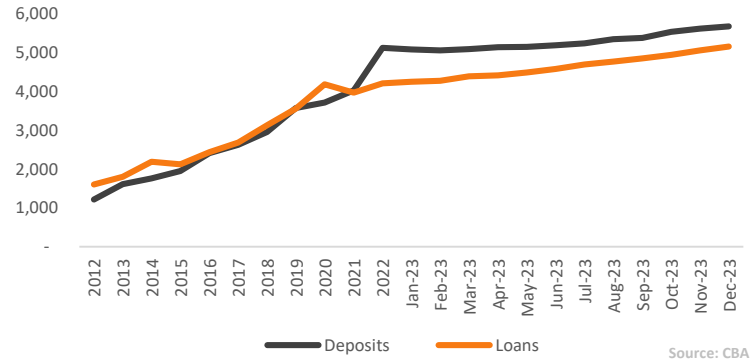
Responding to changes in the inflationary environment, the Central Bank gradually reduced the refinancing rate, setting it at 9.25% at the end of the year.

Financial system

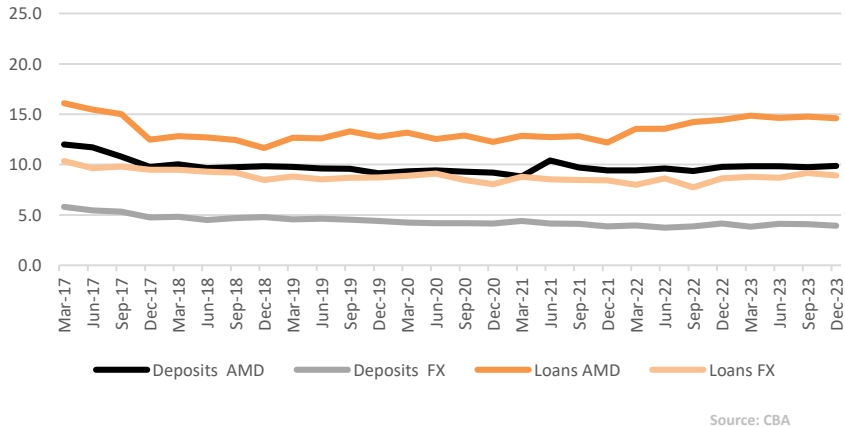
Ratio of banks' assets and loans to GDP



Bank deposits and loans, bln AMD



Average interest rate of loans and deposits for a term of over 1 year



“

According to 2023 results, the Loans/GDP ratio was 54%` increasing by 8 percentage points compared to the previous year.

In 2023, interest rates on loans and deposits with a maturity of more than 1 year have remained relatively stable.

Our strategic results



Karen Nalbandyan
Business Development Director

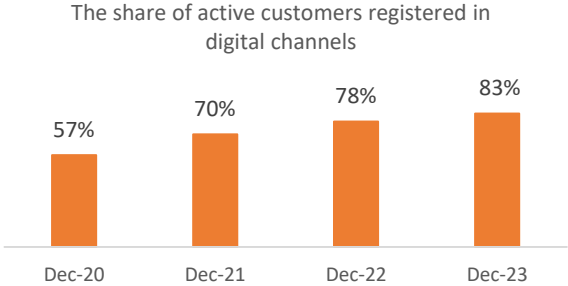
Our ultimate goal is to provide the best customer experience. As a company that continually inspires innovation, we offer the digital platform that allows providing fast, convenient and secure remote services. We are constantly expanding the range of our digital products and services, creating a customer-oriented ecosystem, consisting of daily banking, financial, transactional services, BNPL solutions and loyalty system. All this allows us to lead in terms of the number of active digitally oriented customers in Armenian market today.

2023 was another year of dynamic growth for the bank in strategic areas. By the end of the year, our innovative BNPL solution **Rocket line** became available at more than 19,000 offline and online payment points, of which 8,000 provided interest-free installments (Rocket line 0%). We recorded a 50% increase in the number of purchases via Rocket line, with the total amount of transactions exceeding 1,4 million, while the amount of installment loans provided increased by 62%. Rocket line 0% transactions had increased by 2 times over the year.

We continued to strengthen our leadership in digital retail, card products and payments. The total number of issued cards in 2023 exceeded 450,000 and the number of card transactions increased by 3.2 times compared to last year, while the volume of transactions increased by 139%. For our privileged clients, we issued the first metal card in Armenia with a vertical design and unique benefits

Non-cash transactions volume carried out using our cards, online and QR code payments, as well as by our POS/vPOS comprised 30% of all non-cash payments in the Armenian market.

In addition to digital retail, we focus on comprehensive services for micro, small and medium-sized businesses, providing the best package solutions. The number of such clients grew by 33%, exceeding 20k, and we expect a significant effect of our efforts in the coming years.



By the end of 2023, 83% of our active clients are registered in the Bank's digital platforms, and more than 63% of them are active in the digital channels on a monthly basis:

We are constantly following the developments and trends in the financial sector, trying to keep pace with modern trends, expanding our innovative activities, aiming to become a first-choice bank for clients.

Idram&IDBank is the leading Armenian digital ecosystem in digital banking, payments and financial services

600,000+ users – 40% of the economically active population in Armenia

Full functionality of digital banking

Remote onboarding and customer identification via smartphone

Payment aggregator for 15 banks and 18 credit institutions; partnership with 1,000+ service providers, incl. all main online services and public services in the country

Contactless QR payments at 19,000+ physical points of sale, incl. supermarkets, restaurants, cafes, shops, hotels, etc.

Secure check out in 900+ online shops in Armenia via web QR and mobile checkout.



Integrated Buy now Pay later solution for online and offline (QR payment) purchases and services with 19,000+ POS, including 8,000+ POS providing Rocket line 0% interest-free installments options up to 6 months.

400,000+ active cards

Leading VISA Card issuer in Armenia.

P2P instant money transfer via phone number and card number within Armenia and abroad

Idram Junior – the first financial app for kids and teenagers in Armenia with the functionality of contactless QR payments and transfers

Id+ Digital loyalty platform for merchants and users with virtual bonus and gift cards, as well as a bonus exchange (auction)

Our clients

The Bank now offers the following main channels in order to use the services rendered by the Bank in the most convenient way.



