Converse Bank Closed Joint-Stock Company

Consolidated financial statements

for the year ended 31 December 2023

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Independent Auditors' Report

To the Shareholders and Board of Directors of Converse Bank CJSC

Opinion

We have audited the consolidated financial statements of Converse Bank CJSC (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Armenia LLC, a company incorporated under the Laws of the Republic of Armenia, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Expected credit losses for loans and advances to customers	
Please refer to the Note 11 and Note 30 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loans and advances to customers represent 54% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used, as outlined below. The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas: – timely identification of significant increase in credit risk and default events related to loans and advances to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 Financial Instruments (hereinafter, "IFRS 9")); – assessment of probability of default (PD) and loss given default (LGD); – expected cash flows forecast, including from realisation of collateral for loans to customers classified in Stage 3. Due to the significant volume of loans and advances to customers, and complexity and subjectivity over estimating amount of ECL this area is a key audit matter.	We analysed the key aspects of the Group's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of our credit risk specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate, our audit procedures included the following: – for loans to corporate clients we assessed and tested the design, implementation and operating effectiveness of the controls over allocation of loans into Stages. – for a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. – for loans to individuals we involved IT Audit specialist for testing the design, implementation and operating effectiveness of controls over calculation of overdue days used as a basis for the allocation of loans into stages. – for loans to customers assigned to Stages 1, 2 and 3, where ECL are assessed collectively, we assessed the appropriateness of the related models, and checked the completeness and accuracy of data inputs into the ECL calculation models by reconciling the model input data against primary documents, on a sample basis. – for loans to customers assigned to Stage 3, where ECL are assessed individually we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on publicly available market information and by agreeing collateral values to external valuation reports. – we assessed the predictive capability of the Group's ECL calculation methodology by comparing the estimates made as at 1 January 2023 with the actual results for 2023. – we also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Matter Relating to Comparative Information

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 29 April 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Irina Gevorgyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC

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KPMG Armenia LLC
30 April 2024

Consolidated statement of financial position

as of 31 December 2023

(thousands of Armenian drams)

	Notes	*31 December 2023*	*31 December 2022*
Assets			
Cash and cash equivalents	7	37,214,306	51,134,231
Trading securities	8	970,372	823,400
Amounts due from banks	9	37,318,440	46,277,505
Derivative financial assets	10	72,646	197,014
Loans and advances to customers	11	271,831,024	223,976,683
Investments securities	12		
- Held by the Bank		133,475,489	125,362,769
- Pledged under sale and repurchase agreements		7,927,279	-
Property, equipment and right-of-use assets	13	11,095,293	8,775,341
Intangible assets	14	882,208	653,241
Repossessed assets	15	804,122	2,039,484
Other assets	16	4,165,063	4,896,376
Total assets		**505,756,242**	**464,136,044**
Liabilities			
Amounts due to banks	17	4,175,967	2,341,009
Derivative financial liabilities	10	31,110	-
Amounts due to customers	18	359,249,656	341,850,325
Current tax liabilities		2,675,304	3,208,769
Debt securities issued	19	20,367,348	14,692,148
Other borrowed funds	21	37,251,747	34,501,456
Subordinated debt		-	276,140
Lease liabilities	34	1,942,813	1,521,514
Provisions for credit related commitments	22	323,878	143,063
Deferred tax liabilities	20	494,462	138,794
Other liabilities	16	3,546,225	2,687,822
Total liabilities		**430,058,510**	**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		3,572,171	3,669,287
Revaluation reserve for investment securities		(1,368,416)	(4,099,566)
Retained earnings		44,634,929	34,346,235
Total equity		**75,697,732**	**62,775,004**
Total equity and liabilities		**505,756,242**	**464,136,044**

Signed and authorised for release on behalf of the Management Board of the Bank on 30 April 2024.

Andranik Grigoryan — Chief Executive Officer – Chairman of Executive Management

Davit Azatyan — Chief Accountant

Consolidated statement of profit and loss

for the period ended 31 December 2023

(thousands of Armenian drams)

	Note	2023	2022
Interest income calculated using effective interest rate	24	37,350,681	30,177,374
Other interest income	24	188,379	98,043
Interest expense	24	(15,942,833)	(14,151,910)
Net interest income	24	**21,596,227**	**16,123,507**
Fee and commission income	25	10,787,706	7,144,634
Fee and commission expense	25	(6,981,151)	(3,268,568)
Net fee and commission income		**3,806,555**	**3,876,066**
Net trading income	26	7,836,496	13,626,696
Net gain/(loss) from foreign currency translation		332,676	(1,501,871)
Net gain/(loss) on investment securities measured at fair value through other comprehensive income		195,576	(143,340)
Other income	27	1,020,900	868,894
Operating income before impairment and other administrative expenses		**34,788,430**	**32,849,952**
Net impairment losses on financial instruments	28	(363,596)	(2,090,750)
Personnel expenses	29	(9,343,795)	(7,936,439)
Depreciation of property, equipment and right-of-use asset	13	(1,250,913)	(1,143,666)
Amortization of intangible assets	14	(86,019)	(64,571)
Administrative and other operating expenses	29	(5,229,774)	(3,651,035)
Other impairment and provisions		(77,914)	(166,502)
Profit before income tax expense		**18,436,419**	**17,796,989**
Income tax expense	20	(3,812,750)	(3,698,696)
Profit for the year		**14,623,669**	**14,098,293**

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

Consolidated statement of comprehensive income
for the period ended 31 December 2023

(thousands of Armenian drams)

	Note	2023	2022
Profit for the year		**14,623,669**	**14,098,293**
Other comprehensive income not to be reclassified to profit or loss			
Revaluation of property and equipment		-	627,598
Income tax effect		-	(112,968)
Net other comprehensive income not to be reclassified to profit or loss		**-**	**514,630**
Other comprehensive income that is or may be reclassified to profit or loss			
Unrealised gain/(loss) on debt securities at FVOCI		3,496,537	(3,799,774)
Realised (loss)/gain on debt securities at FVOCI transferred to profit or loss		(195,576)	143,340
Changes in allowance for expected credit losses of debt instruments at FVOCI		29,709	83,880
Income tax effect	20	(599,520)	643,060
Net other comprehensive income/(loss) that is or to be reclassified to profit or loss		**2,731,150**	**(2,929,494)**
Other comprehensive income/(loss) for the year, net of tax		**2,731,150**	**(2,414,864)**
Total comprehensive income for the year		**17,354,819**	**11,683,429**

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

Consolidated statement of changes in equity
for the period ended 31 December 2023

(thousands of Armenian drams)

	Share capital	*Share premium*	*Statutory general reserve*	*Revaluation surplus for land and buildings*	*Revaluation reserve for investment securities*	*Retained earnings*	*Total*
Balance as at 1 January 2022	**19,947,633**	**63,233**	**3,848,182**	**3,233,483**	**(1,170,072)**	**25,678,806**	**51,601,265**
Profit for the year	-	-	-	-	-	14,098,293	**14,098,293**
Other comprehensive loss for the year	-	-	-	514,630	(2,929,494)	-	**(2,414,864)**
Total comprehensive income for the year	-	-	-	**514,630**	**(2,929,494)**	**14,098,293**	**11,683,429**
Distribution to general reserve	-	-	5,000,000	-	-	(5,000,000)	**-**
Dividends declared and paid	-	-	-	-	-	(509,690)	**(509,690)**
Total transactions with owners	-	**-**	**5,000,000**	**-**	**-**	**(5,509,690)**	**(509,690)**
Depreciation of revaluation reserve	-	-	-	(78,826)	-	78,826	**-**
Balance as at 31 December 2022	**19,947,633**	**63,233**	**8,848,182**	**3,669,287**	**(4,099,566)**	**34,346,235**	**62,775,004**
Balance as at 1 January 2023	**19,947,633**	**63,233**	**8,848,182**	**3,669,287**	**(4,099,566)**	**34,346,235**	**62,775,004**
Profit for the year	-	-	-	-	-	14,623,669	**14,623,669**
Other comprehensive income for the year	-	-	-	-	2,731,150	-	**2,731,150**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,731,150**	**14,623,669**	**17,354,819**
Dividends declared and paid	**-**	**-**	**-**	**-**	-	(4,432,091)	**(4,432,091)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(4,432,091)**	**(4,432,091)**
Depreciation of revaluation reserve	-	-	-	(97,116)	-	97,116	**-**
Balance as at 31 December 2023	**19,947,633**	**63,233**	**8,848,182**	**3,572,171**	**(1,368,416)**	**44,634,929**	**75,697,732**

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

Consolidated statement of cash flows
for the period ended 31 December 2023

(thousands of Armenian drams)

	Note	2023	2022
Cash flows from operating activities			
Interest received		35,997,583	31,972,700
Interest paid		(14,446,781)	(14,778,365)
Fees and commissions received		10,787,706	7,144,634
Fees and commissions paid		(6,981,151)	(3,268,568)
Net trading income received		7,462,715	13,458,186
Other income received		1,025,894	906,303
Personnel expenses paid		(9,201,774)	(7,159,567)
Administrative and other operating expenses paid		(4,843,499)	(3,417,230)
Cash flows from operating activities before changes in operating assets and liabilities		**19,800,693**	**24,858,093**
Net (increase)/decrease in operating assets			
Trading securities		(32,155)	199,480
Amounts due from banks		8,148,681	(36,959,262)
Loans and advances to customers		(42,590,925)	(16,360,180)
Repossessed assets		1,349,682	903,238
Other assets		1,098,449	(2,510,332)
Net increase/(decrease) in operating liabilities			
Amounts due to banks		2,728,299	(8,332,371)
Amounts due to customers		11,766,858	123,282,184
Derivative financial liabilities		289,131	-
Other liabilities		197,090	76,398
Net cash from operating activities before income tax		**2,755,803**	**85,157,248**
Income tax paid		(4,590,067)	(1,425,205)
Net cash (used in)/from operating activities		**(1,834,264)**	**83,732,043**
Cash flows from investing activities			
Purchase of investment securities	12	(77,418,332)	(89,348,599)
Proceeds from sale and redemption of investment securities	12	65,523,541	8,109,372
Purchase of property and equipment		(3,078,734)	(682,961)
Proceeds from disposal of subsidiary, net of cash disposed off		1,697	-
Proceeds from sale of property and equipment		415,237	97,740
Purchase of intangible assets		(314,986)	(150,537)
Net cash used in investing activities		**(14,871,577)**	**(81,974,985)**
Cash flows from financing activities			
Dividends paid to shareholders		(4,432,091)	(509,690)
Proceeds from debt securities issued	34	5,295,222	8,214,949
Redemption of debt securities issued	34	-	(8,735,050)
Proceeds from other borrowed funds	34	8,116,744	11,654,735
Repayment of other borrowed funds	34	(5,392,342)	(6,256,980)
Repayment of subordinated loans	34	(276,346)	-
Repayment of lease liabilities	34	**(647,653)**	(575,601)
Net cash from financing activities		**2,663,534**	**3,792,363**
Net (decrease)/increase in cash and cash equivalents		**(14,042,307)**	**5,549,421**
Cash and cash equivalents at the beginning of the year		51,134,231	61,212,394
Effect of exchange rates changes on cash and cash equivalents		118,385	(15,630,749)
Effect of expected credit losses on cash and cash equivalents		3,997	3,165
Cash and cash equivalents at the end of the year	7	**37,214,306**	**51,134,231**

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

(thousands of Armenian drams)

1. Background

(a) Principal activities

Converse Bank CJSC (the “Bank”) is the parent company in the Group. It was formed in 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 (2022: 34) are located in Yerevan and in different regions. The registered address of the head office is 26/1 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

As of 31 December 2023, the number of Bank’s employees is 898 (31 December 2022: 864).

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 was a subsidiary of the Bank and was consolidated in these financial statements up to disposal date.

In July 2023, the Bank sold its subsidiary Converse Collection LLC (Note 5).

As of 31 December 2023 and 31 December 2022, the shareholders of the Bank are:

Shareholder	***31 December 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	**100.000**	**100.000**

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

Related party transactions are detailed in Note 33.

(b) Armenian business environment

The Group’s operations are primarily located in Armenia. Consequently, the Group is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia.

