Converse Bank Closed Joint-Stock Company

Consolidated financial statements

Period ended 30 June 2023

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as of 30 June 2023

(thousands of Armenian drams)

	Notes	*30 June 2023*	*31 December 2022*
Assets			
Cash and cash equivalents	6	45,563,995	50,293,614
Trading securities	7	869,040	823,400
Amounts due from banks	8	39,165,728	47,118,122
Derivative financial assets	16	33,372	197,014
Loans and advances to customers	9	233,396,851	223,976,683
Investment securities	10	122,101,740	125,362,769
Investment securities pledged under repurchase agreements	10	-	-
Property, plant and equipment and right-of-use assets	11	9,011,532	8,775,341
Intangible assets	12	779,389	653,241
Repossessed assets	13	1,037,098	2,039,484
Other assets	14	8,685,125	4,896,376
Total assets		**460,643,870**	**464,136,044**
Liabilities			
Amounts due to banks	15	879,200	2,341,009
Derivative financial liabilities	16	14,313	-
Amounts due to customers	17	324,467,718	341,850,325
Debt securities issued	18	19,796,867	14,692,148
Current income tax liabilities	19	1,537,047	3,208,769
Deferred income tax liabilities	19	329,138	138,794
Other borrowed funds	20	36,225,358	34,501,456
Lease liabilities	36	1,576,041	1,521,514
Subordinated debt	21	-	276,140
Provisions on commitments and contingencies	22	143,667	143,063
Other liabilities	14	7,326,190	2,687,822
Total liabilities		**392,295,539**	**401,361,040**
Equity	23		
Share capital		19,947,633	19,947,633
Share premium		63,233	63,233
Statutory general reserve		8,848,182	8,848,182
Revaluation surplus for land and buildings		3,620,729	3,669,287
Revaluation reserve for financial assets at FVOCI		(1,696,071)	(4,099,566)
Retained earnings		37,564,625	34,346,235
Total equity		**68,348,331**	**62,775,004**
Total equity and liabilities		**460,643,870**	**464,136,044**

Signed and authorised for release on behalf of the Management Board of the Bank.

Andranik Grigoryan — Chief Executive Officer – Chairman of Executive Management

Lia Hovhannisyan — Acting Chief Accountant

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit and loss

for the period ended 30 June 2023

(thousands of Armenian drams)

	Note	01/04/23-30/06/23	01/01/23-30/06/23	01/04/22-30/06/22	01/01/22-30/06/22
Interest revenue calculated using effective interest rate	24	8,815,693	17,391,273	7,230,464	14,216,723
Other interest revenue	24	35,043	58,866	23,702	45,479
Interest expense	24	(3,723,513)	(7,333,018)	(3,624,116)	(7,079,452)
Net interest income	24	**5,127,223**	**10,117,121**	**3,630,050**	**7,182,750**
Credit loss expense	25	(1,028,268)	(675,364)	370,343	23,372
Net interest income after credit loss expense		**4,098,955**	**9,441,757**	**4,000,393**	**7,206,122**
Fee and commission income	26	2,736,130	5,117,074	1,596,804	2,604,632
Fee and commission expense	26	(1,651,262)	(2,960,727)	(862,845)	(1,354,585)
Net trading income	27	1,784,246	3,914,003	5,203,982	6,096,630
Net gain from foreign currency translation		329,531	957,908	(1,218,490)	(1,449,896)
Gains less losses from investment securities measured at fair value through other comprehensive income		20,537	63,398	(45,539)	(38,319)
Other income	28	6,095	337,139	232,906	419,188
Non-interest income		**3,225,277**	**7,428,795**	**4,906,818**	**6,277,650**
Personnel expenses	29	(2,258,534)	(4,411,018)	(1,769,485)	(3,504,639)
Depreciation of property and equipment and right-of-use asset	11	(300,918)	(582,879)	(285,521)	(572,088)
Amortization of intangible assets	12	(20,393)	(40,748)	(15,574)	(29,513)
Administrative and other operating expenses	29	(1,289,347)	(2,434,236)	(987,185)	(1,892,432)
Other impairment and provisions		-	-	-	-
Non-interest expense		**(3,869,192)**	**(7,468,881)**	**(3,057,765)**	**(5,998,672)**
Profit before income tax expense		**3,455,040**	**9,401,671**	**5,849,446**	**7,485,100**
Income tax expense	19	(668,845)	(1,799,748)	(1,393,836)	(1,774,098)
Profit for the year		**2,786,195**	**7,601,923**	**4,455,610**	**5,711,002**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the period ended 30 June 2023

(thousands of Armenian drams)

	Note	01/04/23-30/06/23	01/01/23-30/06/23	01/04/22-30/06/22	01/01/22-30/06/22
Profit for the year		**2,786,195**	**7,601,923**	**4,455,610**	**5,711,002**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Revaluation of property and equipment					
Income tax effect					
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Unrealised (losses)/gains on debt securities at FVOCI		2,495,976	2,987,380	(744,837)	(1,278,045)
Realised gains on debt securities at FVOCI transferred to profit or loss		(20,537)	(63,398)	45,539	38,319
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		4,505	7,108	5,558	3,659
Income tax effect	19	(446,390)	(527,596)	124,873	222,492
Net other comprehensive loss to be reclassified subsequently to profit or loss		**2,033,553**	**2,403,494**	**(568,867)**	**(1,013,575)**
Other comprehensive (loss)/income for the year, net of tax		**2,033,553**	**2,403,494**	**(568,867)**	**(1,013,575)**
Total comprehensive income for the year		**4,819,748**	**10,005,417**	**3,886,743**	**4,697,427**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the period ended 30 June 2023
(thousands of Armenian drams)

	Note	*Share capital*	*Share premium*	*Statutory general reserve*	*Revaluation reserve for securities at fair value through OCI*	*Revaluation reserve of PPE*	*Retained earnings*	*Total*
Balance as at 1 January 2022		**19,947,633**	**63,233**	**3,848,182**	**(1,170,072)**	**3,233,483**	**25,678,806**	**51,601,265**
Issue of share capital								-
Distribution to general reserve				5,000,000			(5,000,000)	-
Dividends to shareholders							(509,690)	(509,690)
Transactions with owners		**-**	**-**	**5,000,000**	**-**	**-**	**(5,509,690)**	**(509,690)**
Profit for the year							5,711,002	5,711,002
Other comprehensive income for the year					(1,013,575)		-	(1,013,575)
Total comprehensive income for the year		-	-	-	(1,013,575)	-	5,711,002	4,697,427
Depreciation of revaluation reserve		-	-	-	-	(39,414)	39,414	-
Balance as at 30 June 2022		**19,947,633**	**63,233**	**8,848,182**	**(2,183,647)**	**3,194,069**	**25,919,532**	**55,789,002**
Balance as at 1 January 2023		**19,947,633**	**63,233**	**8,848,182**	**(4,099,566)**	**3,669,287**	**34,346,235**	**62,775,004**
Issue of share capital								-
Distribution to general reserve								-
Dividends to shareholders							(4,432,091)	(4,432,091)
Transactions with owners		**-**	**-**	**-**	**-**	**-**	**(4,432,091)**	**(4,432,091)**
Profit for the year							7,601,923	7,601,923
Other comprehensive income for the year					2,403,495		-	2,403,495
Total comprehensive income for the year		**-**	**-**	**-**	**2,403,495**	**-**	**7,601,923**	**10,005,418**
Depreciation of revaluation reserve		-	-	-	-	(48,558)	48,558	-
Balance as at 30 June 2023		**19,947,633**	**63,233**	**8,848,182**	**(1,696,071)**	**3,620,729**	**37,564,625**	**68,348,331**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the period ended 30 June 2023

(thousands of Armenian drams)

	Note	*01/01/23-30/06/23*	*01/01/22-30/06/22*
Cash flows from operating activities			
Interest received		16,136,326	15,712,463
Interest paid		(7,423,476)	(8,196,059)
Fees and commissions received		5,117,074	2,604,631
Fees and commissions paid		(2,960,727)	(1,354,585)
Net trading income received		5,057,656	6,620,205
Other income received		400,306	388,878
Personnel expenses paid		(4,445,802)	(3,069,073)
Administrative and other operating expenses paid		(2,238,431)	(1,893,002)
Cash flows from operating activities before changes in operating assets and liabilities		**9,642,926**	**10,813,458**
Net (increase)/decrease in operating assets			
Trading securities		33,064	5,476
Amounts due from banks		6,758,950	(23,072,982)
Loans and advances to customers		(10,648,910)	(10,155,770)
Repossessed assets		1,121,235	270,452
Other assets		(3,828,838)	81,241
Net increase/(decrease) in operating liabilities			
Amounts due to banks		(54,009)	(9,013,145)
Amounts due to customers		(16,024,239)	51,760,795
Derivative financial liabilities		(1,043,949)	(131,373)
Other liabilities		4,479,426	(19,188)
Net cash used in operating activities before income tax		**(9,564,344)**	**20,538,964**
Income tax paid		(3,809,313)	(986,480)
Net cash used in operating activities		**(13,373,657)**	**19,552,484**
Cash flows from investing activities			
Purchase of investment securities		(31,687,829)	(23,197,603)
Proceeds from sale and redemption of investment securities		37,061,631	3,668,627
Purchase of property and equipment		(609,434)	-
Proceeds from sale of property and equipment		74,133	336,769
Purchase of intangible assets		(166,896)	(8,382)
Net cash from / (used) in investing activities		**4,523,339**	**(19,200,589)**
Cash flows from financing activities			
Dividents paid to shareholders			-
Proceeds from debt securities issued		5,295,222	6,076,931
Redemption of debt securities issued		-	(5,715,100)
Proceeds from other borrowed funds		4,430,854	7,447,827
Repayment of other borrowed funds		(2,725,811)	(2,877,887)
Repayment of subordinated loans		(276,346)	-
Repayment of lease liabilities		(290,868)	(581,440)
Net cash from financing activities		**6,433,051**	**4,350,331**
Net increase in cash and cash equivalents		**(2,417,267)**	**4,702,226**
Cash and cash equivalents at the beginning of the year		50,293,614	56,470,480
Effect of exchange rates changes on cash and cash equivalents		(2,316,763)	(8,739,227)
Effect of expected credit losses on cash and cash equivalents		4,411	7,519
Cash and cash equivalents at the end of the year	6	**45,563,995**	**52,440,998**

The accompanying notes form an integral part of these consolidated financial statements.

(thousands of Armenian drams)

1. Principal activities

"Converse Bank" CJSC (the "Bank") is the parent company in the Group. It was formed on 1994 as a closed joint-stock bank under the laws of the Republic of Armenia. The Bank operates under a general banking license issued by the Central Bank of Armenia (the "CBA") on 28 November 1994 and conducts its business under license number 57.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

The Bank's main office is in Yerevan and its 33 branches are located in Yerevan and in different regions.

As of 30 June 2023, the number of Bank's employees is 885, the number of subsidiary's employees is 20.

Converse Collection was formed as a limited liability company under the laws of the Republic of Armenia on 20 April 2000. The company's principal activity is transportation of cash, cash equivalents and other assets. The company is a subsidiary of the Bank and was consolidated in these financial statements.

As of 30 June 2023, the shareholders of the Bank are:

Shareholder	***30 June 2023, %***	***31 December 2022, %***
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management BV	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	100.0	100.0

The ultimate controlling party of the Group is Argentinean businessman E. Eurnekian.

Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

2. Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

(thousands of Armenian drams)

2. Basis of preparation (continued)

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Functional and presentation currency

Functional currency of the Group is the currency of the primary economic environment in which the Group operates. The Bank's and its subsidiary's functional and presentation currency is Armenian dram ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Group. The Group prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These consolidated financial statements are based on the Group's books and records as adjusted and reclassified in order to comply with IFRS. The consolidated financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

Changes in accounting policies

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group

(thousands of Armenian drams)

as there were no modifications of the Group's financial instruments during the period.

The amendments did not have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments did not have a material impact on the Group.

Basis of consolidation

Subsidiary, which is entity where the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary, is consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiary have been changed to ensure consistency with the policies adopted by the Group. Subsidiary has a reporting date of 31 December.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

(thousands of Armenian drams)

3. Summary of accounting policies

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets such as buildings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from banks, loans to customers, investments securities at amortised cost

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

(thousands of Armenian drams)

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and under IFRS 9 – an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. They are recognized consistent with financial guarantees at higher of unamortized initial commission and loss reserves.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 30 June 2023.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), including the part of obligatory reserves and amounts due from other banks, which can be converted into cash at short notice.

Precious metals

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates. Precious metals are included in other assets in the consolidated statement of financial position. Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income/expense.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to banks or customers.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from banks or loans and advances to customers as appropriate and are not recognised in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return the securities is recorded as a trading liability and measured at fair value.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the statement of profit or loss.

Financial assets are classified based on the business model and SPPI assessments

Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Leases

i. Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below AMD 500,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ii. Operating − Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

iii. Finance − Group as a lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default;
- The event of insolvency or bankruptcy of the Group and/or its counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Group records a modification gain or loss, presented within Interest revenue calculated using effective interest rate in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its contractual rights to receive cash flows from the asset, or it retains the rights to the cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when consolidated financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Armenia also has various operating taxes, which are assessed on the Group's activities. These taxes are included as a component of other expenses in the consolidated statement of comprehensive income.

Property and equipment

Property and equipment is carried at cost excluding the costs of day–to–day servicing, less accumulated depreciation and any accumulated impairment. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the consolidated statement of financial position. Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Property and equipment (continued)

surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Land is carried at revalued amount. It has unlimited useful life and thus is not depreciated.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	***Rate (%)***
Buildings	50	2
Computers	3	33.3
Network appliances	8	12.5
Vehicles	8	12.5
Equipment	8	12.5
Other fixed assets	8	12.5

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses. Upon completion of construction assets are transferred to property, plant and equipment and accounted at their carrying amounts. Assets under the course of construction are not depreciated until they are ready for usage.

Repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Land and buildings are revalued on a regular basis at least once in 3 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property, plant and equipment.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of comprehensive income, in which case the increase is recognised in consolidated statement of comprehensive income. A revaluation deficit is recognised in the consolidated statement of comprehensive income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

Along with the usage of fixed assets, the difference of the calculated depreciation based on the revalued amount of the asset and calculated depreciation based on the cost of the asset is transferred to retained earnings.

In case of sale or write-off of fixed assets the balance relating to revaluation reserve of that fixed assets is totally transferred to retained earnings.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Intangible assets

Intangible assets include computer software, licenses and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of at least 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost and fair value less costs to sell.

Grants

Grants relating to the assets are included in other liabilities and are credited to the consolidated statement of comprehensive income on a straight line basis over the expected lives of the related assets.

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value, in “Other liabilities”, being the premium received. Following initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Equity

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Share premium

Share premium includes any premium received from the issue of shares. Any expense in respect of transaction which is related to the issue of shares is reduced from the share premium.