Multifunctional internet and mobile banking



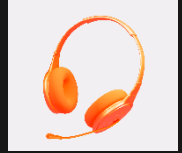
Innovative and convenient branches



Privilege/Private banking



24/7 self-service zones



24/7 Contact Center

Corporate clients



~ 21 thousand clients

+30% a year

The bank continuously develops a culture of servicing corporate customers, offering complex financial services and solutions for the development and prosperity of organizations operating in all sectors. In 2023 we have registered the following achievements:

- ✓ Increase in the volume of customers: 30% per year, and in the case of active customers - 32% per year.
- ✓ Expanding the share of the digital installment market. The ranks of Rocket line 0% digital installment partners have increased to more than 3,000 trading/sale points, ensuring an annual growth of about 60%.
- ✓ Introduction of a new non-cash payment tool - a SoftPOS payment terminal activated on a mobile phone.
- ✓ In the field of non-cash payment instruments, an annual increase of around 30% in the number of POS/VPOS terminals and more than 200% annual increase in turnover volumes.
- ✓ Increase in the volume of sales of business cards. Visa Business Platinum premium class - more than 400% per annum and Visa Business class - more than 40% per annum.

Retail clients



~ 560 thousand clients

+12% a year

As of the end of 2023 the number of retail clients of the Bank amounts to 560,000. The Bank is constantly improving its existing services, developing and introducing thus offering the best solutions to its clients. As a result, we have registered the following achievements:

- ✓ The first Visa Infinite Special Edition card issue in Armenia with exclusive conditions, vertical design and metal base, with the best services package
- ✓ Introduction of IDBank concierge service for premium cardholders
- ✓ International transfers for Visa direct cardholders
- ✓ 12% annual growth of total number of retail clients and 24% annual growth of active clients
- ✓ About 22% annual growth of the number of payment cards
- ✓ Increase in the number of card payments by 242%
- ✓ 22% annual growth of retail loan portfolio

Corporate social responsibility

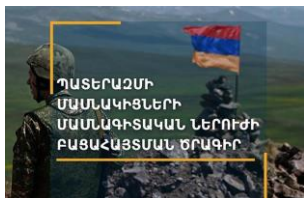
"The power of 1 dram" has started the year of 2023 having crossed the threshold of AMD 155 million.



- The first program of the year, the sum of AMD 3,008,215 accumulated in **January** with "The power of 1 dram" was directed to the "Talentum" educational program of the "Music for the Future" foundation.

- In **February** and **March**, "The Power of 1 Dram" supported the project of installing solar water heaters in Artsakh, the fundraising for which was initiated by the territorial development agency "We Are Our Mountains".

- The beneficiary of the month of **April** was the program for identifying the professional potential of war participants, the purpose of which was the socio-economic reintegration of soldiers living in the marzes of RA who were injured during the war, by promoting work and motivation for work.



- The amount of the "Power of 1 dram" project in **May** constituted AMD 3,520,698, which was allocated to the treatment of children with epilepsy. The beneficiary was the "Path of Life" NGO, which provides children with epilepsy with diagnosis, medication and necessary treatment.

- The sum of AMD 3,482,779 accumulated from the payments made during **June** was directed to the improvement and furnishing of the premises/yard of the "Hayordi" annual camp. The beneficiaries of the "Hayordi" camp were the children from Artsakh and Armenia who lost their parents in the war.



- The sum of AMD 3,480,466 accumulated during the month of **July** was donated to the "Children of Armenia" charity fund, a program aimed at providing access to quality education for children in rural communities.

- The sum of AMD 3,500,572 collected in **August** was donated to the Armenian charitable foundation "SOS-Children's Villages", which supports children, young people and their families in difficult life situations, contributing to the development of communities.

- The beneficiary of **September's** "The Power of 1 Dram" was the educational program "Armenia to the World" to which Idram and IDBank companies donated AMD 3,397,784. The goal of the program was to create an opportunity for the youth of Artsakh to receive appropriate digital education.

- During the month of **October**, the entire amount collected through "The Power of 1 Dram", AMD 3,580,216, was transferred to the "Hayordi" initiative, which in those days hosted the families of the victims of the Artsakh wars.



- An amount of AMD 3,588,848 accumulated during **November** was transferred to the project of building greenhouses in Syunik for our compatriots forcibly displaced from Artsakh.

- At the end of the year, in **December**, an amount of AMD 3,945,010 under "The power of 1 dram" was directed to the Children's Health Fund of Armenia.



On the last working day of the year, IDBank and Idram hosted the representatives of the families of Artsakh who were twice victims in the wars.

In addition to the gifts, the companies handed over idplus loyalty platform gift cards worth of AMD 150,000 to the participants of the event. The project was implemented in cooperation with the "Hayordi" initiative.

Financial Results



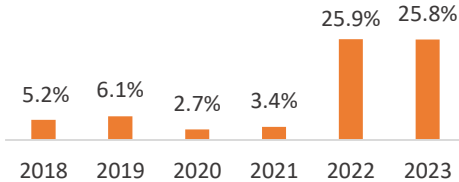
In 2023 the Bank recorded significant progress in financial results. As of the end of 2023 the total assets of IDBank amounted to AMD 367 bln, thus recording 18.7% annual growth. Around 43% of assets (AMD 159 bln) are the loans and advances to customers. The loan portfolio growth is due to the growth of loans to individuals (+22%) and loans to the legal entities (+45%).

By the end of 2023 the total liabilities of the Bank amounted to AMD 303 bln, around 74% of which were current accounts, deposits of clients, and debt securities issued by the Bank.

Arman Asatryan
Director of Investment Business

The bank recorded a net profit of AMD 15.8 billion. As a result, the bank secured the 3rd position in the market for both indicators: return on equity (ROE) with 25.8% and return on assets (ROA) with 4.7%. One of the main factors contributing to the high level of profitability is the net non-interest income, in particular, the Bank is one of the leaders in the market by the net income from trading operations recording AMD 8.5 bln.