In September 2020 armed conflict over disputed Nagorno-Karabakh territories broke out between Azerbaijan and Armenia, which was followed by cease-fire arrangement. In spite of the existence of the cease fire arrangement, the military forces of Armenia and Azerbaijan have been engaged in border conflict, which has also increased the level of uncertainty in the business environment. In September 2023 the Azerbaijani forces started a new military operation leading to the fleeing of the Nagorno-Karabakh population to Armenia and leaving Azerbaijan in effective control of the territory.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The consolidated financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

(thousands of Armenian drams)

2. Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss (FVTPL), investment securities at fair value through other comprehensive income (FVOCI) are stated at fair value and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

Functional currency of the Bank and its subsidiary is the currency of the primary economic environment in which the entities of 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 entities of the Group.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 31 December 2023 and 31 December 2022, were AMD 404.79 and AMD 393.57 to USD 1, and AMD 447.90 and AMD 420.06 to EUR 1, respectively.

Financial information presented in AMD is rounded to the nearest thousand.

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3.
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss ("ECL") and selection of models used to measure ECL – Note 30.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following note:

- impairment of financial instruments: determining inputs into the ECL measurement model – Note 30.

(e) Changes in material accounting policies

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective for these consolidated financial statements.

Certain amendments and interpretations apply for the first time in 2023, but do not have significant impact on the Group's consolidated financial statements and accounting policies.

(thousands of Armenian drams)

Material accounting policy information

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

(f) 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.

3. Material accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements and are applied consistently by all Group entities.

(a) 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.

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 are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

(thousands of Armenian drams)

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.

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 income 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.

(thousands of Armenian drams)

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 consolidated 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 the applicant 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. The Group has the contractual right to receive repayment from the applicant as reimbursement for any payments made to the beneficiary and therefore the Group considers that has not accepted any insurance risk. The Group considers that the primary purpose and nature of the contract is to provide funding to, and accept the credit risk of, the applicant.

Performance guarantees 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 2023 and 2022 .

(b) 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 denominated in AMD and balances (nostro accounts) due from other banks.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(c) 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.

(thousands of Armenian drams)

(d) 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 gain/(loss) from financial instruments at fair value through profit or loss or net gain/(loss) from foreign currencies, depending on the nature of the instrument.

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

(e) 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 income 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.

(f) 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.

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.

(thousands of Armenian drams)

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.

(g) 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.

(h) Property and equipment

Property and equipment is initially recognised 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 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.

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

(thousands of Armenian drams)

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

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 and equipment.

(i) 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.

(j) Equity

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental 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.

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.

(k) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Group comprises of one operating segment.

(l) Recognition of income and expenses

Interest and similar revenue and expense

The Group calculates interest income 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 income or expense.

When a financial asset becomes credit-impaired, the Group calculates interest income 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 income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income 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 income on all financial assets at FVPL is recognised using the contractual interest rate in “Other interest income” in the consolidated statement of profit or loss.

(thousands of Armenian drams)

(m) Foreign currency translation

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.

(n) New standards and interpretations not yet adopted

A number of new standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Lack of Exchangeability (Amendments to IAS 21).

4. Comparative information

Correction of error

During 2023, the Group has assessed that during previous periods it has incorrectly calculated the obligatory reserve with CBA and consequently the balance of Cash and cash equivalents was understated and the balance of Amounts due from banks was overstated by AMD840,617 thousand as at 31 December 2022 and by AMD4,741,914 thousand as at 1 January 2022. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

The following tables summarize the impacts on the Group's consolidated financial statements.

Consolidated statement of financial position

	Impact of correction of error		
	31 December 2022 as reported	***Correction of error***	***31 December 2022 as corrected***
Cash and cash equivalents	50,293,614	840,617	51,134,231
Advances due from banks	47,118,122	(840,617)	46,277,505

	Impact of correction of error		
	1 January 2022 as reported	***Correction of error***	***1 January 2022 as corrected***
Cash and cash equivalents	56,470,480	4,741,914	61,212,394
Advances due from banks	21,813,642	(4,741,914)	17,071,728

(thousands of Armenian drams)

Consolidated statement of cash flows

	Impact of correction of error		
	2022 as reported	*Correction of error*	*2022 as corrected*
Amounts due from banks	(33,057,965)	(3,901,297)	(36,959,262)
Net cash from operating activities before income tax paid	89,058,545	(3,901,297)	85,157,248
Net cash from operating activities	87,633,340	(3,901,297)	83,732,043
Net (decrease)/increase in cash and cash equivalents	9,450,718	(3,901,297)	5,549,421
Cash and cash equivalents at 1 January	56,470,480	4,741,914	61,212,394
Cash and cash equivalents at 31 December	50,293,614	840,617	51,134,231

5. Disposal of subsidiary

On 3 July 2023 the Group disposed its 100% holdings in Converse Collection LLC. The new owner of the Company is not a related party to the Group.

Below are presented carrying amounts of subsidiary's assets and liabilities at 31 December 2022 and at disposal date. The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	Carrying amount as at 31 December 2022	*Carrying amount at date of disposal*
ASSETS		
Cash and cash equivalents	100,449	52,225
Property and equipment	1,367	1,244
Intangible assets	209	197
Deferred income tax assets	1,260	1,502
Other assets	2,646	7,429
Total assets	**105,931**	**62,597**
LIABILITIES		
Other liabilities	9,874	8,675
Total liabilities	**9,874**	**8,675**
Net identifiable assets and liabilities	**96,057**	**53,922**
Consideration received		**53,922**
Cash disposed off		**(52,225)**
Net cash inflow		1,697

6. Segment information

Management of the Group considers the Group comprises of one operating segment, considering that the CODM does not monitor the operating results and interest bearing assets and liabilities of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Analysis of the Group per main operating units is presented below:

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

(thousands of Armenian drams)

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

As of 31 December 2023	*Retail banking*	*Corporate banking*	*Trading*	*Total*
External income				
Interest income calculated using effective interest rate	17,827,513	7,386,748	12,136,420	**37,350,681**
Other interest income	26,584	117,815	43,980	**188,379**
Interest expense	(6,746,842)	(7,565,703)	(1,630,288)	**(15,942,833)**
Net interest income	**11,107,255**	**(61,140)**	**10,550,112**	**21,596,227**
Net impairment expense on financial instruments	(257,570)	1,147,299	(1,253,325)	**(363,596)**
Fee and commission income	9,416,155	1,281,377	90,174	**10,787,706**
Fee and commission expense	(5,972,146)	(1,008,952)	(53)	**(6,981,151)**
Other non-interest income	2,636,222	7,212,543	(463,117)	**9,385,648**
Non-interest expense	(6,478,177)	(5,531,829)	(3,978,409)	**(15,988,415)**
Operating unit profit	**10,451,739**	**3,039,298**	**4,945,382**	**18,436,419**
Income tax expense	(2,510,717)	(426,664)	(875,369)	**(3,812,750)**
Profit for the year	**7,941,022**	**2,612,634**	**4,070,013**	**14,623,669**

As of 31 December 2022	*Retail banking*	*Corporate banking*	*Trading*	*Total*
External income				
Interest income calculated using effective interest rate	15,098,717	7,634,118	7,444,539	**30,177,374**
Other interest income	37,947	17,243	42,853	**98,043**
Interest expense	(4,586,029)	(7,358,306)	(2,207,575)	**(14,151,910)**
Net interest income	**10,550,635**	**293,055**	**5,279,817**	**16,123,507**
Net impairment losses on financial instruments	(978,462)	(1,028,408)	(83,880)	**(2,090,750)**
Fee and commission income	4,408,623	2,644,526	91,485	**7,144,634**
Fee and commission expense	(2,096,528)	(1,164,077)	(7,963)	**(3,268,568)**
Other non-interest income	6,630,478	7,130,387	(910,486)	**12,850,379**
Non-interest expense	(4,961,322)	(5,070,698)	(2,930,193)	**(12,962,213)**
Operating unit profit	**13,553,424**	**2,804,785**	**1,438,780**	**17,796,989**
Income tax expense	(2,816,768)	(582,910)	(299,018)	**(3,698,696)**
Profit for the year	**10,736,656**	**2,221,875**	**1,139,762**	**14,098,293**

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

	As of 31 December 2023				
	Interest bearing				
	Retail banking	*Corporate banking*	*Trading*	*Non-interest bearing*	*Total*
Assets	163,285,551	108,545,473	154,710,072	79,215,146	**505,756,242**
Liabilities	168,123,670	191,449,864	61,826,172	8,658,804	**430,058,510**

	As of 31 December 2022				
	Interest bearing				
	Retail banking	*Corporate banking*	*Trading*	*Non-interest bearing*	*Total*
Assets	132,096,931	91,879,752	147,161,948	92,997,413	**464,136,044**
Liabilities	157,448,898	184,820,627	51,534,614	7,556,901	**401,361,040**

(thousands of Armenian drams)

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

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

Non-interest bearing balances which are unallocated include cash and cash equivalents, property, equipment and right-of-use assets, intangible assets, repossessed assets, other assets, current tax liabilities, deferred tax liabilities, lease liabilities and other liabilities.

Geographic information

The Group's operations are primarily concentrated in Armenia. The Group assets are mainly located in the Republic of Armenia.

Revenue from contracts with customers

Breakdown of revenue per operating units from contracts with customers in scope of IFRS 15 for the years ended 31 December 2023 and 31 December 2022 are as follows:

As of 31 December 2023	*Retail banking*	*Corporate banking*	*Trading*	*Total*
Commission income				
Plastic cards operations	8,231,346	-	-	**8,231,346**
Wire transfer fees	283,495	420,758	1,366	**705,619**
Settlement operation	206,470	95,295	88,157	**389,922**
Loan accounts servicing fees	226,940	173,075	-	**400,015**
Guarantees and letters of credit	1,685	140,867	-	**142,552**
Other	466,220	451,382	650	**918,252**
Total revenue from contracts with customers	**9,416,156**	**1,281,377**	**90,173**	**10,787,706**

As of 31 December 2022	*Retail banking*	*Corporate banking*	*Trading*	*Total*
Commission income				
Plastic cards operations	3,532,073	-	-	**3,532,073**
Wire transfer fees	292,216	299,922	1,561	**593,699**
Settlement operation	447,502	197,093	89,287	**733,882**
Loan accounts servicing fees	45,033	130,614	-	**175,647**
Guarantees and letters of credit	1,201	119,824	-	**121,025**
Other	432,333	1,555,338	637	**1,988,308**
Total revenue from contracts with customers	**4,750,358**	**2,302,791**	**91,485**	**7,144,634**

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

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	*31 December 2022*
Cash on hand	8,961,815	10,595,212
Nostro accounts with the Central Bank, including obligatory reserves in AMD	12,591,359	26,542,433
Nostro accounts with other Banks	15,664,327	14,003,778
	37,217,501	**51,141,423**
Less – allowance for impairment	(3,195)	(7,192)
Cash and cash equivalents	**37,214,306**	**51,134,231**

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 December 2023 and 2022.

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.

(thousands of Armenian drams)

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 9).

As of 31 December 2023 placements with other banks in the amount of AMD 14,798,805 thousand (94.5%) were due from six banks (2022: AMD 13,273,773 thousand (94.8%) were due from six banks).

8. Trading securities

Trading securities owned comprise:

	31 December 2023	*31 December 2022*
Debt securities issued by the RA government	646,747	545,289
Investments in funds	323,625	278,111
Trading securities	**970,372**	**823,400**

9. Amounts due from banks

Amounts due from banks comprise:

	31 December 2023	*31 December 2022*
Foreign currency obligatory reserves with CBA (Note 7)	24,981,465	25,301,727
Loans and deposits to banks	6,836,741	4,629,721
Deposited funds with CBA	2,305,000	1,402,500
Receivables from payment and settlement operations	1,975,202	6,345,850
Other deposited funds	1,244,533	2,582,640
Reverse repurchase agreements	-	6,031,539
	37,342,941	**46,293,977**
Less – allowance for impairment	(24,501)	(16,472)
Amounts due from banks	**37,318,440**	**46,277,505**

As at 31 December 2023 there were no amounts receivable under reverse repurchase agreements (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 31 December 2023 the balances included loans and deposits to banks are due from two counterparty (2022: three counterparties).