Retained earnings

Includes retained earnings of current and previous periods.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Equity (continued)

Property revaluation surplus

The property revaluation surplus is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for investment securities

This reserve records fair value changes in available-for-sale-investments / investments at fair value through other comprehensive income.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Trading and investment banking.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Fee and commission income

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Plastic cards and settlement operations fees are recorded over the period that the service is provided.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in Armenian drams, which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit and loss as gains less losses from foreign currencies − translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the CBA on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBA exchange rates at 30 June 2023 and 31 December 2022 were AMD 386.06 and AMD 393.57 to 1 USD, respectively.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder’s obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

4. Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these consolidated financial statements are presented below:

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group is not expecting to use termination and cancellation options (see Note 11).

Revaluation of land and buildings

Fair value of the properties is determined by using market comparable method and income approach. This means that valuations performed by the valuer are based on market transaction prices, significantly adjusted for difference in the nature, location or condition of the specific property. The Group engages independent experts for valuation of its premises (see Note 31).

Measurement of fair values

(thousands of Armenian drams)

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 31).

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Statistical models to estimate PDs, EADs and LGDs on a collective basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. (see Note 30)

5. Segment information

For management purposes, the Group is organised into three operating segments based on products and services as follows:

Retail banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and small and micro loans.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Trading and Investment banking	Treasury and finance, investment banking, leasing and other central functions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income taxes are managed on a profit before income tax basis and are allocated to operating segments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 30 June 2023 or 30 June 2022.

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments.

As of 30 June 2023	*Retail banking*	*Corporate banking*	*Trading and IB*	*Total*
External income				
Interest revenue calculated using effective interest rate	8,274,291	3,424,745	5,692,237	17,391,273
Other interest revenue	14,933	22,714	21,219	58,866
Interest expense	(2,321,289)	(3,882,558)	(1,129,171)	(7,333,018)
Net interest income	**5,967,935**	**(435,099)**	**4,584,285**	**10,117,121**
Credit loss expense	(324,643)	(343,613)	(7,108)	(675,364)
Fee and commission income	4,399,830	669,363	47,881	5,117,074
Fee and commission expense	(2,704,858)	(255,846)	(23)	(2,960,727)
Other non-interest income	1,524,174	4,514,226	(765,953)	5,272,448
Non-interest expense	(2,494,579)	(3,022,415)	(1,951,885)	(7,468,879)
Segment profit	**6,367,859**	**1,126,616**	**1,907,198**	**9,401,672**
Income tax expense	(1,218,990)	(215,666)	(365,092)	(1,799,748)
Profit for the period	**5,148,869**	**910,950**	**1,542,106**	**7,601,924**

(thousands of Armenian drams)

As of 30 June 2022	***Retail banking***	***Corporate banking***	***Trading and IB***	***Total***
External income				
Interest revenue calculated using effective interest rate	7,424,922	3,944,214	2,847,587	14,216,723
Other interest revenue	18,442	5,776	21,261	45,479
Interest expense	(2,321,862)	(3,519,964)	(1,237,626)	(7,079,452)
Net interest income	**5,121,502**	**430,027**	**1,631,222**	**7,182,751**
Credit loss expense	10,646	16,386	(3,659)	23,372
Fee and commission income	1,905,017	669,132	30,483	2,604,632
Fee and commission expense	(864,248)	(490,299)	(38)	(1,354,585)
Other non-interest income	4,056,625	1,953,790	(982,812)	5,027,603
Non-interest expense	(2,215,519)	(2,365,912)	(1,417,242)	(5,998,672)
Segment profit	**8,014,023**	**213,123**	**(742,046)**	**7,485,100**
Income tax expense	(1,899,462)	(50,514)	175,878	(1,774,098)
Profit for the period	**6,114,561**	**162,609**	**(566,168)**	**5,711,002**

(thousands of Armenian drams)

5. Segment information (continued)

The following table presents segment assets of the Group's operating segments:

	As of 30 June 2023				
	Interest bearing				
	Retail banking	*Corporate banking*	*Trading and IB*	*Non-interest bearing*	*Total*
Assets	141,155,196	92,241,655	139,792,470	87,454,549	**460,643,870**
Liabilities	157,985,338	166,626,047	56,915,738	10,768,416	**392,295,539**

	As of 30 June 2022				
	Interest bearing				
	Retail banking	*Corporate banking*	*Trading and IB*	*Non-interest bearing*	*Total*
Assets	124,037,112	98,410,387	81,769,880	88,973,923	**393,191,302**
Liabilities	136,859,329	141,775,467	52,563,675	6,203,829	**337,402,300**

Interest bearing assets include financial assets through profit and loss, investment securities, loans to banks, loans and advances to customers.

Interest bearing financial liabilities include deposit and balances from banks, current accounts and deposits from customers, bonds issued by the Group, subordinated and other borrowings.

Unallocated balances include cash and cash equivalents, property and equipment and right-of-use assets, intangible assets, repossessed assets, other assets, current income tax liabilities and other liabilities.

Geographic information

The Group's operations are primarily concentrated in Armenia. The Group has no current assets outside Armenia other than financial instruments.

Revenue from contracts with customers

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the period ended 30 June 2023 or 30 June 2022 are as follows:

As of 30 June 2023	*Retail banking*	*Corporate banking*	*Investment banking*	*Total*
Commission income				
Plastic cards operations	3,751,948	-	-	**3,751,948**
Wire transfer fees	141,948	209,917	901	**352,766**
Settlement operation	111,527	49,684	46,694	**207,905**
Loan accounts servicing fees	174,576	107,028	-	**281,603**
Guarantees and letters of credit	321	59,316	-	**59,637**
Other	219,510	243,419	286	**463,215**
Total revenue from contracts with customers	**4,399,830**	**669,363**	**47,881**	**5,117,074**

As of 30 June 2022	*Retail banking*	*Corporate banking*	*Investment banking*	*Total*
Commission income				
Plastic cards operations	1,407,797	-	-	**1,407,797**
Wire transfer fees	150,519	113,922	342	**264,784**
Loan accounts servicing fees	142,053	94,604	29,894	**266,551**
Settlement operation	29,686	103,558	-	**133,243**
Guarantees and letters of credit	857	51,926	-	**52,783**
Other	174,105	305,122	247	**479,474**
Total revenue from contracts with customers	**1,905,017**	**669,132**	**30,483**	**2,604,632**

(thousands of Armenian drams)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2023	***31 December 2022***
Current accounts with the Central Bank, including obligatory reserves in AMD	25,298,690	25,701,816
Cash on hand	13,549,665	10,595,212
Placements with other banks	6,718,422	14,003,778
Less – allowance for impairment	(2,781)	(7,192)
Cash and cash equivalents	**45,563,995**	**50,293,614**

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

	30 June 2023	***30 June 2022***
ECL allowance as at 1 January	**7,192**	**10,357**
Changes in ECL	(4,411)	(7,519)
At the end of the period	**2,781**	**2,838**

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2022: 4%) of the amounts attracted in Armenian drams and 18% (2022: 18%) of the amounts attracted in foreign currencies.

As of 30 June 2023, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 40,457,856 thousand (2022: AMD 45,017,963 thousand).

The banks are required to maintain 6% of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams (2022: 6%), and 12% – in the foreign currency (2022: 12%).The banks' ability to withdraw reserved amounts in foreign currency is restricted. Therefore, the Group classifies obligatory reserves deposited in foreign currency as amounts due from banks (Note 8).

As of 30 June 2023 placements with other banks in the amount of AMD 5,094,776 thousand (75.8%) were due from four banks (2022: AMD 13,273,773 thousand (94.8%) were due from six banks).

7. Trading securities

Trading securities owned comprise:

	30 June 2023	***31 December 2022***
Debt securities issued by the RA government	566,306	545,289
Investments in funds	302,734	278,111
Trading securities	**869,040**	**823,400**

8. Amounts due from banks

Amounts due from banks comprise:

	30 June 2023	***31 December 2022***
Foreign currency obligatory reserves with CBA (Note 6)	22,344,038	26,142,344
Receivables from payment and settlement operations	3,205,228	6,345,850
Reverse repurchase agreements	6,185,326	6,031,539
Loans and deposits to banks	3,527,876	4,629,721
Deposits and deposited funds with CBA	1,162,500	1,402,500
Other amounts	2,751,823	2,582,640
	39,176,791	47,134,594

(thousands of Armenian drams)

Less – allowance for impairment	(11,063)	(16,472)
Amounts due from banks	**39,165,728**	**47,118,122**

(thousands of Armenian drams)

8. Amounts due from banks (continued)

As at 30 June 2023 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 6,460,864 thousand (As at 31 December 2022 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 6,068,320 thousand).

As at 30 June 2023 the balances included loans and deposits to banks in amount of AMD 3,527,876 thousand due from four counterparties (2022: AMD 4,629,721 thousand due from three counterparty).

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system.

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from banks during the period ended 30 June 2023 is as follows:

	Stage 1	***Total***
Gross carrying value as at 1 January 2023	**47,134,594**	**47,134,594**
New assets originated or purchased	3,679,623	3,679,623
Assets repaid	(10,472,867)	(10,472,867)
Foreign exchange adjustments	(1,164,558)	(1,164,558)
At 30 June 2023	**39,176,791**	**39,176,791**

	Stage 1	***Total***
ECL allowance as at 1 January 2023	**16,472**	**16,472**
New assets originated or purchased	26,969	26,969
Assets repaid	(32,379)	(32,379)
At 30 June 2023	**11,063**	**11,063**

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from banks during the year ended 31 December 2022 is as follows:

	Stage 1	***Total***
Gross carrying value as at 1 January 2022	21,834,650	21,834,650
New assets originated or purchased	32,882,740	32,882,740
Assets repaid	(68,263)	(68,263)
Foreign exchange adjustments	(7,514,533)	(7,514,533)
At 31 December 2022	**47,134,594**	**47,134,594**

	Stage 1	***Total***
ECL allowance as at 1 January 2022	**21,008**	**21,008**
New assets originated or purchased	5,508	5,508
Assets repaid	(24)	(24)
Changes to models and inputs used for ECL calculations	(10,309)	(10,309)
Foreign exchange adjustments	289	289
At 31 December 2022	**16,472**	**16,472**

(thousands of Armenian drams)

9. Loans and advances to customers

	30 June 2023	*31 December 2022*
Loans to customers	199,356,579	191,463,801
Overdrafts	32,036,139	31,013,243
Reverse repurchase agreements	6,868,634	6,673,850
Financial lease receivables	1,296,617	565,131
Letter of credit	4,826	4,939
	239,562,795	**229,720,964**
Less − allowance for loan impairment	(6,165,944)	(5,744,281)
Total loans and advances to customers	**233,396,851**	**223,976,683**

	30 June 2023	*31 December 2022*
Large business loans	68,601,378	68,444,879
SME loans	30,082,975	29,809,630
Consumer loans	46,619,024	43,426,117
Mortgage loans	75,208,015	70,205,215
Gold loans	19,051,403	17,835,123
Gross loans and advances to customers	**239,562,795**	**229,720,964**
Less – allowance for impairment	(6,165,944)	(5,744,281)
Total loans and advances to customers	**233,396,851**	**223,976,683**

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to large business loans as of 30 June 2023:

Large business loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**63,198,091**	**233,537**	**5,013,251**	**68,444,879**
New assets originated or purchased	14,052,929			**14,052,929**
Assets repaid	(12,997,323)	(20,260)	(884,132)	**(13,901,715)**
Transfers to Stage 1	53,950	(53,950)	-	**-**
Transfers to Stage 2	(537,310)	537,310	-	**-**
Transfers to Stage 3	(729,354)	-	729,354	**-**
Recoveries			12,990	**12,990**
Amounts written off			(7,705)	**(7,705)**
At 30 June 2023	**63,040,984**	**696,636**	**4,863,759**	**68,601,379**

Large business loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**326,061**	**5,203**	**1,240,743**	**1,572,007**
New assets originated or purchased	100,250			**100,250**
Assets repaid	(33,253)	(2,392)	(90,817)	**(126,462)**
Transfers to Stage 1	673	(673)	-	**-**
Transfers to Stage 2	(6,664)	6,664	-	**-**
Transfers to Stage 3	(10,069)	-	10,069	**-**
Impact on period end ECL of exposures transferred between stages during the period	1,235	48	-	**1,284**
Changes to models and inputs used for ECL calculations	(23,410)	3,919	282,854	**263,363**
Recoveries			12,990	**12,990**
Amounts written off			(7,705)	**(7,705)**
At 30 June 2023	**354,824**	**12,769**	**1,448,134**	**1,815,727**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to SME loans as of 30 June 2023:

SME loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**25,967,710**	**1,029,220**	**2,812,700**	**29,809,629**
New assets originated or purchased	6,582,853			**6,582,853**
Assets repaid	(5,647,054)	(8,587)	(654,353)	**(6,309,994)**
Transfers to Stage 1	239,618	(179,699)	(59,919)	**-**
Transfers to Stage 2	(163,084)	174,663	(11,579)	**-**
Transfers to Stage 3	(532,037)	(373,572)	905,609	**-**
Recoveries			464,208	**464,208**
Amounts written off			(463,721)	**(463,721)**
At 30 June 2023	**26,448,005**	**642,025**	**2,992,945**	**30,082,975**

SME loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**235,880**	**303,559**	**832,175**	**1,371,614**
New assets originated or purchased	59,861			**59,861**
Assets repaid	(29,219)	(2,029)	(143,838)	**(175,086)**
Transfers to Stage 1	52,570	(12,996)	(39,574)	**-**
Transfers to Stage 2	(4,951)	12,612	(7,660)	**-**
Transfers to Stage 3	(2,345)	(31,419)	33,764	**-**
Impact on period end ECL of exposures transferred between stages during the period	(51,023)	14,150	154,275	**117,402**
Unwinding of discount (recognised in interest revenue)			23,253	**23,253**
Changes to models and inputs used for ECL calculations	(17,878)	(4,036)	(20,856)	**(42,769)**
Recoveries			464,208	**464,208**
Amounts written off			(463,721)	**(463,721)**
At 30 June 2023	**242,894**	**279,840**	**832,025**	**1,354,759**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans as of 30 June 2023:

Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**40,278,317**	**1,195,765**	**1,952,035**	**43,426,117**
New assets originated or purchased	11,927,518			**11,927,518**
Assets repaid	(7,372,325)	(92,730)	(1,058,733)	**(8,523,788)**
Transfers to Stage 1	256,126	(186,160)	(69,967)	**-**
Transfers to Stage 2	(738,922)	784,794	(45,872)	**-**
Transfers to Stage 3	(352,165)	(621,007)	973,171	**-**
Recoveries			947,445	**947,445**
Amounts written off			(1,158,269)	**(1,158,269)**
At 30 June 2023	**43,998,549**	**1,080,663**	**1,539,812**	**46,619,024**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**355,207**	**292,239**	**640,688**	**1,288,134**
New assets originated or purchased	113,496			**113,496**
Assets repaid	(45,182)	(34,692)	(234,310)	**(314,184)**
Transfers to Stage 1	48,726	(22,866)	(25,860)	**-**
Transfers to Stage 2	(10,247)	27,311	(17,064)	**-**
Transfers to Stage 3	(14,447)	(68,420)	82,867	**-**
Impact on period end ECL of exposures transferred between stages during the period	(46,795)	34,958	189,743	**177,906**
Unwinding of discount (recognised in interest revenue)			15,540	**15,540**
Changes to models and inputs used for ECL calculations	(38,504)	70,028	108,335	**139,859**
Recoveries			947,445	**947,445**
Amounts written off			(1,158,269)	**(1,158,269)**
At 30 June 2023	**362,252**	**298,559**	**549,116**	**1,209,927**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans as of 30 June 2023:

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**66,428,370**	**2,409,440**	**1,367,405**	**70,205,215**
New assets originated or purchased	9,170,736			**9,170,736**
Assets repaid	(3,619,377)	16,898	(460,583)	**(4,063,062)**
Transfers to Stage 1	396,841	(185,477)	(211,364)	**-**
Transfers to Stage 2	(473,167)	501,921	(28,754)	**-**
Transfers to Stage 3	(199,912)	(441,232)	641,144	**-**
Recoveries			398,110	**398,110**
Amounts written off			(502,985)	**(502,985)**
At 30 June 2023	**71,703,492**	**2,301,550**	**1,202,973**	**75,208,015**

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**61,845**	**766,862**	**487,831**	**1,316,538**
New assets originated or purchased	11,050			**11,050**
Assets repaid	(1,826)	-	(38,427)	**(40,253)**
Transfers to Stage 1	91,867	(12,892)	(78,975)	**-**
Transfers to Stage 2	(928)	11,648	(10,720)	**-**
Transfers to Stage 3	(2,033)	(55,529)	57,563	**-**
Impact on period end ECL of exposures transferred between stages during the period	(91,518)	10,152	111,122	**29,756**
Unwinding of discount (recognised in interest revenue)			2,136	**2,136**
Changes to models and inputs used for ECL calculations	(1,828)	373,187	35,990	**407,349**
Recoveries			398,110	**398,110**
Amounts written off			(502,985)	**(502,985)**
At 30 June 2023	**66,628**	**1,093,429**	**461,643**	**1,621,699**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to gold loans as of 30 June 2023:

Gold loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**17,374,690**	**273,761**	**186,672**	**17,835,123**
New assets originated or purchased	10,171,449			**10,171,449**
Assets repaid	(8,683,408)	(114,257)	(169,241)	**(8,966,906)**
Transfers to Stage 1	60,369	(56,002)	(4,367)	**-**
Transfers to Stage 2	(195,854)	202,720	(6,866)	**-**
Transfers to Stage 3	(89,084)	(54,846)	143,930	**-**
Recoveries			111,364	**111,364**
Amounts written off			(99,627)	**(99,627)**
At 30 June 2023	**18,638,161**	**251,377**	**161,865**	**19,051,403**

Gold loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**21,889**	**56,749**	**117,354**	**195,992**
New assets originated or purchased	19,040			**19,040**
Assets repaid	(8,289)	(10,031)	(34,316)	**(52,636)**
Transfers to Stage 1	7,186	(4,407)	(2,779)	**-**
Transfers to Stage 2	(5,067)	9,445	(4,379)	**-**
Transfers to Stage 3	(1,588)	(4,447)	6,035	**-**
Impact on period end ECL of exposures transferred between stages during the period	(7,125)	4,556	56,501	**53,931**
Unwinding of discount (recognised in interest revenue)			5,294	**5,294**
Changes to models and inputs used for ECL calculations	(2,654)	(14,139)	(52,733)	**(69,527)**
Recoveries			111,364	**111,364**
Amounts written off			(99,627)	**(99,627)**
At 30 June 2023	**23,392**	**37,725**	**102,715**	**163,832**

An analysis of changes in the gross carrying value and corresponding ECL in relation to large business loans as of 31 December 2022:

Large business loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**74,197,951**	**–**	**6,605,585**	**80,803,536**
New assets originated or purchased	21,981,072			**21,981,072**
Assets repaid	(23,001,542)	(30,183)	(419,061)	**(23,450,786)**
Transfers to Stage 2	(702,652)	702,652	–	**–**
Transfers to Stage 3	–	(438,933)	438,933	**–**
Recoveries			39,544	**39,544**
Amounts written off			(478,477)	**(478,477)**
Foreign exchange adjustments	(9,276,737)	–	(1,173,273)	**(10,450,010)**
At 31 December 2022	**63,198,091**	**233,537**	**5,013,251**	**68,444,879**

Large business loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**258,260**	**–**	**1,122,646**	**1,380,905**
New assets originated or purchased	584,859			**584,859**
Assets repaid	(67,641)	–	(1,960)	**(69,601)**
Transfers to Stage 2	(443,808)	443,808	–	**–**
Transfers to Stage 3	–	(438,933)	438,933	**–**
Changes to models and inputs used for ECL calculations	22,496	-	325,486	**347,982**

(thousands of Armenian drams)

Recoveries			39,544	**39,544**
Amounts written off			(478,477)	**(478,477)**
Foreign exchange adjustments	(28,105)	–	(205,432)	**(233,537)**
At 31 December 2022	**326,061**	**5,203**	**1,240,739**	**1,572,003**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to SME loans as of 31 December 2022:

SME loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**29,948,962**	**900,973**	**4,596,926**	**35,446,861**
New assets originated or purchased	10,346,616			**10,346,616**
Assets repaid	(10,630,138)	(126,525)	(1,502,454)	**(12,259,117)**
Transfers to Stage 1	355,710	(62,793)	(292,918)	**–**
Transfers to Stage 2	(1,160,212)	1,273,597	(113,385)	**–**
Transfers to Stage 3	(503,513)	(900,916)	1,404,428	**–**
Recoveries			742,840	**742,840**
Amounts written off			(1,389,274)	**(1,389,274)**
Foreign exchange adjustments	(2,389,715)	(55,117)	(633,464)	**(3,078,296)**
At 31 December 2022	**25,967,710**	**1,029,220**	**2,812,700**	**29,809,630**

SME loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**200,501**	**117,927**	**1,357,872**	**1,676,300**
New assets originated or purchased	742,669			**742,669**
Assets repaid	(42,598)	(1,496)	(96,074)	**(140,168)**
Transfers to Stage 1	169,145	(7,287)	(161,858)	**–**
Transfers to Stage 2	(642,578)	705,844	(63,266)	**–**
Transfers to Stage 3	(20,191)	(661,774)	681,965	**–**
Impact on period end ECL of exposures transferred between stages during the period	(166,589)	(32,022)	181,806	**(16,805)**
Unwinding of discount (recognised in interest revenue)			49,373	**49,373**
Changes to models and inputs used for ECL calculations	11,749	188,430	(266,821)	**(66,642)**
Recoveries			742,840	**742,840**
Amounts written off			(1,389,274)	**(1,389,274)**
Foreign exchange adjustments	(16,228)	(6,063)	(204,388)	**(226,679)**
At 31 December 2022	**235,880**	**303,559**	**832,175**	**1,371,614**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans as of 31 December 2022:

Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**37,977,891**	**2,048,269**	**2,057,305**	**42,083,465**
New assets originated or purchased	19,376,989			**19,376,989**
Assets repaid	(14,101,013)	(922,476)	(1,737,020)	**(16,760,509)**
Transfers to Stage 1	190,326	(85,140)	(105,186)	**–**
Transfers to Stage 2	(497,729)	527,694	(29,965)	**–**
Transfers to Stage 3	(1,267,375)	(278,192)	1,545,567	**–**
Recoveries			2,014,845	**2,014,845**
Amounts written off			(1,679,427)	**(1,679,427)**
Foreign exchange adjustments	(1,400,772)	(94,390)	(114,084)	**(1,609,246)**
At 31 December 2022	**40,278,317**	**1,195,765**	**1,952,035**	**43,426,117**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**521,707**	**294,218**	**645,866**	**1,461,791**
New assets originated or purchased	190,114			**190,114**
Assets repaid	(136,586)	(68,477)	(353,894)	**(558,957)**
Transfers to Stage 1	37,883	(13,070)	(24,813)	**–**
Transfers to Stage 2	(17,536)	26,132	(8,596)	**–**
Transfers to Stage 3	(29,510)	(60,053)	89,563	**–**
Impact on period end ECL of exposures transferred between stages during the period	(36,842)	56,521	206,612	**226,291**
Unwinding of discount (recognised in interest revenue)			22,660	**22,660**
Changes to models and inputs used for ECL calculations	(163,466)	78,868	(237,487)	**(322,085)**
Recoveries			2,014,845	**2,014,845**
Amounts written off			(1,679,427)	**(1,679,427)**
Foreign exchange adjustments	(10,557)	(21,900)	(34,641)	**(67,098)**
At 31 December 2022	**355,207**	**292,239**	**640,688**	**1,288,134**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans as of 31 December 2022:

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**57,872,612**	**2,107,697**	**1,936,439**	**61,916,748**
New assets originated or purchased	20,929,580			**20,929,580**
Assets repaid	(6,389,087)	163,715	(1,159,813)	**(7,385,185)**
Transfers to Stage 1	259,183	(140,528)	(118,655)	**–**
Transfers to Stage 2	(1,180,720)	1,229,224	(48,504)	**–**
Transfers to Stage 3	(639,517)	(883,801)	1,523,318	**–**
Recoveries			781,009	**781,009**
Amounts written off			(1,375,107)	**(1,375,107)**
Foreign exchange adjustments	(4,423,681)	(66,867)	(171,282)	**(4,661,830)**
At 31 December 2022	**66,428,370**	**2,409,440**	**1,367,405**	**70,205,215**

Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**63,037**	**51,116**	**827,881**	**942,034**
New assets originated or purchased	677,191			**677,191**
Assets repaid	(5,085)	(3,390)	(467,167)	**(475,642)**
Transfers to Stage 1	38,926	(9,202)	(29,724)	**–**
Transfers to Stage 2	(634,949)	647,049	(12,100)	**–**
Transfers to Stage 3	(24,580)	(641,699)	666,279	**–**
Impact on period end ECL of exposures transferred between stages during the period	(38,701)	57,172	184,972	**203,443**
Unwinding of discount (recognised in interest revenue)			16,464	**16,464**
Changes to models and inputs used for ECL calculations	(9,181)	668,825	(53,917)	**605,727**
Recoveries			781,009	**781,009**
Amounts written off			(1,375,107)	**(1,375,107)**
Foreign exchange adjustments	(4,813)	(3,009)	(50,759)	**(58,581)**
At 31 December 2022	**61,845**	**766,862**	**487,831**	**1,316,538**

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

Allowance for impairment of loans and advances to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to gold pawn loans as of 31 December 2022:

Gold pawn loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**18,978,750**	**444,595**	**159,639**	**19,582,984**
New assets originated or purchased	12,238,275			**12,238,275**
Assets repaid	(13,344,941)	(353,024)	(284,647)	**(13,982,612)**
Transfers to Stage 1	27,583	(18,628)	(8,955)	**–**
Transfers to Stage 2	(163,542)	167,539	(3,997)	**–**
Transfers to Stage 3	(272,129)	33,279	238,850	**–**
Recoveries			339,385	**339,385**
Amounts written off			(252,609)	**(252,609)**
Foreign exchange adjustments	(89,306)	–	(994)	**(90,300)**
At 31 December 2022	**17,374,690**	**273,761**	**186,672**	**17,835,123**

Gold pawn loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**13,491**	**10,388**	**59,979**	**83,858**
New assets originated or purchased	42,207			**42,207**
Assets repaid	(7,670)	(6,391)	(97,194)	**(111,255)**
Transfers to Stage 1	4,240	(827)	(3,413)	**–**
Transfers to Stage 2	(7,616)	9,136	(1,520)	**–**
Transfers to Stage 3	(19,528)	(2,213)	21,741	**–**
Impact on period end ECL of exposures transferred between stages during the period	(4,221)	7,123	58,848	**61,750**
Unwinding of discount (recognised in interest revenue)			5,433	**5,433**
Changes to models and inputs used for ECL calculations	1,049	39,533	(13,011)	**27,571**
Recoveries			339,385	**339,385**
Amounts written off			(252,609)	**(252,609)**
Foreign exchange adjustments	(63)	–	(285)	**(348)**
At 31 December 2022	**21,889**	**56,749**	**117,354**	**195,992**

Concentration of loans and advances to customers

As at 30 June 2023 the Group had a concentration of loans totalling to AMD 41,940,151 thousand due from the ten largest groups of borrowers (17.51% of gross loan portfolio) (2022: AMD 44,045,875 thousand or 19.17% of gross loan portfolio). An allowance for impairment in amount of AMD 1,500,869 thousand (2022: AMD 1,138,746 thousand) was created against these loans.

Loans have been extended to the following types of customers:

	30 June 2023	***31 December 2022***
Individuals	144,150,654	134,897,593
Private companies	87,439,916	87,140,266
Financial organizations	7,930,370	7,615,496
State companies	41,855	67,609
	239,562,795	**229,720,964**

Loans are made principally within Armenia in the following industry sectors:

	30 June 2023	***31 December 2022***
Mortgage	75,208,015	70,205,216
Consumer loans to individuals	65,670,427	61,261,240
Trade	29,370,564	28,118,732

(thousands of Armenian drams)

Construction	22,358,115	22,543,438
Agriculture (including loans to individuals)	11,436,656	11,694,231
Manufacturing	8,178,751	9,704,335
Services	3,984,027	4,830,327
Energy	3,115,318	3,506,006
Transport and communication	2,810,760	2,688,657
Other	17,430,162	15,168,782
Gross loan portfolio	**239,562,795**	**229,720,964**
Less allowance for loan impairment	(6,165,944)	(5,744,281)
Total	**233,396,851**	**223,976,683**

9. Loans and advances to customers (continued)

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 30 June 2023 is as follows:

	30 June 2023	***31 December 2022***
Gross investment in finance lease, receivable		
Not later than 1 year	423,750	208,011
1-2 years	392,043	166,714
2-3 years	325,648	197,580
3-4 years	252,709	72,917
4-5 years	193,782	52,330
More than 5 years	10,255	7,571
	1,598,187	**705,123**
Unearned future finance income on finance lease	(301,569)	(139,992)
Net investment in financial lease, before impairment allowance	**1,296,617**	**565,131**
Impairment allowance	(217,551)	(51,155)
Net investment in finance lease	**1,079,066**	**351,289**

(thousands of Armenian drams)

10. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	30 June 2023	*31 December 2022*
Debt securities at amortised cost		
RA government bonds	4,572,879	4,553,932
Foreign governments bonds	5,390,469	11,040,737
RA corporate bonds	2,800,740	2,813,248
Less – allowance for impairment	(15,140)	(15,339)
Debt securities at amortised cost	**12,748,948**	**18,392,578**
Debt securities at FVOCI		
RA government bonds	79,469,444	74,867,661
Foreign governments bonds	21,702,844	25,194,721
RA corporate bonds	8,099,948	6,827,254
Debt securities at FVOCI	**109,272,236**	**106,889,636**
RA government bonds	–	–
Debt securities at FVOCI pledged under repurchase agreements	**–**	**–**
Equity securities at FVOCI		
Equity shares of OECD countries	5,333	5,333
RA equity shares	75,222	75,222
Equity securities at FVOCI	**80,555**	**80,555**
Total	**122,101,740**	**125,362,769**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost including pledged under repurchase agreements is as follows:

Debt securities at amortised cost	***Stage 1***	***Total***
Gross carrying value as at 1 January 2023	**18,407,917**	**18,407,917**
New assets originated or purchased	2,068,768	**2,068,768**
Assets repaid	(7,699,279)	**(7,699,279)**
At 30 June 2023	**12,764,088**	**12,764,088**

Debt securities at amortised cost	***Stage 1***	***Total***
ECLs as at 1 January 2023	**15,339**	**15,339**
New assets originated or purchased	-	-
Assets repaid	-	-
Changes to models and inputs used for ECL calculations	(199)	(199)
At 30 June 2023	**15,140**	**15,140**

(thousands of Armenian drams)

10. Investment securities (continued)

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost at 31 December 2022 is as follows:

Debt securities at amortised cost	***Stage 1***	***Total***
Gross carrying value as at 1 January 2022	**1,233,261**	**1,233,261**
New assets originated or purchased	17,986,129	17,986,129
Assets repaid	(811,473)	(811,473)
At 31 December 2022	**18,407,917**	**18,407,917**

Debt securities at amortised cost	***Stage 1***	***Total***
ECLs as at 1 January 2022	**24,351**	**24,351**
New assets originated or purchased	13,612	13,612
Assets repaid	(3,178)	(3,178)
Changes to models and inputs used for ECL calculations	(19,446)	(19,446)
At 31 December 2022	**15,339**	**15,339**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI including pledged under repurchase agreements is as follows:

Debt securities at FVOCI	***Stage 1***	***Total***
Gross carrying value as at 1 January 2023	**106,889,636**	**106,889,636**
New assets originated or purchased	29,619,061	**29,619,061**
Assets repaid	(21,531,533)	**(21,531,533)**
Assets sold	(8,692,308)	**(8,692,308)**
Net change in fair value	2,987,380	**2,987,380**
At 30 June **2023**	**109,272,236**	**109,272,236**

Debt securities at FVOCI	***Stage 1***	***Total***
ECLs as at 1 January 2023	**183,014**	**183,014**
New assets originated or purchased	44,116	**44,116**
Assets repaid	(7,338)	**(7,338)**
Assets sold	(19,769)	**(19,769)**
Changes to models and inputs used for ECL calculations	(9,901)	**(9,901)**
At 30 June **2023**	**190,122**	**190,122**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI 31 December 2022 is as follows:

Debt securities at FVOCI	***Stage 1***	***Total***
Gross carrying value as at 1 January 2022	**48,858,717**	**48,858,717**
New assets originated or purchased	71,362,470	**71,362,470**
Assets repaid	(3,197,929)	**(3,197,929)**
Assets sold	(6,333,848)	**(6,333,848)**
Net change in fair value	(3,799,774)	**(3,799,774)**
At 31 December 2022	**106,889,636**	**106,889,636**

Debt securities at FVOCI	***Stage 1***	***Total***
ECLs as at 1 January 2022	**99,134**	**99,134**
New assets originated or purchased	100,513	**100,513**
Assets repaid	(4,307)	**(4,307)**
Assets sold	(13,738)	**(13,738)**
Changes to models and inputs used for ECL calculations	1,412	**1,412**
At 31 December 2022	**183,014**	**183,014**

(thousands of Armenian drams)

11. Property and equipment and right-of-use assets

The movements in property and equipment were as follows:

	Land and buildings	*Equipment*	*Vehicles*	*Computers and network appliances*	*Other fixed assets*	*Leasehold improve-ments*	*Right of use asset*	*Total*
Cost or revalued amount								
31 December 2022	**5,305,397**	**774,130**	**265,321**	**4,723,663**	**1,263,429**	**1,493,369**	**2,989,747**	**16,815,056**
Additions	1,902	9,966	10,500	554,143	30,395	2,519	282,005	**891,430**
Disposals and write-offs	-	(763)	-	(172)	(5,461)	(905)	(19,296)	**(26,597)**
Internal Flow	-	-	-	-	(52,179)	-	.	**(52,179)**
30 June 2023	**5,307,299**	**783,333**	**275,821**	**5,277,634**	**1,236,184**	**1,494,983**	**3,252,456**	**17,627,710**
Accumulated depreciation								
31 December 2022	**–**	**636,649**	**182,814**	**3,538,146**	**767,042**	**1,177,009**	**1,738,055**	**8,039,715**
Depreciation charge	72,456	18,010	6,685	199,960	15,641	42,247	227,880	**582,879**
Disposals and write-offs	-	(762)	-	(65)	(5,167)	(422)		**(6,416)**
30 June 2023	**72,456**	**653,897**	**189,499**	**3,738,041**	**777,516**	**1,218,834**	**1,965,935**	**8,616,178**
Net book value								
31 December 2022	**5,305,397**	**137,481**	**82,507**	**1,185,517**	**496,387**	**316,360**	**1,251,692**	**8,775,341**
30 June 2023	**5,234,843**	**129,436**	**86,322**	**1,539,593**	**458,668**	**276,149**	**1,286,521**	**9,011,532**

	Land and buildings	*Equipment*	*Vehicles*	*Computers and network appliances*	*Other fixed assets*	*Leasehold improve-ments*	*Right of use asset*	*Total*
Cost or revalued amount								
31 December 2021	**5,183,379**	**760,151**	**249,960**	**4,520,618**	**1,227,728**	**1,459,875**	**2,486,093**	**15,887,804**
Additions	9,561	32,202	39,861	420,369	140,957	40,011	690,069	**1,373,030**
Disposals and write-offs	–	(18,223)	(24,500)	(217,324)	(105,256)	(6,517)	(186,415)	**(558,235)**
Effect of revaluation	627,598	–	–	–	–	–	–	**627,598**
Elimination of accumulated depreciation on revalued assets	(515,141)	–	–	–	–	–	–	**(515,141)**
31 December 2022	**5,305,397**	**774,130**	**265,321**	**4,723,663**	**1,263,429**	**1,493,369**	**2,989,747**	**16,815,056**
Accumulated depreciation								
31 December 2021	**392,555**	**612,016**	**194,976**	**3,389,947**	**739,789**	**1,070,851**	**1,285,148**	**7,685,282**
Depreciation charge	122,586	42,324	11,248	364,476	38,114	108,057	456,861	**1,143,666**
Disposals and write-offs	–	(17,691)	(23,410)	(216,277)	(10,861)	(1,899)	(3,954)	**(274,092)**
Elimination of accumulated depreciation on revalued assets	(515,141)	–	–	–	–	–	–	**(515,141)**
31 December 2022	**–**	**636,649**	**182,814**	**3,538,146**	**767,042**	**1,177,009**	**1,738,055**	**8,039,715**
Net book value								
31 December 2021	**4,790,824**	**148,135**	**54,984**	**1,130,671**	**487,939**	**389,024**	**1,200,945**	**8,202,522**
31 December 2022	**5,305,397**	**137,481**	**82,507**	**1,185,517**	**496,387**	**316,360**	**1,251,692**	**8,775,341**

(thousands of Armenian drams)

11. Property and equipment and right-of-use assets (continued)

Revaluation of assets

The buildings and land owned by the Group where revalued by an independent appraiser in 2022. Management has based its estimate of the fair value of the buildings and land on the results of the independent appraisal.

If the buildings were measured using the cost model, the carrying amounts would be as follows:

	30 June 2023	31 December 2022
Cost	726,272	726,272
Accumulated depreciation and impairment	(598,255)	(596,862)
Net carrying amount	128,017	129,410

Fully depreciated items

As of 30 June 2023 property, plant and equipment included fully depreciated assets in amount of AMD 3,642,557 thousand (2022: AMD 3,556,716 thousand).

Property, plant and equipment in the phase of installation

As of 30 June 2023 property, plant and equipment included assets in the phase of installation in amount of AMD 132,010 thousand (2022: AMD 154,441 thousand).

(thousands of Armenian drams)

12. Intangible assets

The movements in goodwill and other intangible assets were as follows:

	Licenses	*Computer software*	*Other*	*Total*
Cost				
31 December 2022	**1,021,215**	**149,709**	**518,859**	**1,689,783**
Additions	1,147	25,681	140,068	**166,896**
Disposals and write-offs	-	-	(250)	**(250)**
30 June 2023	**1,022,362**	**175,390**	**658,677**	**1,856,429**
Accumulated amortization and impairment				
31 December 2022	**798,386**	**63,326**	**174,830**	**1,036,542**
Amortisation charge	16,964	1,291	22,493	**40,748**
Disposals and write-offs	-	-	(250)	**(250)**
30 June 2023	**815,350**	**64,617**	**197,073**	**1,077,040**
Net book value				
31 December 2022	**222,829**	**86,383**	**344,029**	**653,241**
30 June 2023	**207,012**	**110,773**	**461,604**	**779,389**

	Licenses	*Computer software*	*Other*	*Total*
Cost				
31 December 2021	**880,001**	**149,709**	**509,536**	**1,539,246**
Additions	141,214	–	9,323	**150,537**
Disposals and write-offs	–	–	–	**–**
31 December 2022	**1,021,215**	**149,709**	**518,859**	**1,689,783**
Accumulated amortization and impairment				
31 December 2021	**774,360**	**60,791**	**136,820**	**971,971**
Amortisation charge	24,026	2,535	38,010	**64,571**
31 December 2022	**798,386**	**63,326**	**174,830**	**1,036,542**
Net book value				
31 December 2021	**105,641**	**88,918**	**372,716**	**567,275**
31 December 2022	**222,829**	**86,383**	**344,029**	**653,241**

Fully amortized items

As of 30 June 2023, intangible assets included fully amortized assets in amount of AMD 810,913 thousand (2022: AMD 805,921 thousand).

(thousands of Armenian drams)

13. Repossessed assets

Details of assets obtained by the Group by taking possession of collateral held as security against loans and advances as at 30 June 2023 and 31 December 2022 are shown below:

	30 June 2023	*31 December 2022*
Land and buildings	1,227,734	2,167,795
Other assets	26,247	38,191
	1,253,981	**2,205,986**
Less: allowance for impairment	(216,883)	(166,502)
Total repossessed collateral	**1,037,098**	**2,039,484**

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 30 June 2023 the Group repossessed assets in amount of AMD 135,361 thousand (2022: AMD 446,304 thousand) and sold assets with carrying amount of AMD ֏ 1,164,498 thousand (2022: AMD 768,336 thousand).

14. Other assets and liabilities

Other assets comprise:

	30 June 2023	*31 December 2022*
Other financial assets		
Accounts receivables	936,325	567,907
Receivables from unsettled transactions	102,376	90,752
Receivables from cash transfers	–	–
Total other financial assets	**1,038,701**	**658,659**
Less – allowance for impairment of other financial assets	(37,522)	(30,177)
Total net other financial assets	**1,001,179**	**628,482**
Other non-financial assets		
Prepayments to suppliers	6,014,257	2,865,965
Precious metals	1,097,441	810,838
Other prepaid taxes	370,304	373,390
Materials	184,842	186,986
Unamortized insurance premium	13,405	27,939
Settlements with employees	1,832	
Other	1,865	2,776
Total other non-financial assets	**7,683,946**	**4,267,894**
Other assets	**8,685,125**	**4,896,376**

An analysis of changes in the ECLs for other financial assets for the period ended 30 June 2023 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2023	**29,804**	**25**	**348**	**30,177**
Transfers to Stage 1	17	(1)	(16)	**-**
Transfers to Stage 2	(1)	1	-	**-**
Transfers to Stage 3	(21)	(15)	36	**-**
ECL charge	6,781	(6)	(2,732)	**4,043**
Recoveries	–	–	10,267	**10,267**
Amounts written off	–	–	(6,965)	**(6,965)**
At 31 March 2023	**36,580**	**4**	**938**	**37,522**

(thousands of Armenian drams)

14. Other assets and liabilities (continued)

An analysis of changes in the ECLs for other financial assets for the period ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2022	**11,232**	**60**	**600**	**11,892**
Transfers to Stage 1	36	(6)	(30)	**–**
Transfers to Stage 2	(3)	3	–	**–**
Transfers to Stage 3	(82)	(9)	91	**–**
ECL charge	19,596	(23)	54,520	**74,093**
Recoveries	–	–	29,164	**29,164**
Amounts written off	–	–	(83,909)	**(83,909)**
Foreign exchange adjustments	(975)	–	(88)	**(1,063)**
At 31 December 2022	**29,804**	**25**	**348**	**30,177**

Other liabilities comprise:

	30 June 2023	*31 December 2022*
Other financial liabilities		
Due to personnel	1,607,105	1,639,884
Accounts payables	788,554	515,819
Total other financial liabilities	**2,395,659**	**2,155,703**
Other non-financial liabilities		
Dividends payable to shareholders	4,221,564	-
Tax payable, other than income tax	695,883	500,076
Grants related to assets	12,680	13,892
Other	404	18,151
Total other non-financial liabilities	**4,930,531**	**532,119**
Total other liabilities	**7,326,190**	**2,687,822**

15. Amounts due to banks

Amounts due to banks comprise:

	30 June 2023	*31 December 2022*
Loans from banks	57,034	2,000,538
Repurchase agreements with CBA	-	–
Correspondent accounts of other banks	308,314	295,178
Other liabilities	513,852	45,293
Total amounts due to banks	**879,200**	**2,341,009**

As of 30 June 2023 the Group has received loans from 1 banks (2022: 2 banks).

As of 30 June 2023 92.54% of correspondent accounts of other banks are concentrated within 1 counterparty (2022: 94.5% within 1 counterparty).

(thousands of Armenian drams)

16. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	30 June 2023			*31 December 2022*		
	Notional	*Fair values*		*Notional*	*Fair value*	
Foreign exchange contracts	***amount***	***Asset***	***Liability***	***amount***	***Asset***	***Liability***
Swaps	8,115,500	33,372	14,313	12,752,240	197,014	–
Total derivative liabilities	**8,115,500**	**33,372**	**14,313**	**12,752,240**	**197,014**	**–**

As of 30 June 2023 and 31 December 2022, the Group has positions in the following types of derivatives:

Swaps

Swaps are contractual agreements between two parties to exchange movements in foreign currency rates to make payments with respect specified notional amounts.

17. Amounts due to customers

The amounts due to customers include the following:

	30 June 2023	***31 December 2022***
Corporate customers		
Current/settlement accounts	92,061,045	115,131,180
Time deposits	74,565,002	69,413,308
	166,626,047	**184,544,488**
Retail customers		
Current/settlement accounts	73,182,066	76,304,620
Time deposits	84,659,605	81,001,217
	157,841,671	**157,305,837**
Amounts due to customers	**324,467,718**	**341,850,325**

As of 30 June 2023 included in amounts due to customers are deposits amounting to AMD 38,748,820 thousand (2022: AMD 42,851,999 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities. The fair value of those deposits approximates their carrying amount.

As of 30 June 2023 the aggregate balance of top ten customers of the Group amounts to AMD 117,298,319 thousand (2022: AMD 116,848,107thousand) or 36.15% of total customer accounts (2022: 34.18%).

(thousands of Armenian drams)

18. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2023	*31 December 2022*
Domestic bonds in USD	11,667,553	8,694,932
Domestic bonds in AMD	8,129,314	5,997,216
Debt securities issued	**19,796,867**	**14,692,148**

The contractual maturity of AMD and USD bonds ranges from 2024-2025.. Coupon rates are 9.75% and 10.5% for bonds denominated in AMD, 3.75% and 5.25% for bonds denominated in USD. Bonds issued by the Bank are listed on Armenia Securities Exchange.