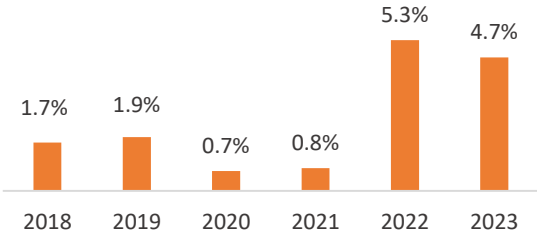
Return on Equity (ROE) %



Share of loans and advances in total assets

43%

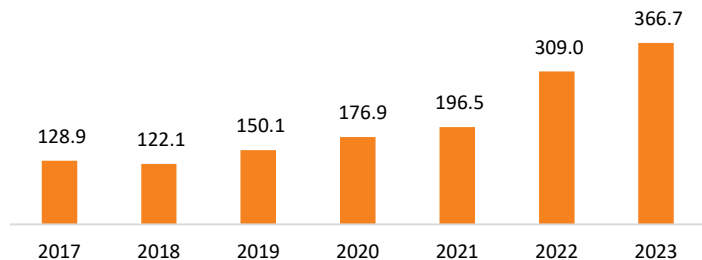
Return on Assets (ROA) %



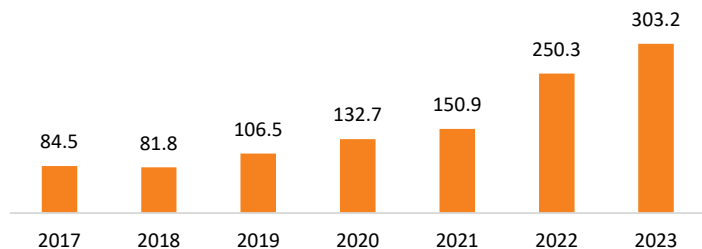
Considering that the Bank's capital adequacy and liquidity levels are quite high and the Bank's net impairments are relatively low, the Bank has ample opportunities to expand its operations and implement new projects without compromising the Bank's financial stability continuously creating long-term sustainable value for all its stakeholders.

Financial results

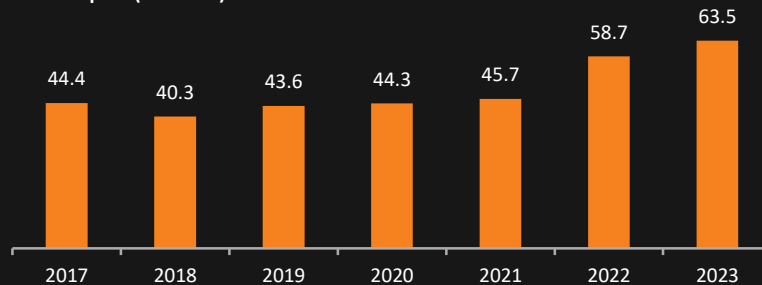
Total assets (bln AMD)



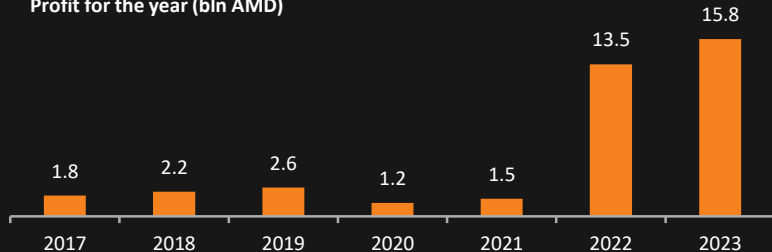
Total liabilities (bln AMD)



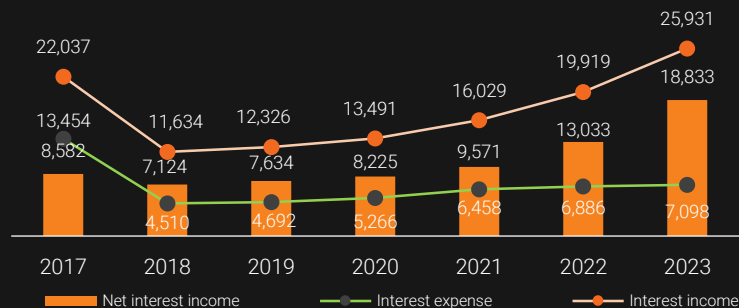
Total capital (bln AMD)



Profit for the year (bln AMD)

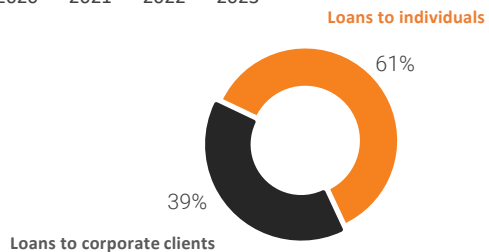
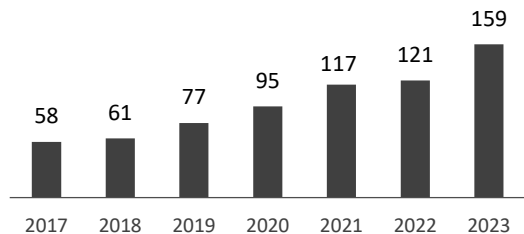


Net interest income (bln AMD)



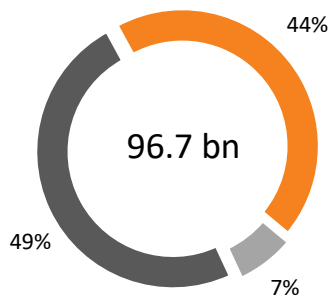
Bank portfolios

Loans and borrowings to clients
(recognized at amortized cost) , bn AMD



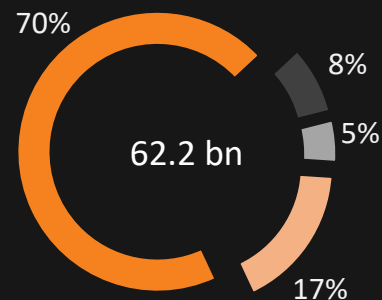
Retail loan portfolio composition

- Consumer loans
- Mortgage loans
- Gold-pledged loans



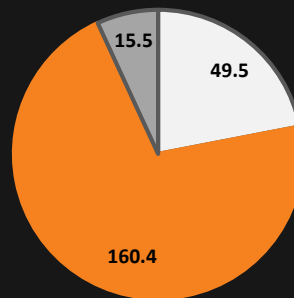
Corporate loan portfolio composition

- Loans to large organizations
- Loans to commercial organizations
- Loans to industrial organizations
- Other corporate loans



Liabilities to clients (bn AMD)

- Term deposits
- On demand deposits
- Bonds



Our Staff

Our employee is the key to our success. The success, achievements and realized goals recorded during 2023 prove once again that teamwork is the key to achieving the desired result. Thanks to the team's dedication and unity around the common goal, this year it was possible to ensure high performances, create new values, implement interesting ideas and improve the results achieved in previous years.