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

No amounts due from banks are past due or impaired and are fully in Stage 1 as at 31 December 2023 and 31 December 2022. All the amounts due from banks are measured at amortised cost as at 31 December 2023 and 31 December 2022.

10. Derivative financial instruments

As of 31 December 2023, and 31 December 2022, the Group has positions currency swaps.

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.

	31 December 2023		*31 December 2022*	
	Fair values		*Fair value*	
Foreign exchange contracts	***Asset***	***Liability***	***Asset***	***Liability***
Derivative assets (currency swaps)	72,646	-	197,014	-
Derivative liabilities (currency swaps)	-	31,110	-	-

(thousands of Armenian drams)

11. Loans and advances to customers

	31 December 2023	*31 December 2022*
Loans to customers	269,106,364	222,481,983
Reverse repurchase agreements with financial institutions	7,400,589	6,673,850
Financial lease receivables	2,333,812	565,131
	278,840,765	**229,720,964**
Less − allowance for loan impairment	(7,009,741)	(5,744,281)
Total loans and advances to customers	**271,831,024**	**223,976,683**

	31 December 2023	*31 December 2022*
Large business loans including finance lease receivables	72,547,698	61,771,029
SME loans including finance lease receivables	36,090,995	29,809,630
Total loans to corporate customers	**108,638,693**	**91,580,659**
Mortgage loans	84,098,149	70,205,215
Consumer loans	56,070,539	43,426,117
Gold loans	22,632,795	17,835,123
Total loans to retail customers	**162,801,483**	**131,466,455**
Reverse repurchase agreements with financial institutions	7,400,589	6,673,850
Gross loans and advances to customers	**278,840,765**	**229,720,964**
Less – allowance for impairment	(7,009,741)	(5,744,281)
Total loans and advances to customers	**271,831,024**	**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 corporate loans as of 31 December 2023:

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**82,491,951**	**1,262,757**	**7,825,951**	**91,580,659**
Change in write-off policy and other corrections*	(513)	74,217	292,068	**365,772**
New assets originated or purchased	52,265,634	-	-	**52,265,634**
Assets repaid	(34,438,158)	(93,047)	(2,872,378)	**(37,403,583)**
Transfers to Stage 1	467,610	(197,714)	(269,896)	**-**
Transfers to Stage 2	(220,811)	455,715	(234,904)	**-**
Transfers to Stage 3	(989,803)	(647,210)	1,637,013	**-**
Recoveries	-	-	529,200	**529,200**
Amounts written off**	-	(158,267)	(183,737)	**(342,004)**
Foreign exchange differences	1,480,022	9,245	153,748	**1,643,015**
At 31 December 2023	**101,055,932**	**705,696**	**6,877,065**	**108,638,693**

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**561,941**	**308,761**	**2,072,916**	**2,943,618**
Change in write-off policy and other corrections*	146,440	34,325	272,602	**453,367**
New assets originated or purchased	439,108	-	-	**439,108**
Assets repaid	(283,550)	(209,992)	(972,554)	**(1,466,096)**
Transfers to Stage 1	132,140	(19,177)	(112,963)	**-**
Transfers to Stage 2	(2,313)	57,956	(55,643)	**-**
Transfers to Stage 3	(13,615)	(63,084)	76,699	**-**
Impact on period end ECL of exposures transferred between stages during the period	(127,473)	35,679	645,719	**553,925**
Unwinding of discount (recognised in interest income)	-	-	53,769	**53,769**
Changes to models and inputs used for ECL calculations	(140,995)	153,519	1,015,921	**1,028,445**
Recoveries	-	-	529,200	**529,200**
Amounts written off**	-	(158,267)	(183,737)	**(342,004)**
Foreign exchange differences	10,452	1,141	25,482	**37,075**
At 31 December 2023	**722,135**	**140,861**	**3,367,411**	**4,230,407**

(thousands of Armenian drams)

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 31 December 2023:

Retail loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	**124,081,377**	**3,878,967**	**3,506,111**	**131,466,455**
Change in write-off policy and other corrections*	824	1,015,213	1,098,043	**2,114,080**
New assets originated or purchased	68,265,270	-	-	**68,265,270**
Assets repaid	(35,490,341)	(2,278,523)	(1,761,037)	**(39,529,901)**
Transfers to Stage 1	1,437,040	(642,880)	(794,160)	**-**
Transfers to Stage 2	(699,787)	1,269,204	(569,417)	**-**
Transfers to Stage 3	(555,790)	(425,592)	981,382	**-**
Recoveries	-	-	1,635,326	**1,635,326**
Amounts written off**	-	(683,641)	(1,441,435)	**(2,125,076)**
Foreign exchange differences	886,095	24,681	64,553	**975,329**
At 31 December 2023	**157,924,688**	**2,157,429**	**2,719,366**	**162,801,483**

Retail loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	**438,940**	**1,115,850**	**1,245,873**	**2,800,663**
Change in write-off policy and other corrections*	309,813	267,581	1,449,090	**2,026,484**
New assets originated or purchased	600,109	-	-	**600,109**
Assets repaid	(431,316)	(883,179)	(1,824,144)	**(3,138,639)**
Transfers to Stage 1	576,737	(93,966)	(482,771)	**-**
Transfers to Stage 2	(11,650)	281,544	(269,894)	**-**
Transfers to Stage 3	(8,081)	(220,454)	228,535	**-**
Impact on period end ECL of exposures transferred between stages during the period	(569,901)	(61,633)	981,737	**350,203**
Unwinding of discount (recognised in interest income)	-	-	55,756	**55,756**
Changes to models and inputs used for ECL calculations	(99,050)	689,405	(54,280)	**536,075**
Recoveries	-	-	1,635,326	**1,635,326**
Amounts written off**	-	(683,641)	(1,441,435)	**(2,125,076)**
Foreign exchange differences	3,288	6,520	28,625	**38,433**
At 31 December 2023	**808,889**	**418,027**	**1,552,418**	**2,779,334**

*** Change in write-off policy and other corrections**

In 2023 the Group revised its write-off policy for collectively assessed loans, increasing period after which loans are considered irrecoverable. Based on historical recoveries of loans, write-off point was changed from 270 days overdue to 365 days. In addition, the Group made corrections in ECL calculation formula.

The mentioned changes do not have a material effect on the carrying value of loans and advances to customers or the impairment loss recognised in the statement of profit or loss. Based on materiality considerations the effect of these changes and corrections to the prior year financial information was recognized in the current year.

** Write-offs from Stage 2 represent loss from cession (Note 28).

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

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**93,409,152**	**900,973**	**11,202,511**	**105,512,636**
New assets originated or purchased	36,391,599	-	-	**36,391,599**
Assets repaid	(33,631,680)	(156,708)	(1,921,515)	**(35,709,903)**
Transfers to Stage 1	355,710	(62,792)	(292,918)	**-**
Transfers to Stage 2	(1,862,864)	1,976,249	(113,385)	**-**
Transfers to Stage 3	(503,513)	(1,339,848)	1,843,361	**-**
Recoveries	-	-	782,384	**782,384**
Amounts written off	-	-	(1,867,751)	**(1,867,751)**
Foreign exchange differences	(11,666,453)	(55,117)	(1,806,736)	**(13,528,306)**
At 31 December 2022	**82,491,951**	**1,262,757**	**7,825,951**	**91,580,659**

(thousands of Armenian drams)

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**458,761**	**117,927**	**2,480,518**	**3,057,206**
New assets originated or purchased	1,327,528	-	-	**1,327,528**
Assets repaid	(110,239)	(1,496)	(98,034)	**(209,769)**
Transfers to Stage 1	169,145	(7,287)	(161,858)	**-**
Transfers to Stage 2	(1,086,386)	1,149,652	(63,266)	**-**
Transfers to Stage 3	(20,191)	(1,100,707)	1,120,898	**-**
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 income)	-	-	49,373	**49,373**
Changes to models and inputs used for ECL calculations	34,245	188,430	58,665	**281,340**
Recoveries	-	-	782,384	**782,384**
Amounts written off	-	-	(1,867,751)	**(1,867,751)**
Foreign exchange differences	(44,333)	(5,736)	(409,819)	**(459,888)**
At 31 December 2022	**561,941**	**308,761**	**2,072,916**	**2,943,618**

Retail loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**114,829,253**	**4,600,561**	**4,153,383**	**123,583,197**
New assets originated or purchased	52,544,844	-	-	**52,544,844**
Assets repaid	(33,835,041)	(1,111,785)	(3,181,480)	**(38,128,306)**
Transfers to Stage 1	477,092	(244,296)	(232,796)	**-**
Transfers to Stage 2	(1,841,991)	1,924,457	(82,466)	**-**
Transfers to Stage 3	(2,179,021)	(1,128,714)	3,307,735	**-**
Recoveries	-	-	3,135,239	**3,135,239**
Amounts written off	-	-	(3,307,143)	**(3,307,143)**
Foreign exchange differences	(5,913,759)	(161,256)	(286,361)	**(6,361,376)**
At 31 December 2022	**124,081,377**	**3,878,967**	**3,506,111**	**131,466,455**

Retail loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**598,235**	**355,722**	**1,533,726**	**2,487,683**
New assets originated or purchased	909,512	-	-	**909,512**
Assets repaid	(149,341)	(78,258)	(918,255)	**(1,145,854)**
Transfers to Stage 1	81,049	(23,099)	(57,950)	**-**
Transfers to Stage 2	(660,101)	682,317	(22,216)	**-**
Transfers to Stage 3	(73,618)	(703,965)	777,583	**-**
Impact on period end ECL of exposures transferred between stages during the period	(79,764)	120,816	450,432	**491,484**
Unwinding of discount (recognised in interest income)	-	-	44,557	**44,557**
Changes to models and inputs used for ECL calculations	(171,598)	787,226	(304,415)	**311,213**
Recoveries	-	-	3,135,239	**3,135,239**
Amounts written off	-	-	(3,307,143)	**(3,307,143)**
Foreign exchange differences	(15,434)	(24,909)	(85,685)	**(126,028)**
At 31 December 2022	**438,940**	**1,115,850**	**1,245,873**	**2,800,663**

(thousands of Armenian drams)

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2023.

	Stage 1	*Stage 2*	*Stage 3*	*Total loans*
Loans to corporate customers				
Large business loans				
- not overdue	67,740,398	-	170,651	**67,911,049**
- overdue less than 30 days	-	-	213,248	**213,248**
- overdue 31-90 days	-	-	581,313	**581,313**
- overdue 91-180 days	-	-	470,597	**470,597**
- overdue 181-360 days	-	-	-	**-**
- overdue more than 1 year	-	-	3,371,491	**3,371,491**
Total gross loans	**67,740,398**	**-**	**4,807,300**	**72,547,698**
Expected credit loss allowance	(249,260)	-	(2,388,666)	**(2,637,926)**
Total net loans	**67,491,138**	**-**	**2,418,634**	**69,909,772**
Loans to corporate customers				
SME loans				
- not overdue	33,280,418	398,719	719,949	**34,399,086**
- overdue less than 30 days	35,116	62,202	44,400	**141,718**
- overdue 31-90 days	-	244,775	69,020	**313,795**
- overdue 91-180 days	-	-	376,339	**376,339**
- overdue 181-360 days	-	-	355,320	**355,320**
- overdue more than 1 year	-	-	504,737	**504,737**
Total gross loans	**33,315,534**	**705,696**	**2,069,765**	**36,090,995**
Expected credit loss allowance	(472,875)	(140,861)	(978,745)	**(1,592,481)**
Total net loans	**32,842,659**	**564,835**	**1,091,020**	**34,498,514**
Loans to retail customers				
Mortgage loans				
- not overdue	82,285,154	882,349	422,721	**83,590,224**
- overdue less than 30 days	47,861	8,125	19,086	**75,072**
- overdue 31-90 days	-	25,614	96,394	**122,008**
- overdue 91-180 days	-	-	25,398	**25,398**
- overdue 181-360 days	-	-	18,311	**18,311**
- overdue more than 1 year	-	-	267,136	**267,136**
Total gross loans	**82,333,015**	**916,088**	**849,046**	**84,098,149**
Expected credit loss allowance	(216,058)	(171,003)	(407,911)	**(794,972)**
Total net loans	**82,116,957**	**745,085**	**441,135**	**83,303,177**
Loans to retail customers				
Consumer loans				
- not overdue	52,999,404	865,389	587,217	**54,452,010**
- overdue less than 30 days	159,636	51,756	43,517	**254,909**
- overdue 31-90 days	-	179,782	128,047	**307,829**
- overdue 91-180 days	-	-	352,499	**352,499**
- overdue 181-360 days	-	-	342,315	**342,315**
- overdue more than 1 year	-	-	360,977	**360,977**
Total gross loans	**53,159,040**	**1,096,927**	**1,814,572**	**56,070,539**
Expected credit loss allowance	(580,227)	(236,505)	(1,103,969)	**(1,920,701)**
Total net loans	**52,578,813**	**860,422**	**710,603**	**54,149,838**