19. Taxation

The corporate income tax expense comprises:

	30 June 2023	*31 March 2022*
Current tax charge	**2,137,000**	**1,575,617**
Adjustment of current income tax of previous years	-	-
Deferred tax charge/(credit) – origination and reversal of temporary differences	(337,252)	198,481
Total income tax expense	**1,799,748**	**1,774,098**

As of 30 June 2023 the corporate income tax within the Republic of Armenia is levied at the rate of 18% (2022: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

Numerical reconciliation between the tax expenses and accounting profit is provided below:

	30 June 2023	*31 March 2022*
Profit before tax	**9,401,671**	**7,485,100**
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	**1,692,301**	**1,347,318**
Non-deductible expenses / (tax exempt income)	107,447	426,780
Adjustment of current income tax of previous years	-	-
Income tax expense	**1,799,748**	**1,774,098**

Deferred tax assets and liabilities as of 30 June 2023 and 31 December 2022 and their movements for the respective periods comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	Balance 31 December 2021	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 31 December 2022*	*In the statement of profit or loss*	*In other compre-hensive income*	*Balance 30 June 2023*
Other liabilities	285,080	139,037	–	285,080	242	-	**285,322**
Repossessed assets	81,110	28,911	–	81,110	-	-	**81,110**
Loans and advances to customers	(1,118,024)	99,587	–	(1,118,024)	339,775	-	**(778,249)**
Investment securities	930,595	13,476	643,060	930,595	1,244	(527,596)	**404,243**
Property, plant and equipment and right-of-use assets	(318,381)	(11,665)	(112,968)	(318,381)	(13,157)	-	**(331,538)**
Other impairment and provisions	7,966	(30,190)	–	7,966	9,148	-	**17,114**

(thousands of Armenian drams)

Amounts due to customers	(7,140)	(3,399)	–	(7,140)	-	-	**(7,140)**
Net deferred tax liabilities	**(138,794)**	**235,757**	**530,092**	**(138,794)**	**337,252**	**(527,596)**	**(329,138)**

20. Other borrowed funds

Other borrowed funds consisted of the following:

	30 June 2023	***31 December 2022***
Loans from refinancing credit organizations	27,832,755	25,336,886
Loans from CBA	5,811,985	6,082,454
Loans from international financial institution	2,546,204	3,041,198
Loans from the Government of the RA	34,414	40,918
Other borrowed funds	**36,225,358**	**34,501,456**

As of 30 June 2023 Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the Small and Medium business, consumer and other purposes.

Loans from international financial organizations include loans from Eurasian Development Bank and European Bank for Reconstruction and Development.

Loans from refinancing credit organizations include loans from National Mortgage Company and Home for Youth.

Covenants

As at 30 June 2023 and 31 December 2022 the Group was in compliance with all debt covenants.

21. Subordinated debt

Subordinated loans consisted of the following:

	30 June 2023	**31 December 2022**
Subordinated debt provided by related party	-	276,140
Subordinated loans	**-**	**276,140**

Subordinated debt represents a long term borrowing agreements, which, in case of the Group's default, would be subordinated to the Group's other obligations, including deposits and other debt instruments.

Subordinated debt from related party is issued in USD, with average effective interest rate of 7.12% per annum and with contractual maturity in January 2023:

22. Commitments and contingencies

Tax and legal matters

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Management believes that the Group has complied with all regulations and has completely settled all its tax liabilities.

(thousands of Armenian drams)

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Group, will not have a material adverse impact on the financial condition or results of future operations of the Group.

(thousands of Armenian drams)

22. Commitments and contingencies (continued)

Loan commitment, guarantee and other financial facilities

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

Commitments and contingencies

As of 30 June 2023 and 31 December 2022 the Group's commitments and contingencies comprised the following:

	30 June 2023	31 December 2022
Credit related commitments		
Undrawn loan commitments	10,894,123	16,277,823
Financial guarantees	8,174,614	7,209,681
Letters of credit	-	334,535
Commitments and contingencies	**19,068,737**	**23,822,039**
Provisions for ECL for credit related commitments	(143,667)	(143,063)

An analysis of changes in the ECLs at 30 June 2023 is as follows:

Undrawn loan commitments	***Stage 1***	***Total***
ECLs as at 1 January 2023		
New exposures	49,584	**49,584**
Expired exposures	13,563	**13,563**
Changes to models and inputs used for ECL calculations	(10,076)	**(10,076)**
Foreign exchange adjustments	(10,615)	**(10,615)**
At 30 June 2023	**42,456**	**42,456**

Letters of credit	***Stage 1***	***Total***
ECLs as at 1 January 2023	**4,158**	**4,158**
Expired exposures	**4,158**	**4,158**
At 30 June 2023	**–**	**–**

Financial guarantees	***Stage 1***	***Total***
ECLs as at 1 January 2023	**89,321**	**89,321**
New exposures	38,916	**38,916**
Expired exposures	(23,224)	**(23,224)**
Changes to models and inputs used for ECL calculations	(3,803)	**(3,803)**
Foreign exchange adjustments	-	**-**
At 30 June 2023	**101,210**	**101,210**

(thousands of Armenian drams)

22. Commitments and contingencies (continued)

Commitments and contingencies (continued)

An analysis of changes in the ECLs at 31 December 2022 is as follows:

Undrawn loan commitments	*Stage 1*	*Total*
ECLs as at 1 January 2022	**100,975**	**100,975**
New exposures	21,750	**21,750**
Expired exposures	(39,019)	**(39,019)**
Changes to models and inputs used for ECL calculations	(27,677)	**(27,677)**
Foreign exchange adjustments	(6,445)	**(6,445)**
At 31 December 2022	**49,584**	**49,584**

Letters of credit	*Stage 1*	*Total*
ECLs as at 1 January 2022	**–**	**–**
New exposures	4,158	**4,158**
At 31 December 2022	**4,158**	**4,158**

Guarantees	*Stage 1*	*Total*
ECLs as at 1 January 2022	**48,809**	**48,809**
New exposures	70,240	**70,240**
Expired exposures	(23,557)	**(23,557)**
Changes to models and inputs used for ECL calculations	(5,093)	**(5,093)**
Foreign exchange adjustments	(1,078)	**(1,078)**
As at 31 December 2022	**89,321**	**89,321**

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 30 June 2023 the Group possesses insurance for its transportation (also compulsory motor third party liability insurance) and buildings, properties, ATMs, banking risks, electronic or computer crimes and for professional responsibility. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

23. Equity

As of 30 June 2023 the Bank's registered and paid-in share capital was AMD 19,947,633 thousand (2022: AMD 19,947,633 thousand).

In accordance with the Bank's statues, the share capital consists of 66,492 ordinary shares, all of which have a par value of AMD 300,000 each and of 333 privileged shares, all of which have a par value of AMD 100 each (2022: 66,492 ordinary shares and 333 privileged shares).

The respective shareholdings as at 30 June 2023 and 31 December 2022 may be specified as follows:

	30 June 2023		*31 December 2022*	
	Paid-in share capital	*% of total paid-in capital*	*Paid-in share capital*	*% of total paid-in capital*
Advanced Global Investments LLC	14,539,800	72.89	14,539,800	72.89
Advanced Global Investments LLC (preference shares)	33	–	33	–
HayPost Trust Management B.V. Company	4,410,600	22.11	4,410,600	22.11
The Armenian Apostolic Church, presented by Mother See of Holy Etchmiadzin	997,200	5.00	997,200	5.00
	19,947,633	**100.00**	**19,947,633**	**100.00**

(thousands of Armenian drams)

23. Equity (continued)

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank.

The preference shareholders are entitled to receive annual dividends amounting 20% of the nominal value of the shares they own if decision on dividend payment is made by authorized body.

According to decision of Meeting of Shareholders dated on 22 June 2023 dividends declared by the Bank amounted to AMD 4,432,084 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders. As of the date the dividends were declared dividends per ordinary share amounted to AMD 66,656, and dividends per preference share amounted to AMD 19.8 (2022: AMD 509,683 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders).

The share capital of the Bank was contributed by the shareholders in Armenian drams and they are entitled to dividends and any capital distribution in Armenian drams.

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a reserve fund. The reserve has been created in accordance with the Bank's statutes.

Statutory general reserve

The statutory general reserve is created as required by the regulations of the Republic of Armenia, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve is created in accordance with the Bank's charter, which requires creation of statutory general reserve.

Revaluation surplus for land and buildings

Revaluation surplus for land and buildings is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for financial assets at FVOCI

Revaluation reserve for financial assets at FVOCI records fair value and expected credit loss changes on financial assets at FVOCI.

24. Net interest income

Net interest income comprises:

	01/04/23-30/06/23	***01/01/23-30/06/23***	***01/04/22-30/06/22***	***01/01/22-30/06/22***
Financial assets measured at amortized cost				
Loans to customers	6,261,126	12,256,940	5,899,276	11,810,437
Investment securities	184,348	422,673	390,536	671,051
Amounts due from banks	58,796	154,248	25,974	54,621
Cash equivalents	9,501	14,605	17,347	23,097
Other interest income	3,413	6,724	1,131	1,309
Financial assets measured at fair value through other comprehensive income				
Debt securities at FVOCI	2,298,509	4,536,083	896,200	1,656,208
Interest revenue calculated using effective interest rate	**8,815,693**	**17,391,273**	**7,230,464**	**14,216,723**
Finance leases	24,414	37,647	13,052	24,218
Trading securities	10,629	21,219	10,650	21,261
Other interest revenue	**35,043**	**58,866**	**23,702**	**45,479**
Total interest revenue	**8,850,736**	**17,450,139**	**7,254,166**	**14,262,202**
Amounts due to customers	2,665,891	5,320,904	2,625,638	5,114,553
Other borrowed funds	597,236	1,179,029	518,514	1,018,064
Debt securities issued	325,177	616,622	255,760	531,995
Amounts due to banks	93,189	133,358	182,481	330,150
Subordinated loans	-	418	5,542	11,387
Interest expense	**3,723,513**	**7,333,018**	**3,624,116**	**7,079,452**
Net interest income	**5,127,223**	**10,117,121**	**3,630,050**	**7,182,750**

(thousands of Armenian drams)

25. Credit loss expense

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 30 June 2023:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	(4,411)	-	-	**(4,411)**
Amounts due from banks	8	(5,409)	-	-	**(5,409)**
Loans and advances to customers	9	(93,574)	443,679	323,524	**673,629**
Debt securities measured at amortised cost	10	(199)	-	-	**(199)**
Debt securities measured at FVOCI	10	7,108	-	-	**7,108**
Other financial assets	14	6,776	(21)	(2,711)	**4,043**
Financial guarantees	22	11,889	-	-	**11,889**
Loan commitments	22	(7,126)	-	-	**(7,126)**
Letters of credit	22	(4,158)	-	-	**(4,158)**
Total credit loss expense		**(89,104)**	**443,657**	**320,813**	**675,364**

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 30 June 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	(7,519)	-	-	**(7,519)**
Amounts due from banks	8	(4,380)	-	-	**(4,380)**
Loans and advances to customers	9	(28,977)	(88,534)	67,108	**(50,403)**
Debt securities measured at amortised cost	10	25,404	-	-	**25,404**
Debt securities measured at FVOCI	10	3,659	-	-	**3,659**
Other financial assets	14	6,279	(37)	(7,607)	**(1,365)**
Financial guarantees	22	(3,763)	-	-	**(3,763)**
Loan commitments	22	5,087	-	-	**5,087**
Letters of credit	22	9,908	-	-	**9,908**
Total credit loss expense		**5,698**	**(88,571)**	**59,501**	**(23,372)**

26. Net fee and commission income

Net fee and commission income comprises: Settlement operation

	01/04/23-30/06/23	*01/01/23-30/06/23*	*01/04/22-30/06/22*	*01/01/22-30/06/22*
Plastic cards operations	2,004,221	3,751,948	750,395	1,407,796
Wire transfer fees	94,129	207,905	193,832	266,551
Settlement operation	184,349	352,766	147,018	264,784
Fees and commission income from loans	226,430	281,603	104,031	133,244
Guarantees and letters of credit	31,387	59,637	24,357	52,783
Other	195,614	463,215	377,172	479,474
Fee and commission income	**2,736,130**	**5,117,074**	**1,596,804**	**2,604,632**
Plastic cards operations	1,500,959	2,609,192	414,253	799,271
Wire transfer fees	56,693	96,267	368,215	385,413
Settlement operations	33,520	71,272	25,326	60,697
Guarantees and letters of credit	8,651	20,136	19,795	42,720
Other expenses	51,439	163,860	35,256	66,484
Fee and commission expense	**1,651,262**	**2,960,727**	**862,845**	**1,354,585**
Net fee and commission income	**1,084,868**	**2,156,347**	**733,959**	**1,250,047**

(thousands of Armenian drams)

27. Net trading income

	01/04/23-30/06/23	*01/01/23-30/06/23*	*01/04/22-30/06/22*	*01/01/22-30/06/22*
Net gains from foreign currency transactions	2,123,195	5,043,018	5,913,957	6,721,249
Net (loss)/gain from trading securities	32,055	78,693	(1,052)	(27,062)
Net loss on derivative financial instruments	(365,238)	(1,266,867)	(542,668)	(527,723)
Net income from operations with precious metals	(5,766)	59,159	(166,255)	(69,834)
Total net trading income	**1,784,246**	**3,914,003**	**5,203,982**	**6,096,630**

28. Other income

	01/04/23-30/06/23	*01/01/23-30/06/23*	*01/04/22-30/06/22*	*01/01/22-30/06/22*
Fines and penalties received	103,991	250,935	110,842	224,204
Income from cash collection services	6,395	10,681	633	10,473
Income from grants	606	1,212	606	1,212
Other income	(104,897)	74,311	120,825	183,299
Total other income	**6,095**	**337,139**	**232,906**	**419,188**

29. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	01/04/23-30/06/23	*01/01/23-30/06/23*	*01/04/22-30/06/22*	*01/01/22-30/06/22*
Salaries	2,228,946	4,310,561	1,734,086	3,437,135
Other expenses	29,588	100,457	35,399	67,504
Personnel expenses	**2,258,534**	**4,411,018**	**1,769,485**	**3,504,639**
Software maintenance expenses	272,710	512,942	210,776	395,356
Advertising costs	197,055	377,225	116,191	227,408
Insurance of deposits	121,722	233,550	103,264	211,385
Expenses related to Armenian Card payment system	123,096	234,770	76,337	166,605
Fixed assets repair and maintenance expenses	63,812	134,540	60,937	122,015
Communications	55,830	106,887	60,206	108,744
Security	52,315	104,230	51,882	104,478
Taxes, other than income tax, duties	73,540	125,530	50,422	75,597
Office supplies	11,017	21,141	10,234	18,650
Consulting	65,791	98,651	23,500	52,402
Insurance expenses	31,021	61,462	31,456	62,448
Utility expenses	18,122	63,041	20,202	59,675
Business trip expenses	16,449	32,818	18,744	24,035
Financial system mediator	11,554	23,109	9,328	18,655
Lease expenses	13,983	25,644	4,781	10,975
Penalties paid	74	124	291	1,980
Other operating expenses	75,471	145,714	53,571	103,414
Other expenses	85,785	132,858	85,063	128,610
Other operating expenses	**1,289,347**	**2,434,236**	**987,185**	**1,892,432**

(thousands of Armenian drams)

30. Risk management

Introduction

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

The process of risk management is organized in accordance with the mission, principal and interim objectives of the Group and is designed to improve the financial position and the reputation of the Group.