The bank, as an employer, does everything possible to continuously improve the working environment, to make it even safer and more attractive, to introduce financial and non-financial motivational systems for employees.

In 2023, we continued the steps aimed at increasing satisfaction, as well as created new opportunities for permanent professional growth and improvement of professional skills, acquisition of new knowledge.

Continuous education and development is part of the Bank's internal culture; internal corporate and educational portals create a wide range of opportunities for employees, at the same time, international qualifications and the involvement of the best trainers in the field continue to be an important part of continuous development of middle and high-level managers.

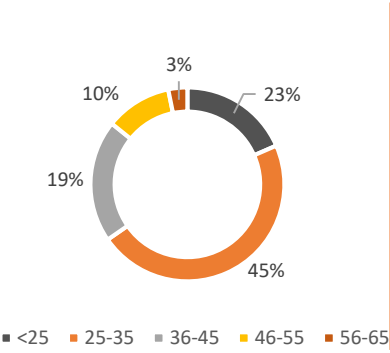
This year was also distinguished by the abundance of various team events. The initiated events warmed and strengthened the working relations of our employees and gave an opportunity to combine work and rest.

Sona Manucharyan
Acting Director of Human Capital Management

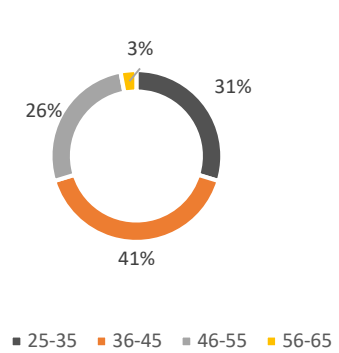
735

Actual number of the Bank's employees as of the end of 2023

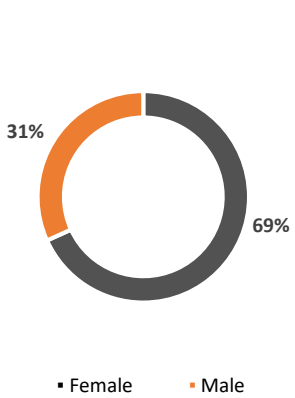
Staff composition by age, %



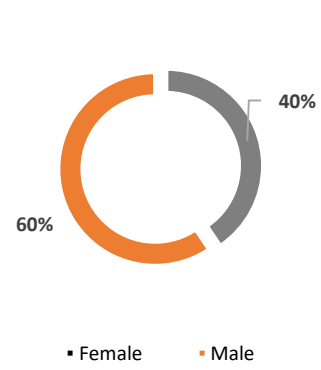
Management staff composition by age, %



Staff composition by gender, %



Management staff composition by gender, %



Team and Corporate culture

We are a team - teamwork is one of the main values of the Bank and is the pillar of the formation of corporate culture and a necessary condition for success.

This year, many team and corporate events were organized, as well as continuous strategic meetings for the development of teamwork, as well as employee performance-based incentives.



Many events organized by the bank gave employees the opportunity to communicate outside of work and support various social projects together. We continued to give employees the opportunity to work in a more flexible working mode, to use the opportunity for smooth work in remote and offline modes.



During 2023, corporate social responsibility programs addressed both children, vulnerable families, and soldiers, as well as residents of border villages.

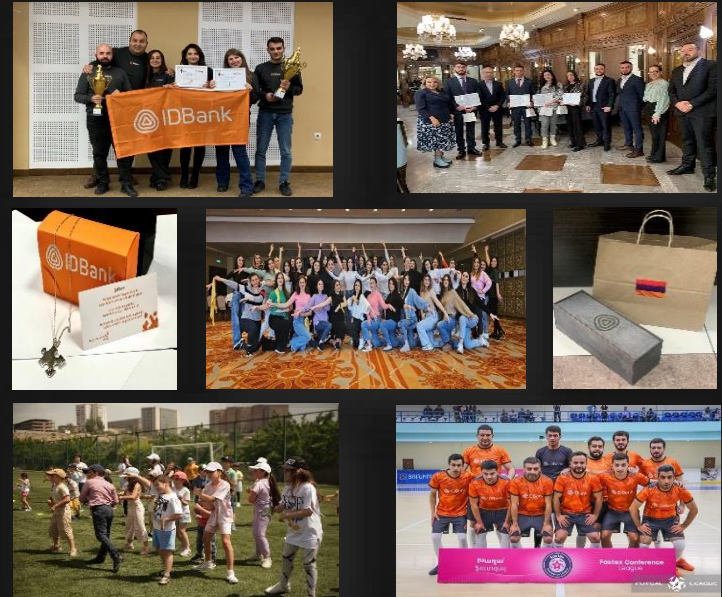
Compensation and Motivation

The focus of the Bank is the implementation of the analysis of the remuneration and benefits market of the financial and banking sector and the constant monitoring of the current trends, as well as the provision of timely and appropriate response.

The Bank encourages employees in both financial and non-financial ways. The Bank's benefits package is constantly reviewed and updated.

Meetings with the Chairman of the Management Board were organized with the employees who showed the best performance, valuable gifts were provided and an opportunity to discuss work successes and further professional development in such an environment.

Regular salary revisions as well as flexible bonus models are continuously applied as an element of the financial incentive culture of the Bank's employees.



Employee recruitment policy

During 2023, the Bank's team was supplemented with 214 new employees.

Continuing to focus on internal staff development and advancement, approximately 31% of vacancies were filled through internal candidates, filling both specialist and managerial positions.

Working with students is an important part of the Bank's staff recruitment policy, combining the formation of novice specialists and the process of attracting leading specialists of the field to our ranks.