(thousands of Armenian drams)

	Stage 1	*Stage 2*	*Stage 3*	*Total loans*
Loans to retail customers				
Gold loans				
- not overdue	22,389,233	109,512	10,191	**22,508,936**
- overdue less than 30 days	43,400	4,445	3,677	**51,522**
- overdue 31-90 days	-	30,457	3,140	**33,597**
- overdue 91-180 days	-	-	17,771	**17,771**
- overdue 181-360 days	-	-	20,877	**20,877**
- overdue more than 1 year	-	-	92	**92**
Total gross loans	**22,432,633**	**144,414**	**55,748**	**22,632,795**
Expected credit loss allowance	(12,604)	(10,519)	(40,538)	**(63,661)**
Total net loans	**22,420,029**	**133,895**	**15,210**	**22,569,134**
Total gross loans to corporate customers	**101,055,932**	**705,696**	**6,877,065**	**108,638,693**
Expected credit loss allowance	**(722,135)**	**(140,861)**	**(3,367,411)**	**(4,230,407)**
Total net loans to corporate customers	**100,333,797**	**564,835**	**3,509,654**	**104,408,286**
Total gross loans to retail customers	**157,924,688**	**2,157,429**	**2,719,366**	**162,801,483**
Expected credit loss allowance	**(808,889)**	**(418,027)**	**(1,552,418)**	**(2,779,334)**
Total net loans to retail customers	**157,115,799**	**1,739,402**	**1,166,948**	**160,022,149**
Total gross loans	**258,980,620**	**2,863,125**	**9,596,431**	**271,440,176**
Expected credit loss allowance	**(1,531,024)**	**(558,888)**	**(4,919,829)**	**(7,009,741)**
Total net loans	**257,449,596**	**2,304,237**	**4,676,602**	**264,430,435**

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2022.

	Stage 1	*Stage 2*	*Stage 3*	*Total loans*
Loans to corporate customers				
Large business loans				
- not overdue	56,524,241	62,052	-	**56,586,293**
- overdue less than 30 days	-	171,484	-	**171,484**
- overdue 31-90 days	-	-	-	**-**
- overdue 91-180 days	-	-	1,375,729	**1,375,729**
- overdue 181-360 days	-	-	462,274	**462,274**
- overdue more than 1 year	-	-	3,175,249	**3,175,249**
Total gross loans	**56,524,241**	**233,536**	**5,013,252**	**61,771,029**
Expected credit loss allowance	(326,061)	(5,203)	(1,240,743)	**(1,572,007)**
Total net loans	**56,198,180**	**228,333**	**3,772,509**	**60,199,022**
Loans to corporate customers				
SME loans				
- not overdue	25,954,021	721,368	945,211	**27,620,600**
- overdue less than 30 days	13,689	50,707	6,054	**70,450**
- overdue 31-90 days	-	257,146	37,637	**294,783**
- overdue 91-180 days	-	-	77,850	**77,850**
- overdue 181-360 days	-	-	115,119	**115,119**
- overdue more than 1 year	-	-	1,630,828	**1,630,828**
Total gross loans	**25,967,710**	**1,029,221**	**2,812,699**	**29,809,630**
Expected credit loss allowance	(235,880)	(303,558)	(832,173)	**(1,371,611)**
Total net loans	**25,731,830**	**725,663**	**1,980,526**	**28,438,019**

(thousands of Armenian drams)

	Stage 1	*Stage 2*	*Stage 3*	*Total loans*
Loans to retail customers				
Mortgage loans				
- not overdue	66,424,428	2,317,957	938,502	**69,680,887**
- overdue less than 30 days	3,942	-	19,950	**23,892**
- overdue 31-90 days	-	91,483	9,003	**100,486**
- overdue 91-180 days	-	-	78,165	**78,165**
- overdue 181-360 days	-	-	3,281	**3,281**
- overdue more than 1 year	-	-	318,504	**318,504**
Total gross loans	**66,428,370**	**2,409,440**	**1,367,405**	**70,205,215**
Expected credit loss allowance	**(61,845)**	**(766,862)**	**(487,830)**	**(1,316,537)**
Total net loans	**66,366,525**	**1,642,578**	**879,575**	**68,888,678**
Loans to retail customers				
Consumer loans				
- not overdue	40,176,730	968,636	903,367	**42,048,733**
- overdue less than 30 days	101,587	55,978	49,549	**207,114**
- overdue 31-90 days	-	171,140	98,565	**269,705**
- overdue 91-180 days	-	-	204,008	**204,008**
- overdue 181-360 days	-	12	117,235	**117,247**
- overdue more than 1 year	-	-	579,310	**579,310**
Total gross loans	**40,278,317**	**1,195,766**	**1,952,034**	**43,426,117**
Expected credit loss allowance	(355,206)	(292,239)	(640,689)	**(1,288,134)**
Total net loans	**39,923,111**	**903,527**	**1,311,345**	**42,137,983**
Loans to retail customers				
Gold loans				
- not overdue	17,347,375	240,404	114,859	**17,702,638**
- overdue less than 30 days	27,315	6,359	9,813	**43,487**
- overdue 31-90 days	-	26,998	12,164	**39,162**
- overdue 91-180 days	-	-	27,760	**27,760**
- overdue 181-360 days	-	-	19,120	**19,120**
- overdue more than 1 year	-	-	2,956	**2,956**
Total gross loans	**17,374,690**	**273,761**	**186,672**	**17,835,123**
Expected credit loss allowance	(21,889)	(56,749)	(117,354)	**(195,992)**
Total net loans	**17,352,801**	**217,012**	**69,318**	**17,639,131**
Total gross loans to corporate customers	**82,491,951**	**1,262,757**	**7,825,951**	**91,580,659**
Expected credit loss allowance	**(561,941)**	**(308,761)**	**(2,072,916)**	**(2,943,618)**
Total net loans to corporate customers	**81,930,010**	**953,996**	**5,753,035**	**88,637,041**
Total gross loans to retail customers	**124,081,377**	**3,878,967**	**3,506,111**	**131,466,455**
Expected credit loss allowance	**(438,940)**	**(1,115,850)**	**(1,245,873)**	**(2,800,663)**
Total net loans to retail customers	**123,642,437**	**2,763,117**	**2,260,238**	**128,665,792**
Total gross loans	**206,573,328**	**5,141,724**	**11,332,062**	**223,047,114**
Expected credit loss allowance	**(1,000,881)**	**(1,424,611)**	**(3,318,789)**	**(5,744,281)**
Total net loans	**205,572,447**	**3,717,113**	**8,013,273**	**217,302,833**

As at 31 December 2023, the balance of cash-covered loans for which no impairment allowance was created because of the collateral, amounted to AMD 34,507,395 thousand (2022: AMD 28,300,567 thousand).

Concentration of loans and advances to customers

As at 31 December 2023 the Group had a concentration of loans totaling to AMD 48,993,284 thousand due from the ten largest groups of borrowers (17.57% 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 1,939,571 thousand (2022: AMD 1,138,746 thousand) was created against these loans.

(thousands of Armenian drams)

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

	31 December 2023	*31 December 2022*
Mortgage	84,098,149	70,205,216
Consumer and gold loans to individuals	78,703,334	61,261,240
Trade	34,694,238	28,118,732
Construction	24,075,833	22,543,438
Agriculture (including loans to individuals)	11,663,851	11,694,231
Manufacturing	7,397,313	9,704,335
Services	4,198,867	4,830,327
Energy	2,998,568	3,506,006
Transport and communication	2,093,145	2,688,657
Financial services	10,305,840	941,646
Other	11,211,038	7,553,286
Gross loan portfolio	**271,440,176**	**223,047,114**
Less allowance for loan impairment	(7,009,741)	(5,744,281)
Total	**264,430,435**	**217,302,833**

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2023 is as follows:

	31 December 2023	*31 December 2022*
Gross investment in finance lease, receivable		
Not later than 1 year	773,364	208,011
1-2 years	773,445	166,714
2-3 years	717,664	197,580
3-4 years	399,775	72,917
4-5 years	194,238	52,330
More than 5 years	5,756	7,571
	2,864,242	**705,123**
Unearned future finance income on finance lease	(530,430)	(139,992)
Net investment in financial lease, before impairment allowance	**2,333,812**	**565,131**
Impairment allowance	(23,973)	(201,485)
Net investment in finance lease	**2,309,839**	**363,646**

Analysis of collateral and other credit enhancements

The following table provides information on the nature of collateral and other credit enhancements securing loans and advances to customers, net of impairment:

	31 December 2023	*31 December 2022*
Real estate	166,839,401	142,580,147
Cash and deposit	36,787,801	31,919,995
Gold	20,684,098	17,694,715
Vehicles	1,399,086	1,355,265
Finished goods	634,957	461,362
Government bonds	85,224	539,413
Unsecured	37,999,868	22,751,936
Total loans and advances to customers	**264,430,435**	**217,302,833**

The Group has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on the valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes.

(thousands of Armenian drams)

The recoverability of loans which are neither past due nor impaired primarily depends on the creditworthiness of borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 December 2023 and 2022. For the purposes of the below table the fair value of the collateral for each loan has been capped by the gross carrying amount of the loan.

31 December 2023	*Gold*	*Real estate*	*Vehicles*	*Total fair value of the collateral*	*Gross carrying amount*	*Associated ECL*
Large business loans	-	4,494,156	-	4,494,156	4,807,300	(2,388,666)
SME loans	-	1,577,708	23,080	1,600,788	2,069,765	(978,745)
Mortgage loans	-	731,004	-	731,004	849,046	(407,911)
Consumer loans	-	865,939	20,991	886,930	1,814,572	(1,103,969)
Gold loans	37,242	-	-	37,242	55,748	(40,538)
Total	**37,242**	**7,668,807**	**44,071**	**7,750,120**	**9,596,431**	**(4,919,829)**

31 December 2022	*Gold*	*Real estate*	*Vehicles*	*Total fair value of the collateral*	*Gross carrying amount*	*Associated ECL*
Large business loans	-	4,605,426	-	4,605,426	5,013,252	(1,240,743)
SME loans	-	1,546,613	3,733	1,550,346	2,812,699	(832,173)
Mortgage loans	-	1,238,986	-	1,238,986	1,367,405	(487,830)
Consumer loans	-	1,159,771	-	1,159,771	1,952,034	(640,689)
Gold loans	179,803	-	-	179,803	186,672	(117,354)
Total	**179,803**	**8,550,796**	**3,733**	**8,734,332**	**11,332,062**	**(3,318,789)**

Assets under lien

As at 31 December 2023, loans to customers with a gross value of AMD 34,982,018 thousand (2022: AMD 29,206,579 thousand) serve as collateral for other borrowed funds (see Note 21).

Reverse repurchase agreements with financial institutions

As at 31 December 2023 amounts receivable under reverse repurchase agreements were collateralized by the RA government and corporate bonds with fair value of AMD 7,400,602 thousand (31 December 2022: AMD 6,908,683 thousand).