(thousands of Armenian drams)

30. Risk management (continued)

Introduction (continued)

The aim of the risk management process is the assistance to the management of the Group in making decisions in the framework of risk mitigation measures, limits and internal acts for effectively managing the risks related to the assets and liabilities of the Group and its customers by the means of excluding or minimizing the possible losses related to the risks, ensuring the acceptable level of profitability, liquidity and solvency. The risk management is based on procedures, regulations, norms and limits, approved by the Group's authorized body. The identification, measurement, supervision and monitoring of the Group's risks are ongoing and regular processes. The risk analysis is an integral part of the Group's strategic planning, as well as the evaluation of investment programs. The Group's risks management principles include: the implementation of non-standard risk management procedures in critical situations, periodical implementation of stress scenarios for testing the financial stability, avoiding the concentrations of business processes in the assets and loan portfolio, diversification of the Group's assets and liabilities, implementation of monitoring by a frequency consistent with the risks undertaken by the Group, management of the risk concentrations, the ongoing cooperation between the risk management administration and departments.

Risk management structure

The risk management is organized and coordinated by the Executive Director in accordance with the internal legal acts approved by the Bank's Board. The risk management is implemented in a clear and documented manner for all business processes described, through appropriate internal legal acts and limits determined for all the processes and operations.

The Board

The Board is responsible for the overall supervision of risk management and risk management policy, as well as approval of the policies related to the risk management, based on which the Bank's Executive Director organizes the risk management, taking into consideration the management limits and the requirements of the Bank's internal legal acts.

Direction

The Bank's Executive Board implements the following for the purpose of risk management:

- Approval of complex measures, in agreement with the Board, based on the Group's risk management, associated with the Group's profitability in the critical situations, as well as operating, strategic, reputational and legal risks;
- Determining prohibitions for several transactions;
- Determining limits for transactions without collateral in inter-bank markets;
- Determining internal norms for banking risks regulation and supervision.

The Executive Board is responsible for the management of the Group's assets and liabilities, as well as the overall financial system. The Bank's Executive Board is also responsible for the Group's liquidity financial risks. The Executive Board is designed to fulfil the functions of the Group's Assets and Liabilities Management Committee.

Risk management division

The main functions of the risk management division are:

- Elaboration and implementation of active mechanisms and processes for risk management in the Group, as well as monitoring over their implementation;
- Analysis of the risk level of loans issued by the Group and the monitoring over the lending process in the framework of program loans;
- Monitoring of issued loans, identification of issues related to them and reporting;
- Supervision over the evaluation of pledged property and periodical revaluations of the pledged property;
- Organization of the insurance process of the Group's property;
- Management of the doubtful loans portfolio.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Bank's Board.

(thousands of Armenian drams)

30. Risk management (continued)

Risk management structure (continued)

Risk measurement and reporting systems

Depending upon various factors, the Group divides the risks into the internal and external risks.

The external risks include the country, legislation, force-major factors, price and competition risks.

Internal risks of the Group are the risks associated with its activity. They include the credit, operational, liquidity, interest rate, currency, reputational, capital decrease, staff and money laundering risks.

The country risk is managed by the Group using the rating of international rating agencies (Moody's, S&P, Fitch), granted to international banks and organizations. The risk management division monitors the rating of internal bank counterparties of the Group and quarterly presents to the Bank's Executive Board approval the limits for each bank and financial institution.

The minimal possible price risk level is ensured in the framework of the following measures: analysis of the financial markets' structural, volume and price indicators' dynamics, and liquidity of several financial instruments, as well as identification of current trades, assessment of possible losses on a monthly basis using the stress testing, determination of limits for financial instruments (by types of transactions with securities, by dealer, by issuer), diversification of securities portfolio by issuer, industry, maturity profile, etc.

The management of competition risk is implemented by the business divisions and marketing department, by periodically comparing the range of services and conditions provided by the Group and its competitors.

The interest rate risk is managed by the Risk Management Division of the Group by elaborating and implementing interest rate mitigation mechanisms/models, based on which the Group's Assets and Liabilities Management Committee makes decisions. The Risk Management Division has elected to use the models for interest rate change sensitivity gap, duration and basic risk. Interest rate change sensitivity gap and duration models are implemented through stress testing on a monthly basis. The interest rate basic risk is managed through stress tests by implementing scenarios of different severity on a quarterly basis.

For liquidity risk management purposes daily discussions are held around the structure of assets and liabilities maturity profiles and the liquidity gap, as well as supervision is established over the weight of investments in highly liquid instruments. For mitigation of the liquidity risk the Group's Risk management division presents monthly analysis of the Group's expected repayments, amounts to be lent and the positions to the Group's Assets and Liabilities Management Committee. The liquidity risk management includes the elaboration of pricing mechanisms for assets of the Group, limits of amounts attracted by the Group, their types or gross interest expenses, limits on concentrations of the financial sources used by the Group for fulfilling the liquidity requirements, the diversification of the maturities of the borrowings, limits on the borrowings attracted from the Group's related parties aimed at satisfying the liquidity needs, principles and methods for determining the interest rate risk limit, including the interest rate risk and limits related to the off-balance sheet items, the intended level of interest margins, mechanisms and procedures of making decisions on attraction and attribution of financial means, acceptable limits of maturity gaps between the Group's assets and liabilities, the ways of coordinating the Group's other divisions activities, who can influence the Group's liquidity level by their operations, the extraordinary liquidity requirements fulfilment programs (which can arise from reduction of the income, increase of doubtful assets, concentrations of deposits), the forms of reports on liquidity management to be submitted to the Group's executive body and Board.

The capital decrease risk measurement mechanisms are the norms determined internally and by the CBA (capital adequacy, one borrower risk etc.). The stress tests implemented monthly allow determining the maximum loss of capital, depending on different circumstances.

The staff risk is managed by the Staff management department, which periodically observes the vacancies and offered conditions existing in the RA banking system, as well as organizes trainings for improving the professional skills level of the employees by using internal and external resources.

The money laundering risk management is conducted by the financial observations department, which operates in accordance with the requirements of anti-money laundering legislation and Bank's internal legal acts.

(thousands of Armenian drams)

30. Risk management (continued)

Risk management structure (continued)

Excessive risk concentrations

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

For avoiding the excessive risk concentrations, the Group's policy and processes includes special principles aimed at maintaining diversified assets types, loan and securities portfolios.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9.

Impairment assessment

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR at origination. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive considering the possible credit risk. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

(thousands of Armenian drams)

30. Risk management (continued)

Credit risk (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 91 days past due on its contractual payments.

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors, such as the quality of credits due to affiliated parties, the state of being rescheduled which are approved by the management.

PD estimation process

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risks management division analyses publicly available information such as financial information and other external data, e.g., the external ratings.

Loans customers

Bucketing

For stage 1 and stage 2 loans to customers, as well as for individually not significant stage 3 exposures, the Group calculates ECL on portfolio level. The following portfolios are segregated by the Group.

- Large business loans;
- SME loans;
- Consumer loans;
- Mortgage loans;
- Gold pawn loans.

(thousands of Armenian drams)

30. Risk management (continued)

Credit risk (continued)

PDs for loans to customers are based on historic information and calculated through probability transition matrices, based on historical information on ageing of the loan portfolios. The probabilities are calculated as the share of loans transferring to defaulted category during 12-month period from the total number of credits at the beginning of the period. In calculation of PDs the Group considers forward looking macroeconomic parameters that had significant impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters.

Based on the estimated deviation of the historical forecasts of the selected macroeconomic parameters from the actual trends three scenarios of the forward-looking macroeconomic development are directed to the final outcome of three PD PIT transition matrices, which are weighted by 15%, 70% and 15% probabilities corresponding to the best, base and worst case scenarios.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The Group uses historical information on recoveries after the default date for all defaulted loans for LGD calculation purposes. All cash flow information is collected after the default date per LGD bucket. For the recently defaulted loans the possible recoveries are evaluated based on the development factor estimated from the population of the earlier defaulted loans. Any changes in the collection policy are considered in this scope. The overall recoveries are further discounted to the default point using the average effective interest rate of each LGD bucket. Cash flow information includes all kind of cash received from defaulted loans (cash received from repayment of loans, cash received from guarantor, cash received from sale of collateral, etc.).

Significant increase in credit risk

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Group is the information on overdue days of the loans. The Group concludes that there is a significant increase in credit risk of the assets, when payments related to that assets of the borrower are past due for more than 30 days.

The Bank's management also considers the following factors to determine whether there is an increase in credit risk:

- Overdue days of the borrower in other financial institutions in Armenia;
- Overdue days of the predefined affiliated parties.

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP annual growth;
- USD/AMD exchange rate;
- Unemployment rate;
- Government accounts with the CBA;
- Yield curve.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings, as described above. The Group has rating grades as per which classifies its financial assets per High, Standard, Sub-standard and Impaired grades.

(thousands of Armenian drams)

International external rating agency (Moody's, S&P, Fitch) rating	***Rating description***
A3 to Aaa / A- to AAA	High grade
Baa3 to Baa1 / BBB- to BBB+	Standard grade
Ba3 to Ba1 / BB- to BB+	Sub-standard grade
Below Ba3 / BB-	Impaired

In the table below loans to customers of high grade are those having a minimal level of credit risk, i.e. very well collateralized (cash collateral or state guarantee). Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises not past due loans below standard grade but not individually impaired. For banks and securities the Group determines allocation to grades depending on ratings given by international rating agencies.
The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on the Group's credit rating system.

30 June 2023	***Note***		***High grade***	***Standard grade***	***Sub-standard grade***	***Impaired***	***Total***
Cash and cash equivalents, except for cash on hand	6	Stage 1	2,212,677	29,804,435	0	0	32,017,112
Amounts due from banks	8	Stage 1	535,798	38,640,993		0	39,176,791
Loans to customers at amortised cost	11						
		Stage 1	144,399	26,303,606			26,448,005
- SME		Stage 2			642,025		642,025
		Stage 3				2,992,945	2,992,945
		Stage 1	25,572,617	37,468,367			63,040,984
- Corporate lending		Stage 2	-	-	696,636		696,636
		Stage 3	-	-	-	4,863,759	4,863,759
		Stage 1	1,614,558	42,383,991	-	-	43,998,549
- Consumer lending		Stage 2	-	-	1,080,663	-	1,080,663
		Stage 3	-	-	-	1,539,812	1,539,812
		Stage 1	-	71,703,492	-	-	71,703,492
- Residential mortgages		Stage 2	-		2,301,550		2,301,550
		Stage 3	-			1,202,973	1,202,973
		Stage 1	-	18,638,161	-	-	18,638,161
- Other gold		Stage 2	-	-	251,377	-	251,377
		Stage 3	-			161,865	161,865
Debt investment securities	10						
- Measured at FVOCI		Stage 1	15,495,628	93,776,608			109,272,236
- Measured at amortised cost		Stage 1	3,300,512	9,463,576			12,764,088
	14	Stage 1	102,376	917,149			1,019,525
Other financial assets		Stage 2			3,742		3,742
		Stage 3				15,434	15,434
Undrawn loan commitments	22	Stage 1	−	10,894,123			10,894,123
Letter of credits	22	Stage 1	−	-	−	−	-
Guarantees	22	Stage 1	−	8,174,614	-		8,174,614
Total			48,978,566	388,169,114	4,975,993	10,776,787	452,900,460

31 December 2022	***Note***		***High grade***	***Standard grade***	***Sub-standard grade***	***Impaired***	***Total***
Cash and cash equivalents, except for cash on hand	6	Stage 1	2,334,918	37,370,676	−	−	**39,705,594**
Amounts due from banks	8	Stage 1	534,196	46,600,398	−	−	**47,134,594**
Loans to customers at amortised cost	11						
		Stage 1	108,421	25,859,289	−	−	**25,967,710**
- SME		Stage 2	−	−	1,029,220	−	**1,029,220**
		Stage 3	−	−	−	2,812,700	**2,812,700**
		Stage 1	28,390,644	34,807,447	−	−	**63,198,091**
- Corporate lending		Stage 2	−	−	233,537	−	**233,537**
		Stage 3	−	−	−	5,013,251	**5,013,251**
		Stage 1	1,643,467	38,634,850	−	−	**40,278,317**
- Consumer lending		Stage 2	−	−	1,195,765	−	**1,195,765**
		Stage 3	−	−	−	1,952,035	**1,952,035**
		Stage 1	−	66,428,370	−	−	**66,428,370**
- Residential mortgages		Stage 2	−		2,409,440		**2,409,440**
		Stage 3	−			1,367,405	**1,367,405**
- Other gold		Stage 1	−	17,374,690	−	−	**17,374,690**

(thousands of Armenian drams)

		Stage 2	–	–	273,761	–	**273,761**
		Stage 3	–	–	–	186,672	**186,672**
Debt investment securities	10						
- Measured at FVOCI		Stage 1	18,926,117	87,963,519	–	–	**106,889,636**
- Measured at amortised cost		Stage 1	8,952,737	9,455,180	–	–	**18,407,917**
	14	Stage 1	90,753	556,092			**646,845**
Other financial assets		Stage 2			5,267		**5,267**
		Stage 3				6,547	**6,547**
Undrawn loan commitments	22	Stage 1	–	16,277,823	–	–	**16,277,823**
Letter of credits	22	Stage 1	–	334,535	–	–	**334,535**
Guarantees	22	Stage 1	–	7,209,682	–	–	**7,209,682**
Total			**60,981,253**	**388,872,551**	**5,146,990**	**11,338,610**	**466,339,404**

30. Risk management (continued)

Credit risk (continued)

See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by geographical region as of 30 June 2023 and 31 December 2022.

	30 June 2023			
	Armenia	***Other non-OECD countries***	***OECD countries***	***Total***
Assets				
Cash and cash equivalents	38,866,823	4,186,716	2,510,457	**45,563,995**
Trading securities	869,040			**869,040**
Amounts due from banks	35,957,199	1,100,746	2,107,783	**39,165,728**
Derivative financial assets	-	33,372	-	**33,372**
Loans and advances to customers	207,644,074	25,569,614	183,163	**233,396,851**
Investment securities	94,993,329	-	27,108,411	**122,101,740**
Other financial assets	898,062	717	102,401	**1,001,179**
	379,228,526	**30,891,164**	**32,012,215**	**442,131,905**
Liabilities				
Amounts due to banks	753,477	68,683	57,040	**879,200**
Derivative financial liabilities	1,056	13,257	-	**14,313**
Amounts due to customers	257,312,126	57,433,225	9,722,367	**324,467,718**
Debt securities issued	17,577,416	1,659,867	559,584	**19,796,867**
Other borrowed funds	33,679,154	-	2,546,204	**36,225,358**
Lease liabilities	1,522,758	53,283	-	**1,576,041**
Subordinated debt	-	-	-	**-**
Other liabilities	2,192,404	13,255	190,000	**2,395,659**
	313,038,391	**59,241,570**	**13,075,195**	**385,355,156**
Net assets/(liabilities)	**66,190,135**	**(28,350,406)**	**18,937,020**	**56,776,749**

Other non-OECD counties as of 30 June 2023 are mostly represented by Russia, Georgia, Argentina, Uruguay, Bahamas, Panama, United Arab Emirates, Egypt, India, Lebanon.