Parallel to Yerevan Contact Center, Gyumri Contact Center started its work with 3 employees, and in 2023 has grown into a large team of around 20 employees. Many trainings were organized for them, as a result we not only had the opportunity to serve more calls, but also improve service for all our customers who called the Bank.

Corporate culture and internal communication

Adhering to our values and principles, the Bank continues to develop its corporate culture and internal communication channels.

Thanks to the corporate communication platform, employees have the opportunity to get acquainted with current news and changes, take part in surveys and make suggestions, participate in various interesting online contests and interactive surveys.



Cooperation with students: IDream program

Quality education is one of our priorities. The Bank actively cooperates with a number of higher education institutions and participates to a certain extent in non-formal education, providing students with the opportunity to get acquainted with the banking sector.

In 2023 the Bank organized the IDream training program for students 4 times, enabling another 99 recent graduates to start their careers with the Bank. Thanks to this program, all students receive theoretical and practical knowledge of the financial and banking sector, develop skills that are necessary for a novice employee of the banking sector.

This year the program IDream Artsakh of special significance was also organized, giving our Artsakh students the opportunity to quickly integrate and find a job.



Staff training and development

During the year, the Bank's Training and Development Center organized and supervised more than 200 online and offline training courses, shared various materials, interesting development literature and presentations. Employees have the opportunity to be trained not only by participating in external or internal courses, but also through the online platform, at convenient for them schedule and speed.

During 2023, 80% of employees were trained, 78% of whom participated in internal training courses, and 41% were trained by participating in external courses.



The Bank constantly encourages and supports employees to obtain international qualifications and certifications, and also aims to establish a requirement for international qualifications for top and middle managers, providing financial support in this process.

3

Corporate management

Our shareholders and the Council

26

Risk management

28

Council of the Bank



Arthur Javadyan

Chairman of the Council

During 2008-2020, as the chairman of the Central Bank of Armenia, he was the chairman of the board of UCO "National Mortgage Company", UCO "Apartment for Youth", credit bureau "ACRA", "ArCa" systems, CJSC "Armincasation", as well as a board member at the Armenian Stock Exchange.

From 2020 is an ambassador-at-large of the Republic of Armenia.



Karen Margaryan

Karen Margaryan is a Doctor of Economics and Candidate of Technical Sciences with 37 years of experience in managerial/leadership positions. Since 2016, he has been a member of the Board of "ID Bank" CJSC. He holds scientific titles and is the author of more than fifty scientific works on economics and management.



Fernando Castiñeiras

Received an MBA from Warwick Business School (UK) in 2003 then completed the Global CEO Program in 2018, conducted by IESE (Spain), Wharton Business School (US), and CEIBS (China). From 1996 he embarked on a four-year international experience program, including work in the Global Investment Banking Group in London. In 2002 he co-founded Management Solutions (MS), a multinational consulting firm. From 2016, he is the founder, chairman, and CEO of Athos Capital, SGEIC, S.A. Since 2024 he is a member of the Council of "ID Bank" CJSC.



Elena Khachvankyan

Elena Khachvankyan is a finance and management professional with a robust academic and practical background. Has completed ecoDa's European Board Diploma, which has equipped her with state-of-the-art knowledge in corporate governance practices. Currently, she holds the position of Consultant with several International Financial institutions. Her expertise lies in strategic planning, large-scale infrastructure projects, assessing fiscal risks, and development finance.

She has made significant contributions to the implementation of reforms in this areas.



Andreas Blasé

Born in Germany, graduated from the Otto Beisheim School of Management (WHU). Has 15 years of diverse experience including direct investments, portfolio management, digital transformation, and operational leadership. Since January 2024 Andreas Blasé is an Operating Partner of AURELIUS Wachstumskapital (Germany). He served in key positions at CECONOMY AG and served as a director of Mergers & Acquisitions and Strategy at Federal-Mogul (USA).

Since 2024 Mr. Blasé is a member of the Council of "ID Bank" CJSC.

2023

"ID Group" CJSC
100% shareholder

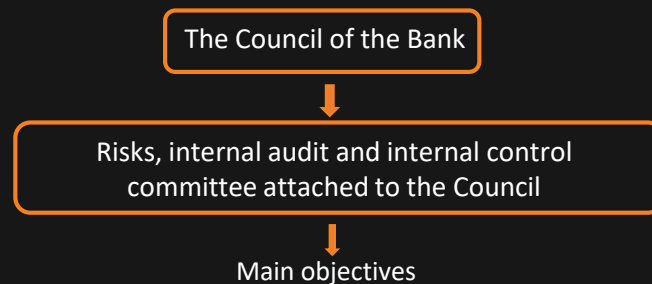


Council of the Bank

The Council of the Bank performs general management of the Bank's activity within the framework of questions in the scope of the Councils competence in accordance with the law and the charter of the Bank.

Among the powers of the Council are:

1. Determining the main directions of the Bank's activity, including the approval of the strategic development program,
2. Appointment of the members of the Bank's executive body,
3. Approval of internal control standards in the Bank,
4. Submission of recommendations to the General Meeting of Shareholders on paying dividends,
5. Preliminary approval of the Bank's annual financial statements and their submission to the General Meeting,
6. Passing decisions on placement of the Bank's bonds and other securities,
7. Opening branches, representations and offices of the Bank,
8. Conclusion of conflict of interest transactions in cases prescribed by legislation,
9. Passing decisions on other questions as prescribed by law or the charter of the Bank.



The main objectives of the Committee are to increase the efficiency of risk management systems, internal audit and internal control of the Bank, to ensure the implementation of management and control functions of the Bank's Council in terms of the operation of these systems.