(thousands of Armenian drams)

12. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 December 2023	*31 December 2022*
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	6,531,648	4,553,932
Governments bonds of the foreign countries	4,016,352	11,040,737
RA corporate bonds	-	2,813,248
Less – allowance for impairment	(10,217)	(15,339)
Debt securities at amortised cost held by the Bank	**10,537,783**	**18,392,578**
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	84,542,756	74,867,661
Governments bonds of the foreign countries	28,870,511	25,194,721
Corporate bonds	8,230,943	6,827,254
Bonds of International organizations	1,212,941	-
Debt securities at FVOCI held by the Bank	**122,857,151**	**106,889,636**
Equity securities at FVOCI		
Equity shares of companies in OECD countries	5,333	5,333
Corporate shares in the Armenian companies	75,222	75,222
Equity securities at FVOCI held by the Bank	**80,555**	**80,555**
Total investment securities held by the Bank	**133,475,489**	**125,362,769**
Pledged under sale and repurchase agreements		
RA government bonds	7,927,279	-
Debt securities at FVOCI pledged under repurchase agreements	**7,927,279**	**-**

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	5,802,473	**5,802,473**
Assets repaid	(12,471,121)	**(12,471,121)**
Write-off	(1,253,325)	**(1,253,325)**
Foreign exchange differences	62,056	**62,056**
At 31 December 2023	**10,548,000**	**10,548,000**

Debt securities at amortised cost	***Stage 1***	***Total***
ECLs as at 1 January 2023	**15,339**	**15,339**
New assets originated or purchased	1,340	**1,340**
Assets repaid	(5,920)	**(5,920)**
Write-off	(1,253,325)	**(1,253,325)**
Changes to models and inputs used for ECL calculations	1,252,783	**1,252,783**
At 31 December 2023	**10,217**	**10,217**

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	(526,020)	**(526,020)**
Foreign exchange differences	(285,453)	**(285,453)**
At 31 December 2022	**18,407,917**	**18,407,917**

(thousands of Armenian drams)

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	71,615,859	**71,615,859**
Assets repaid	(34,103,306)	**(34,103,306)**
Assets sold	(18,949,114)	**(18,949,114)**
Net change in fair value	3,496,537	**3,496,537**
Foreign exchange differences	1,834,818	**1,834,818**
At 31 December 2023	**130,784,430**	**130,784,430**

Debt securities at FVOCI	***Stage 1***	***Total***
ECLs as at 1 January 2023	**183,014**	**183,014**
New assets originated or purchased	102,757	**102,757**
Assets repaid	(15,071)	**(15,071)**
Assets sold	(42,204)	**(42,204)**
Changes to models and inputs used for ECL calculations	(15,771)	**(15,771)**
At 31 December 2023	**212,725**	**212,725**

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	(1,987,517)	**(1,987,517)**
Assets sold	(5,595,835)	**(5,595,835)**
Net change in fair value	(3,799,774)	**(3,799,774)**
Foreign exchange differences	(1,948,425)	**(1,948,425)**
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)

13. Property, equipment and right-of-use assets

The movements in property, equipment and right -of-use assets were as follows:

	Land and buildings	*Equipment*	*Vehicles*	*Computers and network appliances*	*Other fixed assets*	*Leasehold improvements*	*CIP*	*Right-of-use asset*	*Total*
Cost or revalued amount									
31 December 2022	**5,305,397**	**774,130**	**265,321**	**4,723,663**	**873,019**	**1,493,369**	**390,410**	**2,989,747**	**16,815,056**
Additions	3,601	50,941	72,044	1,494,162	222,450	758,866	-	1,210,101	**3,812,165**
Disposals and write-offs	-	(33,062)	(35,655)	(97,607)	(28,900)	(91,784)	(61,141)	(168,357)	**(516,506)**
Transfers	-	-	-	59,621	123,024	48,660	(231,305)	-	**-**
31 December 2023	**5,308,998**	**792,009**	**301,710**	**6,179,839**	**1,189,593**	**2,209,111**	**97,964**	**4,031,491**	**20,110,715**
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	144,971	41,102	15,279	477,999	34,201	83,282	-	454,079	**1,250,913**
Disposals and write-offs	-	(31,986)	(34,829)	(84,366)	(26,567)	(85,755)	-	(11,703)	**(275,206)**
31 December 2023	**144,971**	**645,765**	**163,264**	**3,931,779**	**774,676**	**1,174,536**	**-**	**2,180,431**	**9,015,422**
Net book value									
31 December 2022	**5,305,397**	**137,481**	**82,507**	**1,185,517**	**105,977**	**316,360**	**390,410**	**1,251,692**	**8,775,341**
31 December 2023	**5,164,027**	**146,244**	**138,446**	**2,248,060**	**414,917**	**1,034,575**	**97,964**	**1,851,060**	**11,095,293**

	Land and buildings	*Equipment*	*Vehicles*	*Computers and network appliances*	*Other fixed assets*	*Leasehold improvements*	*CIP*	*Right of use asset*	*Total*
Cost or revalued amount									
31 December 2021	**5,183,379**	**760,151**	**249,960**	**4,520,618**	**871,335**	**1,459,875**	**356,393**	**2,486,093**	**15,887,804**
Additions	8,014	32,202	39,861	369,002	9,586	36,481	128,620	690,069	**1,313,835**
Disposals and write-offs	-	(18,223)	(24,500)	(217,324)	(10,653)	(6,517)	(35,408)	(186,415)	**(499,040)**
Effect of revaluation	627,598	-	-	-	-	-	-	-	**627,598**
Transfers	1,547	-	-	51,367	2,751	3,530	(59,195)	-	-
Elimination of accumulated depreciation on revalued assets	(515,141)	-	-	-	-	-	-	-	(515,141)
31 December 2022	**5,305,397**	**774,130**	**265,321**	**4,723,663**	**873,019**	**1,493,369**	**390,410**	**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**	**131,546**	**389,024**	**356,393**	**1,200,945**	**8,202,522**
31 December 2022	**5,305,397**	**137,481**	**82,507**	**1,185,517**	**105,977**	**316,360**	**390,410**	**1,251,692**	**8,775,341**

(thousands of Armenian drams)

Revaluation of assets

The fair value of the buildings and land was last determined and recorded as at 31 December 2022 based on valuation performed by an independent licensed valuator. The fair value was determined based on comparative (65%) and income methods (35%). Announced asking prices for similar properties in terms of use, age, location and condition applying coefficients for adjusting the input prices for differences in use, age, location and condition, if any, ranging from 5% to 25%. Capitalization rate applied is 5%.

The fair value of land and buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used. Based on analysis of changes in real estate prices management believes that fair value of land and buildings approximates the carrying amount as at 31 December 2023.

If the buildings were measured using the cost model, the carrying amounts would be AMD 807,721 thousand (2022: 830,657 thousand).

Fully depreciated items

As of 31 December 2023 property and equipment included fully depreciated assets in amount of AMD 3,726,632 thousand (2022: AMD 3,556,716 thousand).

Property and equipment in the phase of installation

As of 31 December 2023 property and equipment included assets in the phase of installation in amount of AMD 610,892 thousand (2022: AMD 154,441 thousand).

Security

No property and equipment item is pledged under any arrangements as at 31 December 2023 (2022: None).

14. Intangible assets

	Licenses	*Computer software*	*Other*	*Total*
Cost				
1 January 2023	**1,021,215**	**149,709**	**518,859**	**1,689,783**
Additions	46,671	110,163	158,356	**315,190**
Disposals and write-offs	–	(204)	(250)	**(454)**
31 December 2023	**1,067,886**	**259,668**	**676,965**	**2,004,519**
Accumulated amortization and impairment				
1 January 2023	**798,386**	**63,326**	**174,830**	**1,036,542**
Amortisation charge	34,617	6,133	45,269	**86,019**
Disposals and write-offs	–	–	(250)	**(250)**
31 December 2023	**833,003**	**69,459**	**219,849**	**1,122,311**
Net book value				
1 January 2023	**222,829**	**86,383**	**344,029**	**653,241**
31 December 2023	**234,883**	**190,209**	**457,116**	**882,208**

	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**
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**

(thousands of Armenian drams)

Fully amortized items

As of 31 December 2023, intangible assets included fully amortized assets in amount of AMD 798,043 thousand (2022: AMD 805,921 thousand).

15. Repossessed assets

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

	31 December 2023	*31 December 2022*
Land and buildings	1,033,211	2,167,795
Other assets	15,327	38,191
	1,048,538	**2,205,986**
Less: allowance for impairment	(244,416)	(166,502)
Total repossessed collateral	**804,122**	**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 31 December 2023 the Group repossessed assets in amount of AMD 194,752 thousand (2022: AMD 446,174 thousand) and sold assets with carrying amount of AMD 1,673,285 thousand (2022: AMD 769,586 thousand).

16. Other assets and liabilities

Other assets comprise:

	31 December 2023	*31 December 2022*
Other financial assets		
Accounts receivables	940,083	567,907
Receivables from cash transfers	242,274	90,752
Total other financial assets	**1,182,357**	**658,659**
Less – allowance for impairment of other financial assets	(28,363)	(30,177)
Total net other financial assets	**1,153,994**	**628,482**
Other non-financial assets		
Prepayments to suppliers	816,236	2,865,965
Precious metals	1,514,469	810,838
Other prepaid taxes	389,881	373,390
Materials	249,532	186,986
Unamortized insurance premium	32,940	27,939
Settlements with employees	6,146	-
Other	1,865	2,776
Total other non-financial assets	**3,011,069**	**4,267,894**
Other assets	**4,165,063**	**4,896,376**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 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	5	-	(5)	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	(4)	(15)	19	**-**
ECL charge	(1,521)	20	(792)	**(2,293)**
Recoveries	-	-	16,496	**16,496**
Amounts written off	-	-	(16,022)	**(16,022)**
Foreign exchange differences	-	-	5	**5**
At 31 December 2023	**28,284**	**30**	**49**	**28,363**

(thousands of Armenian drams)

An analysis of changes in the ECLs for other financial assets for the year 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 differences	(975)	-	(88)	**(1,063)**
At 31 December 2022	**29,804**	**25**	**348**	**30,177**

Other liabilities comprise:

	31 December 2023	***31 December 2022***
Other financial liabilities		
Due to personnel	1,780,104	1,639,884
Accounts payables	751,242	515,819
Total other financial liabilities	**2,531,346**	**2,155,703**
Other non-financial liabilities		
Tax payable, other than income tax	1,003,409	500,076
Grants related to assets	11,468	13,892
Other	2	18,151
Total other non-financial liabilities	**1,014,879**	**532,119**
Total other liabilities	**3,546,225**	**2,687,822**

17. Amounts due to banks

Amounts due to banks comprise:

	31 December 2023	***31 December 2022***
Repurchase agreements with CBA	3,933,642	-
Correspondent accounts of other banks	177,448	295,178
Loans from banks	61,600	2,000,538
Other liabilities	3,277	45,293
Total amounts due to banks	**4,175,967**	**2,341,009**

As of 31 December 2023, the Group has received loans from 1 bank (2022: 2 banks).

As of 31 December 2023 95.7% of correspondent accounts of other banks are concentrated within 3 counterparties (2022: 94.5% within 1 counterparty).

As at 31 December 2023 amounts payable under repurchase agreements with CBA were collateralized by the RA government bonds with fair value of AMD 4,012,295 thousand (2022: there were no amounts receivable under reverse repurchase agreements with CBA).

(thousands of Armenian drams)

18. Amounts due to customers

The amounts due to customers include the following:

	31 December 2023	*31 December 2022*
Corporate customers		
Repurchase agreements with financial institutions	3,806,274	-
Current/settlement accounts	92,270,849	115,131,180
Time deposits	95,372,741	69,413,308
	191,449,864	**184,544,488**
Retail customers		
Current/settlement accounts	75,383,637	76,304,620
Time deposits	92,416,155	81,001,217
	167,799,792	**157,305,837**
Amounts due to customers	**359,249,656**	**341,850,325**

As of 31 December 2023, included in amounts due to customers are deposits amounting to AMD 39,061,851 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.

As of 31 December 2023, the aggregate balance of top ten customers of the Group amounts to AMD 120,718,599 thousand (2022: AMD 116,848,107 thousand) or 33.60% of total customer accounts (2022: 34.18%).

As at 31 December 2023 amounts payable under repurchase agreements with financial institutions were collateralized by RA government bonds with fair value of AMD 3,914,984 thousand (2022: there were no amounts receivable under reverse repurchase agreements with financial institutions).