	31 December 2022			
	Armenia	***Other non-OECD countries***	***OECD countries***	***Total***
Assets				
Cash and cash equivalents	36,310,044	11,601,137	2,382,433	**50,293,614**
Trading securities	823,400			**823,400**
Amounts due from banks	36,719,258	5,722,746	4,676,118	**47,118,122**
Derivative financial assets	58,292	138,722	–	**197,014**
Loans and advances to customers	198,153,941	25,653,255	169,487	**223,976,683**
Investment securities	89,127,312	–	36,235,457	**125,362,769**
Other financial assets	537,400	314	90,768	**628,482**
	361,729,647	**43,116,174**	**43,554,263**	**448,400,084**
Liabilities				
Amounts due to banks	297,849	41,126	2,002,034	**2,341,009**
Derivative financial liabilities	–	–	–	–

(thousands of Armenian drams)

Amounts due to customers	260,105,275	70,594,358	11,150,692	**341,850,325**
Debt securities issued	13,429,730	863,590	398,828	**14,692,148**
Other borrowed funds	31,460,258	−	3,041,198	**34,501,456**
Lease liabilities	1,463,632	57,882	−	**1,521,514**
Subordinated debt	−	276,140	−	**276,140**
Other financial liabilities	2,068,663	−	87,040	**2,155,703**
	308,825,407	**71,833,096**	**16,679,792**	**397,338,295**
Net assets/(liabilities)	**52,904,240**	**(28,716,922)**	**26,874,471**	**51,061,789**

Other non-OECD counties as of 31 December 2022 are mostly represented by Russia, Georgia, Argentina, Uruguay, Bahamas, Panama, United Arab Emirates, Egypt, India, Lebanon.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 4% of certain obligations of the Group denominated in Armenian drams and 6% on certain obligations of the Group denominated in foreign currency in Armenian drams and 12% on certain obligations of the Group denominated in foreign currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 30 June 2023 and 31 December 2022, these ratios were as follows:

	Threshold	***30 June 2023, %***	***31 December 2022, %***
N21 “General Liquidity Ratio” (highly liquid assets / total assets)	Min 15%	45.82	46.92
N22 “Current Liquidity Ratio” (highly liquid assets / liabilities payable on demand)	Min 60%	116.21	106.22

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group’s financial liabilities at 30 June 2023 based on contractual undiscounted repayment obligations. See Note 34 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group’s deposit retention history.

	30 June 2023						
	Demand and less than 1 month	***From 1 to 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Total***	***Carrying amounts***
Financial liabilities							
Amounts due to banks	764,257	0	59,106	0	57,909	881,272	879,200
Derivative liabilities	14,313					14,313	14,313
Amounts due to customers	174,897,215	28,956,614	65,195,825	58,997,560	1,273,719	329,320,932	324,467,718
Other borrowed funds	754,557	439,332	4,637,945	21,066,544	20,396,617	47,294,996	36,225,358
Debt securities issued	3,570,152	2,581,951	5,753,347	9,510,830	0	21,416,280	19,796,867
Lease liabilities	66,938	126,655	482,625	1,268,908	369,025	2,314,151-	1,576,041
Subordinated debt	-	−	−	−	−	0	0
Total undiscounted financial liabilities	**180,067,432**	**32,104,552**	**76,128,847**	**90,843,842**	**22,097,271**	**401,241,944**	**382,959,497**
Commitments and contingent liabilities	**19,068,737**	**−**	**−**	**−**	**−**	**19,068,737**	**19,068,737**

(thousands of Armenian drams)

30. Risk management (continued)

Liquidity risk and funding management (continued)

	31 December 2022						
	Demand and less than 1 month	***From 1 to 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Total***	***Carrying amounts***
Financial liabilities							
Amounts due to banks	281,435	1,062,553	896,985	58,997	59,036	2,359,006	2,341,009
Amounts due to customers	197,119,308	20,547,649	78,138,197	47,941,436	1,254,780	345,001,370	341,850,325
Other borrowed funds	689,358	432,628	4,645,705	19,823,528	19,056,770	44,647,989	34,501,456
Debt securities issued	–	–	185,235	16,219,785	–	16,405,020	14,692,148
Lease liabilities	61,968	122,720	487,415	1,329,302	319,271	2,320,676	1,521,514
Subordinated debt	276,562	–	–	–	–	276,562	276,140
Total undiscounted financial liabilities	**198,428,631**	**22,165,550**	**84,353,537**	**85,373,048**	**20,689,857**	**411,010,623**	**395,182,592**
Commitments and contingent liabilities	**23,822,039**	**–**	**–**	**–**	**–**	**23,822,039**	**23,822,039**

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group classifies exposures to market risk into either trading or non-trading portfolios. Non-trading positions are managed and monitored using other sensitivity analyses.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities and on net trading income, based on trading instruments held at 30 June. The sensitivity of equity is calculated by revaluing debt financial assets measured at FVOCI at 30 June for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	***Increase in basis points 30 June 2023***	***Sensitivity of net interest income 30 June 2023***	***Sensitivity of equity 30 June 2023***
AMD	3.18%	(18,508)	(3,601,831)
USD	2.18%	–	(887,220)
EUR	1.36%	–	(84,437)

Currency	***Decrease in basis points 30 June 2023***	***Sensitivity of net interest income 30 June 2023***	***Sensitivity of equity 30 June 2023***
AMD	3.18%	18,508	3,601,831
USD	2.18%	-	887,220
EUR	1.36%	-	84,437

(thousands of Armenian drams)

30. Risk management (continued)

Market risk (continued)

Currency	*Increase in basis points 31 December 2022*	*Sensitivity of net interest income 31 December 2022*	*Sensitivity of equity 31 December 2022*
AMD	3.18%	(20,976)	(3,399,749)
USD	2.18%	−	(1,106,547)
EUR	1.36%	−	(126,082)

Currency	*Decrease in basis points 31 December 2022*	*Sensitivity of net interest income 31 December 2022*	*Sensitivity of equity 31 December 2022*
AMD	3.18%	20,976	3,399,749
USD	2.18%	−	1,106,547
EUR	1.36%	−	126,082

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management has set limits on positions by currency.

The tables below indicate the currencies to which the Group had significant exposure at 30 June 2023 and 31 December 2022 on its non-trading monetary assets and liabilities. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase

	30 June 2023		*31 December 2022*	
Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
USD	12.6%	(5,549)	12.6%	(435,599)
USD	(12.6%)	5,549	(12.6%)	435,599
EUR	21.3%	13,325	21.3%	(21,823)
EUR	(21.3%)	(13,325)	(21.3%)	21,823

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Board of the Group. Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The operational risk management is conducted in a clear and documented manner for all the business processes described, through the internal legal acts regulating those business process, as well as limits for all the processes and operations, and double control mechanisms for all transactions. The more actual operational risk management is described below.

Legal risk: all the standard contract forms of the Group are prepared by the Group's Legal Department by cooperating with the Group's appropriate departments and are approved by the Group's Executive Board. In the Group's day-to-day operations non-standard contracts between the Group and third parties are allowed only in case of appropriate conclusion from the Group's Legal Department.

The IT risks are managed in accordance with internal legal acts.

(thousands of Armenian drams)

30. Risk management (continued)

Operational risk (continued)

The risk mitigation mechanisms for the process are:

- Regulation of all business processes by internal legal acts;
- Physical protection of the Group’s assets and critical documents (including loan contracts);
- Establishing and maintaining limits;
- Common preservation of property and records;
- Implementation and archiving of data journals;
- Implementation of double control mechanism in recording transactions.

The internal audit periodically assesses the internal control system effectiveness and adequacy with the Group’s risks and supervises the Group’s activity and operational risks.

The Group’s compliance with the standards is accompanied by the internal auditor’s periodic observations. The results of those observations are discussed by the Group’s management’s appropriate representative to whom it concerns. The summaries of the observations are submitted to the Board.

31. Fair value measurements

Fair value measurement procedures

The Group’s management determines the policies and procedures for both recurring fair value measurement, such as trading and FVOCI securities, derivatives and for non-recurring measurement, such as repossessed assets.

External valuers are involved for valuation of significant assets, such as properties and repossessed assets. Involvement of external valuers is decided upon annually by the Board.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, in conjunction with the Group’s external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial and non-financial assets and liabilities measured at fair value in the consolidated statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(thousands of Armenian drams)

31. Fair value measurements (continued)

Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the consolidated statement of financial position and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	30 June 2023				
	Level 1	***Level 2***	***Level 3***	***Total fair values***	***Total carrying amount***
Financial assets					
Loans and advances to customers	–	–	228,609,725	**228,609,725**	**233,396,851**
Investment securities at amortised cost	3,246,902	9,410,031	–	**12,656,933**	**12,748,948**
Financial liabilities					
Amounts due to customers	–	–	324,506,786	**324,506,786**	**324,467,718**
Other borrowed funds	–	–	33,341,042	**33,341,042**	**36,225,358**
Debt securities issued	–	19,491,242	–	**19,491,242**	**19,796,867**

	31 December 2022				
	Level 1	***Level 2***	***Level 3***	***Total fair values***	***Total carrying amount***
Financial assets					
Loans and advances to customers	–	–	217,027,374	**217,027,374**	**223,976,683**
Investment securities at amortised cost	7,012,418	9,307,696	–	**16,320,114**	**18,392,578**
Financial liabilities					
Amounts due to customers	–	–	342,912,851	**342,912,851**	**341,850,325**
Other borrowed funds	–	–	33,383,126	**33,383,126**	**34,501,456**
Debt securities issued	–	14,700,166	–	**14,700,166**	**14,692,148**

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 3% to 22% per annum (2022: 3% to 22% per annum).

(thousands of Armenian drams)

31. Fair value measurements (continued)

Financial instruments that are measured at fair value (continued)

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of collateral is based on appraisals performed by independent, professionally-qualified property valuers.

	30 June 2023		
	Level 1	*Level 2*	*Total*
Financial assets			
Trading securities	–	869,040	**869,040**
Derivative financial assets	–	33,372	**33,372**
Investment securities at FVOCI	15,495,628	93,857,164	**109,352,792**
Total	**15,495,628**	**94,759,576**	**110,255,204**
Financial liabilities			
Derivative financial liabilities	-	14,313	**14,313**
Net fair value	**15,495,628**	**94,745,263**	**110,240,891**

	31 December 2022		
	Level 1	*Level 2*	*Total*
Financial assets			
Trading securities	–	823,400	823,400
Derivative financial assets	–	197,014	197,014
Investment securities at FVOCI	18,926,118	88,044,073	106,970,191
Total	**18,926,118**	**89,064,487**	**107,990,605**
Net fair value	**18,926,118**	**89,064,487**	**107,990,605**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Fair value measurement of non-financial assets and liabilities

	30 June 2023	
	Level 3	*Total*
Non-financial assets		
Land and buildings	5,234,843	**5,234,843**
Total	**5,234,843**	**5,234,843**

	31 December 2022	
	Level 3	*Total*
Non-financial assets		
Land and buildings	5,305,397	**5,305,397**
Total	**5,305,397**	**5,305,397**

(thousands of Armenian drams)

31. Fair value measurements (continued)

Fair value measurement of non-financial assets and liabilities (continued)

Fair value measurements in Level 3

The Group's non-financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial assets and financial liabilities within this level can be reconciled from beginning to ending balance as follows:

Non-financial assets	***Land and buildings***	***Total***
Balance as at 1 January 2023	**5,305,397**	**5,305,397**
Purchases	1,902	**1,902**
Depreciation charge	(72,456)	**(72,456)**
Net fair value at 30 June 2023	**5,234,843**	**5,234,843**

Non-financial assets	***Land and buildings***	***Total***
Balance as at 1 January 2022	**4,790,824**	**4,790,824**
Purchases	9,561	**9,561**
Effect of revaluation	627,598	**627,598**
Depreciation charge	(122,586)	**(122,586)**
Net fair value at 31 December 2022	**5,305,397**	**5,305,397**

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property appraisers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed at each reporting date.

The appraisal was carried out using a comparative and income methods that reflect observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the premise in question, including plot size, location, encumbrances and current use.

The land and buildings were revalued in 2022. The land and buildings were previously revalued in 2019.

32. Transferred financial assets and assets held or pledged as collateral

Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets. If the securities increase or decrease in value, the Group may, in certain circumstances, require, or be required, to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, country risk and operational risk, and therefore has not derecognised them. In addition, it recognised a financial liability for cash received.

Similarly the Group may sell or re-pledge securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently the securities are not recognised by the Group, w hich instead records a separate asset for any cash given.

As at 30 June 2023 the Group has AMD 6,460,864 thousand securities sold under repurchase agreements (2022: AMD 6,460,864 thousand securities sold under repurchase agreements).

33. Offsetting of financial instruments

The table below shows financial assets offset against financial liabilities in the consolidated statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements which do not result in an offset in the consolidated statement of financial position:

(thousands of Armenian drams)

30 June 2023	*Gross amount of recognised financial assets*	*Gross amount of recognised financial liabilities set off in the consolidated statement of financial position*	*Net amount of financial assets recognised in the consolidated statement of financial position*	*Related amounts not offset in the consolidated statement of financial position*		*Net amount*
				Financial instruments	*Non-cash collateral received*	
Financial liabilities						
Amounts due from banks – reverse repo	6,185,326	–	6,185,326	–	(6,185,326)	–
Loans and advances to customers – reverse repo	6,868,634	–	6,868,634	–	(6,868,634)	–
Total	**13,053,960**	**–**	**13,053,960**	**–**	**(13,053,960)**	**–**

31 December 2022	*Gross amount of recognised financial assets*	*Gross amount of recognised financial liabilities set off in the consolidated statement of financial position*	*Net amount of financial assets recognised in the consolidated statement of financial position*	*Related amounts not offset in the consolidated statement of financial position*		*Net amount*
				Financial instruments	*Non-cash collateral received*	
Financial liabilities						
Amounts due from banks – reverse repo	6,031,539	–	6,031,539	–	(6,031,539)	–
Loans and advances to customers – reverse repo	6,673,850	–	6,673,850	–	(6,673,850)	–
Total	**12,705,389**	**–**	**12,705,389**	**–**	**(12,705,389)**	**–**

(thousands of Armenian drams)

34. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. See Note 30 for the Group's contractual undiscounted repayment obligations.