The main tasks of the Committee are:

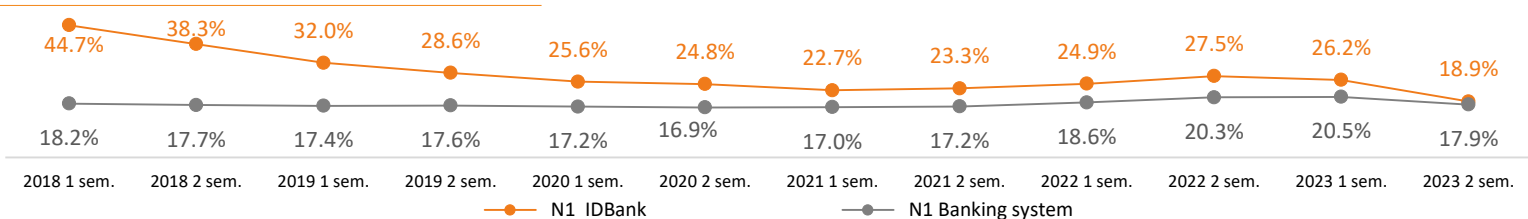
- 1) Ensuring constant supervision of the activities of the Bank's executive bodies by the Council of the Bank and ensuring effective cooperation of the members of the Bank's Council with the Bank's management on issues related to the competence of the Committee.
- 2) Assessing the efficiency and adequacy of risk management systems, internal audit, internal control activities, participation in the development of the risk-based internal control system of the Bank.
- 3) Development of proposals on issues related to the competence of the Committee and submission to the Council of the Bank and the management of the Bank.

Main economic normatives

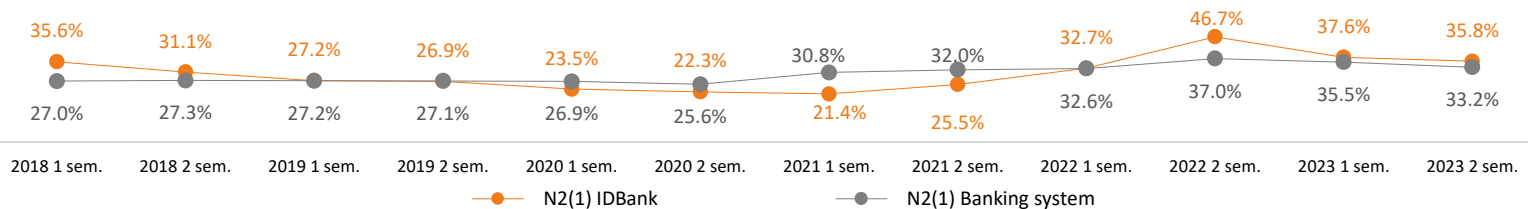
The two indicators describing the Bank's financial stability, the capital adequacy and liquidity, are above the required minimum level and the corresponding indicators of the banking system.

In the 2nd semester of 2023 the capital adequacy normative of the Bank amounted to 18.9% (minimum required value defined at 11%), and the overall and current liquidity normatives amounted to 35.8% and 73.3% respectively (minimum required value defined at 15% and 60% respectively).

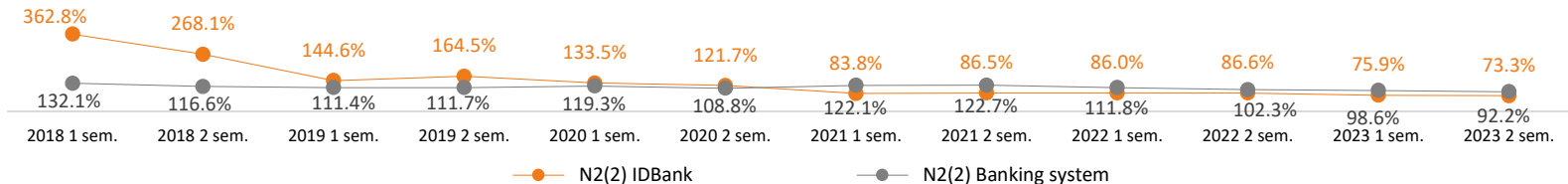
Capital adequacy normative N1



Overall liquidity normative N2(1)



Current liquidity normative N2(2)



Main approaches to risk management

Credit risk management

In order to mitigate risks emerging in the lending process the Bank places the following principles within the lending process:

- ✓ Presence of loan purposefulness and sources of repayment
- ✓ The subject of pledge and the sensitivity of the latter to economic and market changes, as well as compliance with the loan/pledge ratio limits
- ✓ Current state of the economy sector of the potential borrower's activity, the experience of activities of the applicant in the given sector, the position in the sector, the competition degree and competition in the sector
- ✓ Presence of an operating business of the potential borrower, sustainable level of gross profit margin and/or good credit history
- ✓ Defining the limits of indicators describing the financial state of the potential borrower.

Credit risk management is also implemented by defining the credit risk appetite and assessing the riskiness of the Bank's overall portfolio, developing and continuously updating scoring models.

Liquidity risk management

In order to assess and limit the liquidity risk, the Bank follows both the main economic norms of liquidity (general, current, LCR, NSFR liquidity norms) and their internal stricter limits on a daily basis.

In addition to the above, liquidity risk management is also implemented through the Liquidity Gap (GAP) model and stress testing.

Interest rate risk management

For the purpose of evaluation and limitation of the interest rate risk the bank performs interest rate evaluation based on interest rates in the market and brings them in line with the market indicators, constantly controls the maturity gap between assets and liabilities sensitive to interest rate, and in case of change of the market interest rates the risk of possible losses of the Bank as a result of those changes is being brought down to the minimum through quick response.

Foreign currency risk management

For the purpose of foreign exchange risk management, the Bank manages foreign exchange open positions, following the maintenance of the limits of the established foreign exchange risk management normative and benchmark indicators.

Operational risk management

For the purpose of identification and classification of operational risks the Bank performs self-evaluation of risks, maintains a database of operational risk incidents and identification of fraud risk

The bank takes continuous steps in the directions of developing information security systems and preventing online fraud.

Country risk management

In case of conclusion of debit transaction with organizations registered and/or actually operating in other countries, opening correspondent accounts and assuming off-balance contingent liabilities, the Bank performs evaluation of the risk of the given country of that organization at the moment of conclusion of a transaction with the given country for the first time and in the future as well, based on the rating assigned to the given country by one of the international rating companies (Moody's, Standard&Poor's, Fitch) and the limits defined by the internal procedure.

Main approaches to risk management

Reputational risk management

Reputational risk management aims at identifying the directions of the negative public opinion during the normal course of business of “IDBank” CJSC and defining the main directions of measures towards prevention/minimization of the reputational risk by the Bank.

The regulatory field applied in the Bank in terms of the abovementioned risks is regulated by internal legal acts of IDBank and relevant legal acts adopted by the RA Central Bank.