19. Debt securities issued

Debt securities issued consisted of the following:

	31 December 2023	*31 December 2022*
Domestic bonds in USD	12,235,398	8,694,932
Domestic bonds in AMD	8,131,950	5,997,216
Debt securities issued	**20,367,348**	**14,692,148**

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

20. Taxation

The corporate income tax expense comprises:

	31 December 2023	*31 December 2022*
Current tax charge	**4,056,602**	**3,953,835**
Adjustment of current income tax of previous years	-	(19,382)
Deferred tax charge – origination and reversal of temporary differences	(243,852)	(235,757)
Total income tax expense	**3,812,750**	**3,698,696**

As of 31 December 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.

(thousands of Armenian drams)

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

	31 December 2023		*31 December 2022*	
Profit before tax	**18,436,419**		**17,796,989**	
Income tax at the applicable tax rate	**3,318,555**	18%	**3,203,458**	18%
Non-deductible expenses	494,195	3%	514,618	3%
Adjustment of current income tax of previous years	-		(19,380)	0%
Income tax expense	**3,812,750**	**21%**	**3,698,696**	**21%**

Deferred tax assets and liabilities as of 31 December 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 comprehensive income**	**Balance 31 December 2022**	**In the statement of profit or loss**	**In other comprehensive income**	**Balance 31 December 2023**
Loans and advances to customers	(1,217,611)	99,587	-	(1,118,024)	191,740	-	(926,284)
Investment securities	274,059	13,476	643,060	930,595	4,426	(599,520)	335,501
Property, equipment and right-of-use assets	(452,956)	(26,330)	(112,968)	(592,254)	(86,747)	-	(679,001)
Repossessed assets	52,199	28,911	-	81,110	14,024	-	95,134
Amounts due to customers	(3,741)	(3,399)	-	(7,140)	(3,170)	-	(10,310)
Lease liabilities	259,208	14,664	-	273,873	75,834	-	349,706
Other impairment and provisions	38,156	(30,190)	-	7,966	22,646	-	30,612
Other liabilities	146,043	139,037	-	285,080	25,100	-	310,180
Net deferred tax liabilities	**(904,643)**	**235,757**	**530,092**	**(138,794)**	**243,852**	**(599,520)**	**(494,462)**

21. Other borrowed funds

Other borrowed funds consisted of the following:

	31 December 2023	*31 December 2022*
Loans from refinancing credit organizations	29,632,386	25,336,886
Loans from CBA	5,717,504	6,082,454
Loans from international financial institution	1,874,052	3,041,198
Loans from the Government of the RA	27,805	40,918
Other borrowed funds	**37,251,747**	**34,501,456**

As of 31 December 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 businesses, consumer and other purposes.

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

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

Loan from refinancing credit organizations and loans from CBA represent arrangements to sub-lend these funds to borrowers for qualifying loans. There is no actual market for this type of financing, provided by local and international non-government organisations to support small and medium-size businesses in specific sectors of economy and develop the mortgage market. These loans represent a separate market segment and accordingly, at the initial recognition the Group does not discount them.

Covenants

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

(thousands of Armenian drams)

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.

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.

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 31 December 2023 and 31 December 2022 the Group's commitments and contingencies comprised the following:

	31 December 2023	*31 December 2022*
Credit related commitments		
Undrawn loan commitments	14,457,798	16,277,823
Financial guarantees	8,494,788	7,209,681
Letters of credit	-	334,535
	22,952,586	**23,822,039**
Provisions for ECL for credit related commitments	**(323,878)**	**(143,063)**

An analysis of changes in the ECLs at 31 December 2023 is as follows:

Undrawn loan commitments	***Stage 1***	***Total***
ECLs as at 1 January 2023	**49,584**	**49,584**
New exposures	114,792	**114,792**
Expired exposures	(10,215)	**(10,215)**
Changes to models and inputs used for ECL calculations	39,683	**39,683**
Foreign exchange adjustments	1,757	**1,757**
At 31 December 2023	**195,601**	**195,601**

Financial guarantees	***Stage 1***	***Total***
ECLs as at 1 January 2023	**89,321**	**89,321**
New exposures	78,853	**78,853**
Expired exposures	(36,481)	**(36,481)**
Changes to models and inputs used for ECL calculations	(3,971)	**(3,971)**
Foreign exchange adjustments	555	**555**
At 31 December 2023	**128,277**	**128,277**

Letters of credit	***Stage 1***	***Total***
ECLs as at 1 January 2023	**4,158**	**4,158**
Expired exposures	(4,276)	**(4,276)**
Foreign exchange adjustments	118	**118**
At 31 December 2023	**-**	**-**

(thousands of Armenian drams)

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**

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**

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**

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 31 December 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 31 December 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 preference shares, all of which have a par value of AMD 100 each (2022: 66,492 ordinary shares and 333 preference shares).

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

	31 December 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**

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.

(thousands of Armenian drams)

According to decision of Meeting of Shareholders dated on 22 June 2023 dividends declared and paid by the Bank amounted to AMD 4,432,084 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders (2022: AMD 509,683 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders). As of the date the dividends declared per ordinary share amounted to AMD 66,656, and dividends per preference share amounted to AMD 19.8 (2022: AMD 7,665 per ordinary shares and AMD 19.8 per preference shares).

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 reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a statuary general reserve fund. The statuary general 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:

	2023	*2022*
Financial assets measured at amortized cost		
Loans to customers	26,341,549	23,813,110
Investment securities	751,205	1,244,308
Amounts due from banks	370,304	251,009
Cash equivalents	78,871	60,196
Other interest income	14,620	9,974
Financial assets measured at fair value through other comprehensive income		
Debt securities at FVOCI	9,794,132	4,798,777
Interest income calculated using effective interest rate	**37,350,681**	**30,177,374**
Finance leases	144,399	55,190
Trading securities	43,980	42,853
Other interest income	**188,379**	**98,043**
Total interest income	**37,539,060**	**30,275,417**
Amounts due to customers	11,753,749	10,400,791
Other borrowed funds	2,400,898	2,155,626
Debt securities issued	1,281,531	1,036,087
Amounts due to banks	349,552	388,605
Lease liabilities	156,685	149,459
Subordinated loans	418	21,342
Interest expense	**15,942,833**	**14,151,910**
Net interest income	**21,596,227**	**16,123,507**

(thousands of Armenian drams)

25. Net fee and commission income

Net fee and commission income comprises:

	2023	*2022*
Plastic cards operations	8,231,346	3,532,073
Wire transfer fees	705,619	593,699
Fees and commission income from early repayments of loans	400,015	175,648
Settlement operation	389,922	733,881
Banknotes transfers to banks	159,527	1,243,651
Guarantees and letters of credit	142,552	121,025
Other fee income	758,725	744,657
Fee and commission income	**10,787,706**	**7,144,634**
Plastic cards operations	5,768,209	1,953,576
Expenses related to Armenian Card payment system	521,575	349,995
Banknotes transfers to banks	176,439	559,465
Wire transfer fees	146,352	125,241
Settlement operation	38,941	18,776
Guarantees and letters of credit	19,128	70,955
Other fee expense	310,507	190,560
Fee and commission expense	**6,981,151**	**3,268,568**
Net fee and commission income	**3,806,555**	**3,876,066**

Performance obligations and revenue recognition policies

Fee and commission income from the contracts with customers is measured based on the consideration specified in the contract with the customer. The Group recognises revenue when it transfers control over a service to a customer. Due to the nature of the service, no significant contract assets and liabilities exist.

Type of product/service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under IFRS 15**
Retail and corporate banking service	The Group provides banking services to retail and corporate customers, including account management, credit card and servicing fees, fees form transfers. Fees for ongoing account management and servicing are charged to the customer's account on monthly basis. The Group sets the rates separately for retail and corporate banking customers on a regular basis. Transaction-based fees including fees for money transfers and processing fees are charged to the customer's account when the transaction takes place or service is performed.	Revenue from account management and servicing fees is recognised over time as the services are provided. Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed.

26. Net trading income

	2023	*2022*
Net gains from foreign currency transactions	8,329,685	13,879,025
Net income/(loss) from operations with precious metals	286,683	(80,688)
Net gain from trading securities	114,817	168,510
Net loss on derivative financial instruments	(894,689)	(340,151)
Total net trading income	**7,836,496**	**13,626,696**

(thousands of Armenian drams)

27. Other income

	2023	*2022*
Fines and penalties received	647,940	487,848
Income from payment terminals	71,699	103,022
Income from provided services	67,801	71,193
Income from cash collection services	10,681	21,030
Dividend income	-	247
Income from grants	2,424	2,424
Other income	220,355	183,130
Total other income	**1,020,900**	**868,894**

28. Net impairment losses on financial instruments

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 31 December 2023:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	7	(3,997)	-	-	**(3,997)**
Amounts due from banks	9	8,029	-	-	**8,029**
Loans and advances to customers*	11	(613,068)	(276,201)	(207,601)	**(1,096,870)**
Debt securities measured at amortised cost	12	1,248,203	-	-	**1,248,203**
Debt securities measured at FVOCI	12	29,709	-	-	**29,709**
Other financial assets	16	(1,521)	20	(792)	**(2,293)**
Financial guarantees	22	38,956	-	-	**38,956**
Loan commitments	22	146,017	-	-	**146,017**
Letters of credit	22	(4,158)	-	-	**(4,158)**
Total credit loss expense		**848,170**	**(276,181)**	**(208,393)**	**363,596**

* The significant impairment recovery on loans and advances to customers is mainly due to the cession of Stage 2 and Stage 3 loans to the RA Government based on the decision N 2326-Լ of the RA Government dated 28.12.23.

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss at 31 December 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	7	(3,165)	-	-	**(3,165)**
Amounts due from banks	9	(4,825)	-	-	**(4,825)**
Loans and advances to customers	11	1,593,754	985,024	(629,801)	**1,948,977**
Debt securities measured at amortised cost	12	(9,012)	-	-	**(9,012)**
Debt securities measured at FVOCI	12	83,880	-	-	**83,880**
Other financial assets	16	19,596	(23)	54,520	**74,093**
Financial guarantees	22	41,590	-	-	**41,590**
Loan commitments	22	(44,946)	-	-	**(44,946)**
Letters of credit	22	4,158	-	-	**4,158**
Total credit loss expense		**1,681,030**	**985,001**	**(575,281)**	**2,090,750**

(thousands of Armenian drams)

29. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2023	*2022*
Salaries	9,136,872	7,804,369
Other expenses	206,923	132,070
Personnel expenses	**9,343,795**	**7,936,439**
Software maintenance expenses	845,772	765,314
Advertising costs	747,037	546,546
Insurance of deposits	452,276	413,384
Fixed assets repair and maintenance expenses	282,320	259,314
Consulting	220,524	75,384
Communications	219,319	233,779
Security	206,565	207,208
Taxes, other than income tax, duties	198,489	178,827
Office supplies	156,795	136,079
Insurance expenses	113,997	119,048
Utility expenses	108,860	109,882
Lease expenses	54,170	29,481
Business trip expenses	53,465	44,808
Financial system mediator	46,218	37,310
Audit*	42,000	50,400
Penalties paid	454	5,758
Other expenses	1,481,513	438,513
Other operating expenses	**5,229,774**	**3,651,035**

* Included in the audit for the year ended 31 December 2023 is AMD 42,000 thousand for the audit of IFRS consolidated financial statements of the Group for the year ended 31 December 2023, which were paid/are payable to the audit firm. All these fees are VAT exclusive.

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.

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.

(thousands of Armenian drams)

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.

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

(thousands of Armenian drams)

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.

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. 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 consolidated 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.

(thousands of Armenian drams)

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.

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. 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 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
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 income 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

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.

(thousands of Armenian drams)

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.

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 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 PDs, 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 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

For Stage 3 and POCI financial assets exposure at default is equal to the gross amount of the loans.

Loss given default

The Group uses historical information on recoveries after the default date for all collectively assessed 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. 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.).

For individually significant Stage 1, Stage 2 and Stage 3 exposures the Group calculates LDG individually considering expected cash, including cash flows from realization of collateral.

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. The main 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;
- Difficulties in the financial conditions of the borrower;
- Renegotiation of the loan terms resulting from deterioration of the borrower's financial position.