	30 June 2023			*31 December 2022*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Assets						
Cash and cash equivalents	45,563,995	0	45,563,995	50,293,614	–	50,293,614
Trading securities	869,040	0	869,040	823,400	–	823,400
Derivative assets	33,372	0	33,372	197,014	–	197,014
Amounts due from banks	35,251,406	3,914,322	39,165,728	43,132,983	3,985,139	47,118,122
Loans and advances to customers	79,636,873	153,759,978	233,396,851	82,041,675	141,935,008	223,976,683
Investment securities	44,994,765	77,106,975	122,101,740	44,444,360	80,918,409	125,362,769
Investment securities pledged under repurchase agreements	–	–	–	–	–	–
Property, plant and equipment	–	9,011,532	9,011,532	–	8,775,341	8,775,341
Intangible assets	–	779,389	779,389	–	653,241	653,241
Repossessed assets	1,037,098	0	1,037,098	2,039,484	–	2,039,484
Other assets	7,951,692	733,433	8,685,125	4,470,820	425,556	4,896,376
Total	**215,338,241**	**245,305,629**	**460,643,870**	**227,443,350**	**236,692,694**	**464,136,044**
Liabilities						
Amounts due to banks	821,291	57,909	879,200	2,227,534	113,476	2,341,009
Derivative liabilities	14,313	0	14,313	–	–	–
Amounts due to customers	265,195,267	59,272,451	324,467,718	293,250,978	48,599,347	341,850,325
Other borrowed funds	3,845,744	32,379,614	36,225,358	3,920,578	30,580,878	34,501,456
Debt securities issued	10,286,038	9,510,830	19,796,867	185,235	14,506,913	14,692,148
Lease liabilities	467,525	1,108,516	1,576,041	467,126	1,054,388	1,521,514
Current income tax liabilities	1,537,047	0	1,537,047	3,208,769	–	3,208,769
Deferred tax liabilities	0	329,138	329,138	–	138,794	138,794
Other liabilities	7,044,935	281,255	7,326,190	2,673,931	13,891	2,687,822
Provisions on commitments and contingencies	143,667	0	143,667	143,063	–	143,063
Subordinated debt	-	–	-	276,140	–	276,140
Total	**289,355,827**	**102,939,713**	**392,295,540**	**306,353,354**	**95,007,686**	**401,361,040**
Net position	**(74,017,587)**	**142,365,916**	**68,348,330**	**(78,910,004)**	**141,685,008**	**62,775,004**

The maturity analysis in the table above does not reflect the historical behavior and actual repayment pattern of term deposits. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

The table below shows an analysis of assets and liabilities analysed according to securities instant liquidity as at 30 June 2023 and 31 December 2022.

(thousands of Armenian drams)

34. Maturity analysis of assets and liabilities (continued)

Highly liquid portion of investments at fair value through profit or loss and investments at fair value through other comprehensive income other than equity instruments are included in amounts due in the period “Demand and less than 1 month” as the Bank’s management believes that these are highly liquid assets which may be sold on demand to meet the requirements for cash outflows of financial liabilities. Securities at amortised cost state securities are classified as demand and less than 1 month considering the availability of repo agreements.

	30 June 2023								
	Demand and less than 1 month	***From 1 to 3 months***	***From 3 to 12 months***	***Subtotal less than 12 months***	***From 1 to 5 years***	***More than 5 years***	***Subtotal less over 12 months***	***No maturity***	***Total***
Cash and cash equivalents	45,563,995	0	0	45,563,995	0	0	0	0	45,563,995
Trading securities	558,994	0	7,312	566,306	0	302,734	302,734	0	869,040
Derivative financial assets	33,372	0	0	33,372	0	0	0	0	33,372
Amounts due from banks	12,828,953	0	78,415	12,907,368	0	0	0	26,258,360	39,165,728
Loans and advances to customers	10,670,739	12,626,733	56,339,401	79,636,873	77,107,643	76,652,335	153,759,978	0	233,396,851
Investment securities	77,430,545	10,571,093	18,655,529	106,657,167	12,703,552	2,660,667	15,364,219	80,354	122,101,740
Property, plant and equipment	–	–	–	–	–	–	–	9,011,532	9,011,532
Intangible assets	–	–	–	–	–	–	–	779,389	779,389
Repossessed assets	–	–	1,037,098	1,037,098	0	0	0	0	1,037,098
Other assets	6,658,770	282,926	1,009,995	7,951,692	491,488	240,081	731,568	1,865	8,685,125
Total assets	**153,745,368**	**23,480,753**	**77,127,751**	**254,353,871**	**90,302,682**	**79,855,817**	**170,158,499**	**36,131,500**	**460,643,870**
Liabilities									
Amounts due to banks	764,257	0	57,034	821,291	0	0	0	57,909	879,200
Derivative financial liabilities	14,313	0	0	14,313	0	0	0	0	14,313
Amounts due to customers	174,840,401	28,420,106	61,934,760	265,195,267	58,010,311	1,262,141	59,272,451	0	324,467,718
Other borrowed funds	692,774	213,438	2,939,532	3,845,744	14,795,092	17,584,522	32,379,614	0	36,225,358
Debt securities issued	1,950,740	2,581,951	5,753,347	10,286,038	9,510,830	0	9,510,830	0	19,796,867
Lease liabilities	46,881	87,915	332,729	467,525	850,356	258,160	1,108,516	0	1,576,041
Current income tax liabilities	0	0	1,537,047	1,537,047	0	0	0	0	1,537,047
Deferred tax liabilities	0	0	0	0	329,138	0	329,138	0	329,138
Other liabilities	4,399,737	374,451	2,270,747	7,044,935	268,575	12,680	281,255	0	7,326,190
Provisions on commitments and contingencies	143,667	0	0	143,667	0	0	0	0	143,667
Total liabilities	**182,852,770**	**31,677,861**	**74,825,196**	**289,355,827**	**83,764,301**	**19,117,503**	**102,881,804**	**57,909**	**392,295,540**
Net position	**(29,107,402)**	**(8,197,109)**	**2,302,554**	**(35,001,956)**	**6,538,381**	**60,738,314**	**67,276,695**	**36,073,591**	**68,348,330**
Accumulated gap	**(29,107,402)**	**(37,304,511)**	**(35,001,956)**		**(28,463,575)**	**32,274,739**			

(thousands of Armenian drams)

	31 December 2022								
	Demand and less than 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*Subtotal less than 12 months*	*From 1 to 5 years*	*More than 5 years*	*Subtotal less over 12 months*	*No maturity*	*Total*
Cash and cash equivalents	50,293,614	−	−	50,293,614	−	−	−	−	50,293,614
Trading securities	537,856	−	7,433	545,289	−	278,111	278,111	−	823,400
Derivative financial assets	197,014	−	−	197,014	−	−	−	−	197,014
Amounts due from banks	16,437,158	−	553,481	16,990,639	−	−	−	30,127,483	47,118,122
Loans and advances to customers	15,280,162	12,738,254	54,023,258	82,041,674	72,118,558	69,816,451	141,935,009	−	223,976,683
Investment securities	92,521,172	4,036,139	16,778,268	113,335,579	9,950,742	1,996,094	11,946,836	80,354	125,362,769
Property, plant and equipment	−	−	−	−	−	−	−	8,775,341	8,775,341
Intangible assets	−	−	−	−	−	−	−	653,241	653,241
Repossessed assets	−	−	2,039,484	2,039,484	−	−	−	−	2,039,614
Other assets	3,672,746	28,356	769,718	4,470,820	183,843	239,848	423,691	1,865	4,896,376
Total assets	**178,939,722**	**16,802,749**	**74,171,642**	**269,914,113**	**82,253,143**	**72,330,504**	**154,583,647**	**39,638,284**	**464,136,044**
Liabilities									
Amounts due to banks	281,435	1,056,238	889,860	2,227,533	54,440	−	54,440	59,036	2,341,009
Amounts due to customers	197,054,993	19,948,505	76,247,480	293,250,978	47,352,849	1,246,498	48,599,347	−	341,850,325
Other borrowed funds	636,233	233,552	3,050,793	3,920,578	14,040,461	16,540,417	30,580,878	−	34,501,456
Debt securities issued	−	−	185,234	185,234	14,506,914	−	14,506,914	−	14,692,148
Lease liabilities	42,575	85,150	339,401	467,126	886,970	167,418	1,054,388	−	1,521,514
Current income tax liabilities	−	−	3,208,769	3,208,769	−	−	−	−	3,208,769
Deferred tax liabilities	−	−	−	−	138,794	−	138,794	−	138,794
Other liabilities	176,141	247,154	2,250,635	2,673,930	−	13,892	13,892	−	2,687,822
Provisions on commitments and contingencies	143,063	−	−	143,063	−	−	−	−	143,063
Subordinated debt	276,140	−	−	276,140	−	−	−	−	276,140
Total liabilities	**198,610,580**	**21,570,599**	**86,172,172**	**306,353,351**	**76,980,428**	**17,968,225**	**94,948,653**	**59,036**	**401,361,040**
Net position	**(19,670,858)**	**(4,767,850)**	**(12,000,530)**	**(36,439,238)**	**5,272,715**	**54,362,279**	**59,634,994**	**39,579,118**	**62,775,004**
Accumulated gap	**(19,670,858)**	**(24,438,708)**	**(36,439,238)**		**(31,166,523)**	**23,195,756**			

(thousands of Armenian drams)

34. Maturity analysis of assets and liabilities (continued)

35. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of these consolidated financial statements, related parties include the Parent, entities under common control, members of Group's Management as well as other persons and enterprises related with and controlled by them respectively. The ultimate controlling party of the Group is Argentinean businessman E. Eurnekian.

A number of banking transactions are entered into with related parties. These include loans, deposits and other transactions. The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

The outstanding balances of related party transactions are as follows:

(thousands of Armenian drams)

35. Related party disclosures (continued)

The income and expense arising from related party transactions are as follows:

	30 June 2023			*31 December 2022*		
	Parent	***Entities under common control***	***Key management personnel and their close family members***	***Parent***	***Entities under common control***	***Key management personnel and their close family members***
Consolidated statement of financial position						
Loans and advances to customers						
Loans outstanding at 1 January, gross	11,719	30,103,012	230,755	4,648	37,948,054	292,780
Loans issued during reporting period	29,725	3,982,335	456,954	81,838	15,453,031	810,453
Loan repayments during reporting period	(38,827)	(3,528,038)	(462,498)	(74,767)	(23,298,073)	(872,478)
Loans outstanding at the end of the reporting period, gross	**2,617**	**30,557,309**	**225,211**	**11,719**	**30,103,012**	**230,755**
Less: allowance for loan impairment	-	(48,437)	(1,678)	(145)	(47,687)	(1,399)
Loans outstanding at the end of the reporting period, net	**2,617**	**30,508,872**	**223,533**	**11,574**	**30,055,325**	**229,356**
Amounts due to customers						
Deposits at 1 January	219,593	38,071,478	1,110,438	173,543	59,007,765	1,041,183
Deposits received during reporting period	141,095	56,601,404	4,087,628	992,054	190,544,006	6,064,298
Deposits repaid during reporting period	(181,351)	(49,486,233)	(3,880,506)	(946,004)	(211,480,293)	(5,995,043)
Deposits at the end of the reporting period	**179,337**	**45,186,649**	**1,317,560**	**219,593**	**38,071,478**	**1,110,438**
Amounts due to customers – subordinated debt						
Subordinated debt at 1 January	-	276,140		–	336,885	
Redemption of subordinated loans	-	(276,346)	-	–	–	–
Net result from FX revaluation	-	849	-	–	(62,010)	–
Other movements	-	(643)	-		1,264	–
Subordinated debt at the end of the reporting period	**-**	**-**	**-**	**–**	**276,140**	**–**
Items not recognised in the consolidated statement of financial position						
Guarantees given	-	-	-	–	–	–
Consolidated statement of comprehensive income						
Interest income	-	1,277,042	12,127	–	2,753,980	37,279
Fee and commission income	24	17,772	2,407	138	25,951	6,246
Other income	74	24,866	2,238	3,106	144,336	5,619
Interest expense	(1,339)	(664,017)	(25,008)	(2,680)	(1,833,030)	(59,629)
Impairment charge	145	(750)	(279)	(103)	(5,185)	306
Other expenses	(3)	(12,132)	(21,717)	–	(57,278)	(32,949)

Compensation of key management personnel was comprised of the following:

	30 June 2023	*30 June 2022*
Salaries and other short-term benefits	503,027	350,716
Total key management personnel compensation	**503,027**	**350,716**

(thousands of Armenian drams)

36. Changes in liabilities arising from financing activities

	Note	*Debt securities issued*	*Other borrowed funds*	*Subordinated loans*	*Lease liabilities*	*Total liabilities from financing activities*
Carrying amount at 31 December 2021	18, 20, 21	**17,235,691**	**29,144,282**	**336,885**	**1,440,047**	**48,156,905**
Proceeds from issue		8,214,949	11,654,735	–	–	**19,869,684**
Redemption		(8,735,050)	(6,256,980)	–	(575,601)	**(15,567,631)**
Foreign currency translation		(1,995,518)	(133,265)	(62,010)	–	**(2,190,792)**
Non-cash transactions		–	–	–	507,609	**507,609**
Other		(27,924)	92,684	1,265	149,459	**215,484**
Carrying amount at 31 December 2022	18, 20, 21	**14,692,148**	**34,501,456**	**276,140**	**1,521,514**	**50,991,258**
Proceeds from issue		5,295,222	4,430,854	-	-	**9,726,076**
Redemption		-	(2,725,811)	(276,346)	(290,868)	**(3,293,025)**
Foreign currency translation		(223,289)	-	849	-	**(222,440)**
Non-cash transactions		-	-	-	428,082	**428,082**
Other		32,786	18,859	(643)	(82,687)	**(31,685)**
Carrying amount at 30 June 2023	18, 20, 21	**19,796,867**	**36,225,358**	**-**	**1,576,041**	**57,598,266**

The "Other" line includes origination of new lease liabilities and lease modifications being non-cash movements. It also includes the effect of accrued interest on debt securities issued, other borrowed funds, subordinated loans and lease liabilities.

37. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, polices and processes from the previous years.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basel Capital Accord 1988 principles, banks have to maintain a ratio of tier 1 capital to risk weighted assets, as well as a ratio of tier 1 core capital to risk weighted assets and a ratio of total capital to risk weighted assets (capital adequacy ratios N1.1, N1.2 and N1, were accordingly 6.2%, 8.3% and 11%) above the prescribed minimum levels. As at 31 December 2022 this minimum levels of N1.1 and N1.2 ratios were accordingly 9% and 12%, The Group is in compliance with the statutory capital ratio as at 30 June 2023 and 31 December 2022.

(thousands of Armenian drams)

The following table shows the composition of capital position calculated in accordance with requirements set by the Central Bank of Armenia, as at 30 June 2023 and 31 December 2022:

	30 June 2023	***31 December 2022***
Tier 1 capital	66,718,023	54,567,397
Tier 2 capital	2,605,726	(508,244)
Total capital	**69,323,750**	**54,059,153**
Risk-weighted assets	**356,632,703**	**331,804,294**
Capital adequacy ratio N1.1	**18.71%**	**16.45%**
Capital adequacy ratio N1.2	**18.71%**	**16.29%**
Capital adequacy ratio N1	**19.44%**	**X**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

The Group has complied with externally imposed capital requirements through the period.

38. Events after reporting date

The Group sold Converse Collection, a subsidiary company, after the reporting period. The impact on the financial statements is immaterial.