As of 31/12/2023 no violations in terms of normatives have been identified.

Strategic risk management

In order to identify and assess the possibility of strategic risk, the Bank has implemented a Risk Appetite Monitoring System. In case of deviations from the risk appetite defined by the strategy, the Bank takes appropriate steps to reduce the risks.

4

Financial reporting

Independent Auditors' Report on the Summary Financial Statements	32
Summary statement of Profit or Loss and Other comprehensive income	33
Summary statement of Financial position	33
Summary statement of Cash flows	34
Summary statement of changes in Equity	34

**Independent auditor's report
on the summary financial statements**

To the Shareholders and Council of
ID Bank Closed Joint-Stock Company

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2023, and the summary statement of profit or loss and other comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year ended 31 December 2023, and a related note, are derived from the complete audited financial statements of ID Bank Closed Joint-Stock Company for the year ended 31 December 2023.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in Note 1 to the summary financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed unmodified opinion on the audited financial statements in our report dated 23 April 2024. That opinion includes information on key audit matters as well.

Other matter

The financial statements of the Bank for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2023.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary financial statements in accordance with the basis described in Note 1 to the summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Ernst & Young CJSC
Yerevan, Armenia

Partner (Assurance)

Ruslan Khoroshvili

General Director

Eric Hayrapetyan

Responsible Auditor

Yelena Adamyan

23 April 2024

Note 1

In accordance with the Law on "Banks and Banking activities" and of the Republic of Armenia, ID Bank Closed Joint-Stock Company should publish its financial statements.

The accompanying summary financial statements, which comprise the summary statement of financial position as of 31 December 2023, and the summary statement of profit or loss and other comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year ended 31 December 2023, and a related note, are derived from the audited financial statements of the Bank for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards.

The accompanying summary financial statements do not include all required information, which is presented in complete set of financial statements, particularly material accounting policy information and other clarifying information which is required to be disclosed according to the International Financial Reporting Standards.

A complete set of financial statements can be found on the website of ID Bank Closed Joint-Stock Company.

Summary statement of Profit or Loss and Other comprehensive income

For the year ended 31 December 2023

	2023 AMD'000	2022 AMD'000
Interest income calculated using the effective interest method	25,931,049	19,919,227
Interest expense	<u>(7,098,421)</u>	<u>(6,885,962)</u>
Net interest income	<u>18,832,628</u>	<u>13,033,265</u>
Fee and commission income	10,361,438	6,180,054
Fee and commission expense	<u>(6,863,060)</u>	<u>(4,562,552)</u>
Net fee and commission income	<u>3,498,378</u>	<u>1,617,502</u>
Net foreign exchange gain	7,460,147	12,908,096
Net gain on financial instruments at fair value through profit or loss	1,069,273	1,127,937
Net realised loss on investment securities	(93,720)	(55,163)
Share of the profit of associates accounted for using the equity method	575,245	–
Net other operating income	<u>233,476</u>	<u>31,920</u>
Operating income	<u>31,575,427</u>	<u>28,663,557</u>
Net impairment losses on financial instruments	(382,000)	(1,332,312)
Personnel expenses	(7,269,745)	(6,782,363)
Other general administrative expenses	<u>(4,741,784)</u>	<u>(3,825,080)</u>
Profit before income tax	<u>19,181,898</u>	<u>16,723,802</u>
Income tax expense	<u>(3,424,768)</u>	<u>(3,207,353)</u>
Profit for the year	<u>15,757,130</u>	<u>13,516,449</u>
Other comprehensive (loss)/income, net of income tax		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Movement in fair value reserve for investment securities:		
Net change in fair value	302,230	(570,786)
Net amount reclassified to profit or loss	87,786	45,234
Total items that are or may be reclassified subsequently to profit or loss	<u>390,016</u>	<u>(525,552)</u>
Other comprehensive income/ (loss) for the year, net of income tax	<u>390,016</u>	<u>(525,552)</u>
Total comprehensive income for the year	<u>16,147,146</u>	<u>12,990,897</u>

Summary statement of Financial position

As of 31 December 2023

	2023 AMD'000	2022 AMD'000
ASSETS		
Cash and cash equivalents	36,606,515	36,273,430
Amounts receivable under reverse repurchase agreements	8,606,787	15,725,509
Loans and advances to banks and other financial institutions	63,515,077	41,858,155
Financial instrument measured at fair value through profit or loss	449,838	351,121
Investment securities measured at fair value through other comprehensive income		
Held by the Bank	10,812,707	7,804,552
Investment securities measured at amortised cost		
Held by the Bank	54,361,958	69,479,481
Pledged under sale and repurchase agreements	6,646,146	–
Loans to customers	158,884,500	121,327,795
Repossessed assets	2,709,765	3,098,462
Investments in associates	7,575,245	–
Property, equipment and intangible assets	9,687,175	7,480,638
Right of use assets	3,188,475	2,071,018
Other assets	<u>3,630,008</u>	<u>3,535,599</u>
Total assets	<u>366,674,196</u>	<u>309,005,760</u>
LIABILITIES		
Amounts payable under repurchase agreements	8,010,540	–
Deposits and balances from banks and other financial institutions	57,310,415	39,509,998
Financial instrument measured at fair value through profit or loss	11,255	–
Current accounts and deposits from customers	209,920,125	188,283,970
Current tax liabilities	2,258,501	2,993,571
Debt securities issued	15,506,851	12,895,735
Deferred tax liability	442,859	342,209
Lease liability	3,415,391	2,194,220
Other liabilities	<u>6,313,467</u>	<u>4,113,994</u>
Total liabilities	<u>303,189,404</u>	<u>250,333,697</u>
EQUITY		
Share capital	33,971,850	33,971,850
Share premium	5,014,099	5,014,099
Revaluation surplus for buildings	–	96,917
Fair value reserve for investment securities	119,492	(270,524)
Retained earnings	<u>24,379,351</u>	<u>19,859,721</u>
Total equity	<u>63,484,792</u>	<u>58,672,063</u>
Total liabilities and equity	<u>366,674,196</u>	<u>309,005,760</u>