The loans transferred to Stage 3 are transferred back to Stage 2 if they correspond to at least Stage 2 criteria for consequent 6-months. The loans are transferred to Stage 1 from Stage 2 if they correspond to at least Stage 2 criteria for 9 months and to Stage 1 criteria for last consequent 3 months.

(thousands of Armenian drams)

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:

- Economic Activity Index;
- USD/AMD exchange rate;
- Unemployment rate;
- Government accounts with the CBA;
- Yield curve.-

The Group obtains the forecasts of macroeconomic data from third party source (International Monetary Fund and Central Bank of Armenia). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios.

In 2023, along with baseline forecasts (with 70% probability of occurrence), additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the upside (with 15% probability of occurrence) and downside (15% probability of occurrence) scenarios. In 2022 the Group applied the same weights for the scenarios. The Group estimates the relationship between the default rates and the macroeconomic factors based on the Ordinary least squares (OLS) regression models. The selected variables used in the model differ based on the portfolios.

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2023.

	ECL scenario	*Assigned probabilities, %*	*2024*
Key driver			
Economic activity index	Upside	15%	290.3
	Base case	70%	270.0
	Downside	15%	252.0
AMD/USD exchange rate			
	Upside	15%	393.0
	Base case	70%	419.0
	Downside	15%	440.0
Unemployment rate, %			
	Upside	15%	11.2
	Base case	70%	14.5
	Downside	15%	17.8
Government accounts with the CBA, billion Armenian drams			
	Upside	15%	(469)
	Base case	70%	(469)
	Downside	15%	(469)
Yield curve, %			
	Upside	15%	10.26
	Base case	70%	10.26
	Downside	15%	10.26

(thousands of Armenian drams)

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2022.

Key driver	*ECL scenario*	*Assigned probabilities, %*	*2023*
GDP annual growth, %	Upside	15%	7.5
	Base case	70%	4.4
	Downside	15%	0.5
AMD/USD exchange rate			
	Upside	15%	418
	Base case	70%	438
	Downside	15%	458
Unemployment rate, %			
	Upside	15%	14.0
	Base case	70%	16.0
	Downside	15%	19.0
Government accounts with the CBA, billion Armenian drams			
	Upside	15%	(448)
	Base case	70%	(373)
	Downside	15%	(298)
Yield curve, %			
	Upside	15%	9.88
	Base case	70%	10.13
	Downside	15%	10.39

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.

International external rating agency (Moody's, S&P, Fitch) rating	*Rating description*
A3 to Aaa / A- to AAA and fully cash collateralized assets	High grade
Baa3 to Baa1 / BBB- to BBB+, Ba3 to Ba1 / BB- to BB+	Standard grade
B3 to B1 / B- to B+	Sub-standard grade
Below B3 / B-	Impaired

In the table below loans to customers of high grade are those having a minimal level of credit risk, fully collateralized with cash and deposit. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises 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.

(thousands of Armenian drams)

The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position and loan commitment, guarantees and other financial facilities, based on the Group's credit rating system.

31 December 2023	***Note***		***High grade***	***Standard grade***	***Sub-standard grade***	***Impaired***	***Total***
Cash and cash equivalents, except for cash on hand	7	Stage 1	2,714,771	25,540,915	-	-	**28,255,686**
Amounts due from banks	9	Stage 1	938,175	36,404,766	-	-	**37,342,941**
Loans to customers at amortised cost	11						
Large business loans including		Stage 1	34,444,558	37,077,442	3,618,987		**75,140,987**
amounts receivable under		Stage 2	-	-	-		**-**
reverse repo agreements		Stage 3	-	-	-	4,807,300	**4,807,300**
Debt investment securities	12						
– Measured at FVOCI		Stage 1	26,646,948	96,210,203	-	-	**122,857,151**
– Measured at amortised cost		Stage 1	4,016,352	6,531,648	-	-	**10,548,000**
– Measured at FVOCI pledged under repurchase agreements		Stage 1	-	7,927,279	-	-	**7,927,279**
Other financial assets		Stage 1	500,545	674,153	-	-	**1,174,698**
		Stage 2	-	-	2,895	-	**2,895**
	16	Stage 3	-	-	-	4,764	**4,764**
Undrawn loan commitments	22	Stage 1	-	14,457,798	-	-	**14,457,798**
Guarantees	22	Stage 1	-	8,494,788	-	-	**8,494,788**
Total			**69,261,349**	**233,318,992**	**3,621,882**	**4,812,064**	**311,014,287**

31 December 2022	***Note***		***High grade***	***Standard grade***	***Sub-standard grade***	***Impaired***	***Total***
	7	Stage 1					
Cash and cash equivalents, except for cash on hand			2,334,918	38,211,293	-	-	**40,546,211**
Amounts due from banks	9	Stage 1	534,196	45,759,781	-	-	**46,293,977**
Loans to customers at amortised cost	11						
Corporate lending		Stage 1	28,390,644	31,535,050	3,272,397	-	**63,198,091**
		Stage 2	-	-	233,537	-	**233,537**
		Stage 3	-	-	-	5,013,251	**5,013,251**
Debt investment securities	12						
– 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**
Other financial assets		Stage 1	90,753	556,092	-	-	**646,845**
		Stage 2	-	-	5,267	-	**5,267**
	16	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			**59,229,365**	**237,302,955**	**3,511,201**	**5,019,798**	**305,063,319**

See Note 11 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.

(thousands of Armenian drams)

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

	31 December 2023			
	Armenia	*Other non-OECD countries*	*OECD countries*	*Total*
Assets				
Cash and cash equivalents	21,553,252	12,647,552	3,013,502	**37,214,306**
Trading securities	970,372	-	-	**970,372**
Amounts due from banks	28,645,172	3,076,325	5,596,943	**37,318,440**
Derivative financial assets	-	72,646	-	**72,646**
Loans and advances to customers	236,919,619	34,748,120	163,285	**271,831,024**
Investment securities	99,370,352	1,212,941	32,892,196	**133,475,489**
Securities pledged under repurchase agreements	7,927,279	-	-	**7,927,279**
Other financial assets	910,820	847	242,327	**1,153,994**
	396,296,866	**51,758,431**	**41,908,253**	**489,963,550**
Liabilities				
Amounts due to banks	4,106,870	2,264	66,833	**4,175,967**
Derivative financial liabilities	-	31,110	-	**31,110**
Amounts due to customers	283,649,520	66,029,504	9,570,632	**359,249,656**
Debt securities issued	18,125,307	1,691,969	550,072	**20,367,348**
Other borrowed funds	35,377,695	-	1,874,052	**37,251,747**
Subordinated debt	-	-	-	**-**
Lease liabilities	1,894,332	48,481	-	**1,942,813**
Other liabilities	2,245,913	-	285,433	**2,531,346**
	345,399,637	**67,803,328**	**12,347,022**	**425,549,987**
Net assets/(liabilities)	**50,897,229**	**(16,044,897)**	**29,561,231**	**64,413,563**

Other non-OECD counties as of 31 December 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	37,150,661	11,601,137	2,382,433	**51,134,231**
Trading securities	823,400	-	-	**823,400**
Amounts due from banks	35,878,641	5,722,746	4,676,118	**46,277,505**
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**
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**
Subordinated debt	-	276,140	-	**276,140**
Lease liabilities	1,463,632	57,882	-	**1,521,514**
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.

(thousands of Armenian drams)

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 31 December 2023 and 31 December 2022, these ratios were as follows:

	Threshold	*31 December 2023, % (Unaudited)*	*31 December 2022, % (Unaudited)*
N21 "General Liquidity Ratio" (highly liquid assets/ total assets)	Min 15%	43.45	46.41
N22 "Current Liquidity Ratio" (highly liquid assets/ liabilities payable on demand)	Min 60%	114.26	102.77

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. See Note 32 for the contractual 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.

	31 December 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	4,056,691	65,274	-	-	60,719	4,182,684	4,175,967
Amounts due to customers	180,463,387	22,693,824	94,519,896	69,189,924	1,532,304	368,399,335	359,249,656
Debt securities issued	-	-	13,036,383	8,329,608	-	21,365,991	20,367,348
Other borrowed funds	1,320,882	212,672	3,165,527	17,975,344	25,976,607	48,651,032	37,251,747
Lease liabilities	71,841	138,932	577,317	1,856,177	809,737	3,454,004	1,942,813
Total undiscounted financial liabilities	**185,912,801**	**23,110,702**	**111,299,123**	**97,351,053**	**28,379,367**	**446,053,046**	**422,987,531**
Commitments and contingent liabilities	**22,952,586**	**-**	**-**	**-**	**-**	**22,952,586**	**22,952,586**
Derivative financial liabilities	**1,776,713**	**-**	**-**	**-**	**-**	**1,776,713**	**1,776,713**

	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	197,621,767	20,361,771	80,210,089	51,013,330	1,644,762	350,851,719	341,850,325
Debt securities issued	–	–	185,235	16,219,785	–	16,405,020	14,692,148
Other borrowed funds	689,358	432,628	4,645,705	19,823,528	19,056,770	44,647,989	34,501,456
Subordinated debt	276,562	–	–	–	–	276,562	276,140
Lease liabilities	61,968	122,720	487,415	1,329,302	319,271	2,320,676	1,521,514
Total undiscounted financial liabilities	**198,931,090**	**21,979,672**	**86,425,429**	**88,444,942**	**21,079,839**	**416,860,972**	**395,182,592**
Commitments and contingent liabilities	**23,822,039**	**-**	**-**	**-**	**-**	**23,822,039**	**23,822,039**

(thousands of Armenian drams)

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.

Average effective interest rates

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 31 December 2023 and 31 December 2022. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2023 Average effective interest rate, %			***2022 Average effective interest rate, %***		
	AMD	***USD***	***Other currencies***	***AMD***	***USD***	***Other currencies***
Interest earning assets						
Cash and cash equivalent	-	-	0.45%-0.75%	-	-	0.45%-0.75%
Trading securities	7.49%	-	-	7.16%	-	-
Amounts due from banks	-	4.83%	3.54%	11.9%	7.27%	-
Loans and advances to customers	14.28%	8.56%	7.26%	13.94%	9.49%	9.47%
Investment securities	9.62%	5.14%	3.14%	9.91%	5.35%	5.35%
Investment securities pledged under repurchase agreements	10.16%	-	-	-	-	-
Interest bearing liabilities						
Amounts due to banks	-	-	6.24%	-	-	2.23%
- Amounts due to customers						
- Amounts payable under repurchase agreements	9.43%-	4.00%	3.13%	-	-	-
- Term deposits from customers	9.84%	3.58%	1.92%	10.32%	4.27%	1.28%
- Current accounts from customers	1.37%	0.14%	0.01%	1.97%	0.12%	-
Debt securities issued	10.09%	4.33%	-	10.14%	4.71%	-
Subordinated debts	-	-	-	-	7.12%	-
Other borrowed funds	6.54%	-	-	6.34%	-	-
Lease liabilities	12.82%	-	-	11.41%	-	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities, except for interest bearing cash and cash equivalents and current accounts and demand deposits from customers, and existing as at 31 December 2023 and 2022, is as follows:

	2023	***2022***
100 bp parallel rise	(232,913)	(109,305)
100 bp parallel fall	232,913	109,305

An analysis of the sensitivity of equity as a result of changes in the fair value of financial instruments at fair value through other comprehensive income, based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2023 Equity	***2022 Equity***
100 bp parallel rise	(2,584,054)	(1,962,667)
100 bp parallel fall	2,584,054	1,962,667

(thousands of Armenian drams)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS Standards.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2023.