Summary statement of Cash flows

For the year ended 31 December 2023

	2023 AMD'000	2022 AMD'000 Reclassified
Cash flows from operating activities		
Interest receipts	26,275,698	18,928,749
Interest payments	(6,746,112)	(6,626,890)
Fee and commission receipts	10,361,438	6,180,054
Fee and commission payments	(6,863,060)	(4,562,552)
Net payments from financial instruments at fair value through profit or loss	272,222	1,127,937
Net receipts from foreign exchange	8,288,866	14,620,190
Other income receipts	288,183	109,725
Personnel and other general administrative expenses payments	(9,147,534)	(8,149,279)
(Increase)/decrease in operating assets		
Financial instrument measured at fair value through profit or loss	678,417	(166,950)
Amounts receivable under reverse repurchase agreements	7,293,125	(9,674,887)
Loans and advances to banks and other financial institutions	(20,856,671)	(32,395,706)
Loans to customers	(38,058,088)	(13,462,160)
Repossession assets	572,884	848,710
Other assets	(262,859)	(1,888,507)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	9,376,019	7,998,218
Amounts payable under repurchase agreements	8,007,628	(13,011,495)
Current accounts and deposits from customers	18,339,456	110,430,378
Other liabilities	104,285	520,878
Net cash from operating activities before income tax paid	7,923,897	70,826,413
Income tax paid	(4,133,155)	(754,331)
Cash flows from operating activities	3,790,742	70,072,082
Cash flows from investing activities		
Acquisition of investment securities measured at FVOCI	(11,910,651)	(1,757,047)
Acquisition of investment securities measured at amortised cost	(56,426,143)	(68,978,994)
Proceeds from sale and repayment of investment securities measured at FVOCI	9,463,826	982,664
Proceeds from repayment of investment securities measured at amortised cost	65,443,788	16,433,517
Acquisition in associates	(7,000,000)	-
Purchases of property, equipment and intangible assets	(3,493,292)	(1,470,706)
Sale of property, equipment and intangible assets	8,124	139,333
Cash flows used in investing activities	(3,914,348)	(54,651,233)
Cash flows from financing activities		
Proceeds from issuance of debt securities	6,208,154	8,769,181
Repayment of debt securities issued	(3,982,629)	(6,646,600)
Proceeds from borrowed funds	11,517,476	7,962,796
Repayment of borrowed funds	(3,290,975)	(1,966,894)
Dividends paid	(11,237,500)	-
Repayment of lease liability	(276,834)	(214,376)
Cash flows (used in)/ from financing activities	(1,062,308)	7,904,107
Net increase in cash and cash equivalents	(1,185,914)	23,324,956
Effect of changes in exchange rates on cash and cash equivalents	1,520,173	(6,760,161)
Effect of changes in ECL on cash and cash equivalents	(1,174)	2,051
Cash and cash equivalents as at the beginning of the year	36,273,430	19,706,584
Cash and cash equivalents as at the end of the year	36,606,515	36,273,430

Summary statement of changes in Equity

For the year ended 31 December 2023

	Share capital	Share premium	Revalua- tion surplus for buildings	Fair value reserve for investment securities	Retained earnings	Total equity
AMD'000						
Balance as at 1 January 2022	33,971,850	5,014,099	105,601	255,028	6,334,588	45,681,166
Total comprehensive income						
Profit for the year	-	-	-	-	13,516,449	13,516,449
Other comprehensive loss						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Net change in fair value of investment securities, net of deferred tax	-	-	-	(570,786)	-	(570,786)
Net change in fair value of investment securities transferred to profit or loss, net of deferred tax	-	-	-	45,234	-	45,234
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	(525,552)	-	(525,552)
Total other comprehensive loss	-	-	-	(525,552)	-	(525,552)
Total comprehensive income for the year	-	-	-	(525,552)	13,516,449	12,990,897
Transfer from revaluation surplus to retained earnings	-	-	(8,684)	-	8,684	-
Balance as at 31 December 2022	33,971,850	5,014,099	96,917	(270,524)	19,859,721	58,672,063
AMD'000						
Balance as at 1 January 2023	33,971,850	5,014,099	96,917	(270,524)	19,859,721	58,672,063
Total comprehensive income						
Profit for the year	-	-	-	-	15,757,130	15,757,130
Other comprehensive loss						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Net change in fair value of investment securities, net of deferred tax	-	-	-	302,230	-	302,230
Net change in fair value of investment securities transferred to profit or loss, net of deferred tax	-	-	-	87,786	-	87,786
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	-	-	-	390,016	-	390,016
Total other comprehensive loss	-	-	-	390,016	-	390,016
Total comprehensive income for the year	-	-	-	390,016	15,757,130	16,147,146
Dividends paid (Note 28)	-	-	-	-	(11,237,500)	(11,237,500)
Reversal of revaluation surplus	-	-	(96,917)	-	-	(96,917)
Balance as at 31 December 2023	33,971,850	5,014,099	-	119,492	24,379,351	63,484,792

STATEMENT OF RESPONSIBLE PERSONS

We hereby assure that to the best of our knowledge:

1. The financial statements accurately and completely reflect the real picture of the Bank's assets, liabilities, financial position, income and expenses, and the annual report of the management bodies accurately and completely reflects the Bank's general condition, business results and development, and includes the description of the main risks with which the Bank has been or is related to.
2. The 2023 audited financial statements are prepared in accordance with the international financial reporting standards and, in all essential respects, accurately and completely reflect the real picture of the Bank's assets and liabilities, financial position, income and expenses as of December 31, 2023.

Mher Abrahamyan

(First name, Last name)

Chairman of the Management Board

(position)

Director of Investment Business,
Management Board Member

Arman Asatryan

(First name, Last name)

(position)

Business Development Director,
Management Board Member

Karen Nalbandyan

(First name, Last name)

(position)

Risk Management Director,
Management Board Member

Artur Hambardzumyan

(First name, Last name)

(position)

Chief Accountant,
Management Board Member

Anushik Khachatryan

(First name, Last name)

(position)

Digital Banking Director,
Management Board Member

Sergey Arakelyan

(First name, Last name)

(position)

Corporate Business Director,
Management Board Member

Tigran Mkhitarian

(First name, Last name)

(position)

Operational Director,
Management Board Member

Lilit Grigoryan

(First name, Last name)

(position)