	AMD	*USD*	*EUR*	*Other currencies**	*Total*
Assets					
Cash and cash equivalent	15,533,648	5,969,389	3,513,307	12,197,962	**37,214,306**
Trading securities	970,372	-	-	-	**970,372**
Amount due from banks	3,079,747	24,242,355	9,547,954	448,384	**37,318,440**
Loans and advances to customers	168,899,593	90,051,192	12,880,239	-	**271,831,024**
Investment securities	88,529,536	35,891,647	9,054,306	-	**133,475,489**
Investment securities/securities pledged under repurchase agreements	7,927,279	-	-	-	**7,927,279**
Other assets	553,718	399,101	225,014	4,524	**1,182,357**
Total assets	**285,493,893**	**156,553,684**	**35,220,820**	**12,650,870**	**489,919,267**
Liabilities					
Amounts due to Banks	3,986,080	121,458	66,444	1,985	**4,175,967**
Amounts due to customers	171,169,356	139,847,150	35,262,437	12,970,713	**359,249,656**
Debt security issued	8,131,239	12,236,109	-	-	**20,367,348**
Other borrowed funds	37,251,747	-	-	-	**37,251,747**
Subordinated debt	-	-	-	-	**-**
Other liabilities	2,528,400	1,420	1,440	86	**2,531,346**
Total liabilities	**223,066,822**	**152,206,137**	**35,330,321**	**12,972,784**	**423,576,064**
Off balance					
Effect of derivatives (currency swap)	-	1,700,388	201,555	(1,860,407)	**41,536**
Net position	**62,427,071**	**6,047,935**	**92,054**	**(2,182,321)**	**66,384,739**

* Other currencies mainly comprise of balances in RUB and AED.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

	AMD	*USD*	*EUR*	*Other currencies**	*Total*
Assets					
Cash and cash equivalent	18,591,558	8,847,730	10,975,054	12,719,889	**51,134,231**
Trading securities	823,400	-	-	-	**823,400**
Amount due from banks	8,965,069	27,547,129	8,191,838	1,573,469	**46,277,505**
Loans and advances to customers	126,560,263	82,145,088	15,234,796	36,536	**223,976,683**
Investment securities	73,335,533	34,842,756	17,184,480	-	**125,362,769**
Investment securities/securities pledged under repurchase agreements	-	-	-	-	**-**
Other assets	322,732	283,335	50,886	1,706	**658,659**
Total assets	**228,598,555**	**153,666,038**	**51,637,054**	**14,331,600**	**448,233,247**
Liabilities					
Amounts due to Banks	45,401	278,578	2,005,609	11,421	**2,341,009**
Amounts due to customers	134,153,003	134,316,953	55,720,361	17,660,008	**341,850,325**
Debt security issued	5,997,216	8,694,932	-	-	**14,692,148**
Other borrowed funds	34,501,456	-	-	-	**34,501,456**
Subordinated debt	-	276,140	-	-	**276,140**
Other liabilities	2,088,384	65,451	1,868	-	**2,155,703**
Total liabilities	**176,785,460**	**143,632,054**	**57,727,838**	**17,671,429**	**395,816,781**
Off balance					
Effect of derivatives (currency swap)	(11,204,585)	6,426,918	4,844,164	130,517	**197,014**
Net position	**40,608,510**	**16,460,902**	**(1,246,620)**	**(3,209,312)**	**52,613,480**

* Other currencies mainly comprise of balances in RUB and AED.

(thousands of Armenian drams)

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2023 and 2022, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes, and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2023	***2022***
10% appreciation of USD against AMD	604,794	1,646,090
10% appreciation of EUR against AMD	9,205	(124,662)
10% appreciation of other currencies against AMD	(218,232)	(320,931)

A strengthening of the AMD against the above currencies at 31 December 2023 and 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

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.

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.

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, which instead records a separate asset for any cash given.

(thousands of Armenian drams)

Offsetting of financial instruments

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements. These arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously:

31 December 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: *Financial instruments*	Related amounts not offset in the consolidated statement of financial position: *Non-cash collateral received*	Net amount
Loans and advances to customers – reverse repurchase agreements	7,400,589	-	7,400,589	(7,400,589)	-	-
Total financial assets	**7,400,589**	**-**	**7,400,589**	**(7,400,589)**	**-**	**-**
Amounts due to banks - Repurchase agreements with CBA	(3,933,642)	-	(3,933,642)	(3,933,642)	-	-
Amounts due to customers - repurchase agreements with financial institutions	(3,806,274)	-	(3,806,274)	(3,806,274)	-	-
Total financial liabilities	**(7,739,916)**	**-**	**(7,739,916)**	**(7,739,916)**	**-**	**-**

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: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Non-cash collateral received	Net amount
Amounts due from banks – reverse repurchase agreements	6,031,539	-	6,031,539	(6,031,539)	-	-
Loans and advances to customers – reverse repurchase agreements	6,673,850	-	6,673,850	(6,673,850)	-	-
Total financial assets	**12,705,389**	**-**	**12,705,389**	**(12,705,389)**	**-**	**-**

(thousands of Armenian drams)

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).

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.

	31 December 2023				
	Level 1	*Level 2*	*Level 3*	*Total fair values*	*Total carrying amount*
Financial assets					
Loans and advances to customers	-	-	262,030,598	**262,030,598**	**271,831,024**
Investment securities at amortised cost	4,015,412	6,532,346	-	**10,547,758**	**10,537,783**
Financial liabilities					
Amounts due to customers	-	-	360,247,244	**360,247,244**	**359,249,656**
Other borrowed funds	-	-	35,744,907	**35,744,907**	**37,251,747**
Debt securities issued	-	20,082,581	-	**20,082,581**	**20,367,348**

	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.

(thousands of Armenian drams)

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 24% per annum (2022: 3% to 22% per annum).

Amounts due to customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 3% to 10% per annum (2022: 2% to 10% per annum).

Other borrowed funds

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 paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 4.6% to 10.6% per annum (2022: 4.5% to 10% per annum).

Financial instruments that are measured at fair value

	31 December 2023		
	Level 1	*Level 2*	*Total*
Financial assets			
Trading securities	-	970,372	**970,372**
Derivative financial assets	-	72,646	**72,646**
Investment securities at FVOCI	26,646,948	96,290,758	**122,937,706**
Investment securities at FVOCI pledged under repurchase agreements		7,927,279	**7,927,279**
Total	**26,646,948**	**105,261,055**	**131,908,003**
Financial liabilities			
Derivative financial liabilities	**-**	**31,110**	**31,110**
Net fair value	**26,646,948**	**105,229,945**	**131,876,893**

	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. There were no transfers between Level 1 and 2 in 2023 (2022: none).

Fair value measurement of non-financial assets and liabilities

	31 December 2023	
	Level 3	*Total*
Non-financial assets		
Land and buildings	5,164,027	**5,164,027**
Total	**5,164,027**	**5,164,027**

	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)

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	3,601	**3,601**
Depreciation charge	(144,971)	**(144,971)**
Net fair value at 31 December 2023	**5,164,027**	**5,164,027**

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.

(thousands of Armenian drams)

32. Maturity analysis of assets and liabilities

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2023:

	31 December 2023							
	Demand and less than1 month	***From 1 to 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Overdue***	***No maturity***	***Total***
Cash and cash equivalents	37,214,306	-	-	-	-	-	-	**37,214,306**
Trading securities	-	-	48,524	499,276	422,572	-	-	**970,372**
Amounts due from banks	8,787,442	-	-	-	-	-	28,530,998	**37,318,440**
Derivative financial assets	72,646	-	-	-	-	-	-	**72,646**
Loans and advances to customers	11,001,993	34,838,944	40,959,074	95,450,097	88,204,670	1,376,246	-	**271,831,024**
Investment securities	2,534,247	24,173,417	32,770,838	48,457,356	25,459,053	-	80,578	**133,475,489**
Investment securities pledged under repurchase agreements	-	-	1,607,671	6,319,608	-	-	-	**7,927,279**
Property, plant and equipment	-	-	-	-	-	-	11,095,293	**11,095,293**
Intangible assets	-	-	-	-	-	-	882,208	**882,208**
Repossessed assets	-	-	-	-	-	-	804,122	**804,122**
Other assets	3,048,832	16,970	805,618	250,526	41,251	-	1,866	**4,165,063**
Total assets	**62,659,466**	**59,029,331**	**76,191,725**	**150,976,863**	**114,127,546**	**1,376,246**	**41,395,065**	**505,756,242**
Liabilities								
Amounts due to banks	4,053,648	61,600	-	-	-	-	60,719	**4,175,967**
Derivative financial liabilities	31,110	-	-	-	-	-	-	**31,110**
Amounts due to customers	179,994,800	21,893,507	91,386,739	64,790,678	1,183,932		-	**359,249,656**
Current income tax liabilities	-	-	2,675,304	-	-		-	**2,675,304**
Debt securities issued	-	-	12,528,916	7,838,432	-	-	-	**20,367,348**
Other borrowed funds	1,216,606	210,359	2,991,485	15,032,135	17,801,162	-	-	**37,251,747**
Lease liabilities	38,832	74,439	315,731	1,018,034	495,777		-	**1,942,813**
Provisions on commitments and contingencies	323,878	-	-	-	-		-	**323,878**
Deferred tax liabilities	-	-	-	494,462	-		-	**494,462**
Other liabilities	231,437	223,206	2,448,666	631,448	11,468	-	-	**3,546,225**
Total liabilities	**185,890,311**	**22,463,111**	**112,346,841**	**89,805,189**	**19,492,339**	**-**	**60,719**	**430,058,510**
Net position	**(123,230,845)**	**36,566,220**	**(36,155,116)**	**61,171,674**	**94,635,207**	**1,376,246**	**41,334,346**	**75,697,732**

For management of negative short-term liquidity position the Group relies on the financial securities, which can be sold or pledged under repo agreements and the assumption that the term deposits will be prolonged upon maturity.

(thousands of Armenian drams)

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2022:

	31 December 2022							
	Demand and less than1 month	***From 1 to 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***More than 5 years***	***Overdue***	***No maturity***	***Total***
Cash and cash equivalents	51,134,231	-	-	-	-	-	-	**51,134,231**
Trading securities	-	41,159	-	450,160	332,081	-	-	**823,400**
Amounts due from banks	15,596,541	-	553,481	-	-	-	30,127,483	**46,277,505**
Derivative financial assets	197,014	-	-	-	-	-	-	**197,014**
Loans and advances to customers	12,911,871	12,770,613	54,087,778	72,197,446	69,887,764	2,121,211	-	**223,976,683**
Investment securities	4,389,873	9,715,708	34,578,857	57,502,677	19,095,300	-	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**
Other assets	3,672,746	28,356	769,718	183,843	239,848	-	1,865	**4,896,376**
Total assets	**87,902,276**	**22,555,836**	**89,989,834**	**130,334,126**	**89,554,993**	**2,121,211**	**41,677,768**	**464,136,044**
Liabilities								
Amounts due to banks	281,435	1,056,238	889,860	54,440	-		59,036	**2,341,009**
Amounts due to customers	197,054,993	19,948,505	76,247,480	47,352,849	1,246,498	-	-	**341,850,325**
Current income tax liabilities	-	-	3,208,769	-	-	-	-	**3,208,769**
Debt securities issued	-	-	941,965	13,750,183	-	-	-	**14,692,148**
Other borrowed funds	636,233	233,552	3,050,793	14,040,461	16,540,417	-	-	**34,501,456**
Subordinated debt	276,140	-	-	-	-	-	-	**276,140**
Lease liabilities	42,575	85,150	339,401	886,970	167,418	-	-	**1,521,514**
Provisions on commitments and contingencies	143,063	-	-	-	-	-	-	**143,063**
Deferred tax liabilities	-	-	-	138,794	-	-	-	**138,794**
Other liabilities	176,141	247,154	2,250,635	-	13,892	-	-	**2,687,822**
Total liabilities	**198,610,580**	**21,570,599**	**86,928,903**	**76,223,697**	**17,968,225**	**-**	**59,036**	**401,361,040**
Net position	**(110,708,304)**	**985,237**	**3,060,931**	**54,110,429**	**71,586,768**	**2,121,211**	**41,618,732**	**62,775,004**

(thousands of Armenian drams)

33. 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 and the income and expense arising from related party transactions are as follows:

	31 December 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	54,104	15,911,861	1,055,639	81,838	15,453,031	810,453
Loan repayments during reporting period	(52,274)	(14,548,125)	(1,029,244)	(74,767)	(23,298,073)	(872,478)
Loans outstanding at the end of the reporting period, gross	**13,549**	**31,466,748**	**257,150**	**11,719**	**30,103,012**	**230,755**
Less: allowance for loan impairment	(204)	(5,111)	(2,501)	(145)	(47,687)	(1,399)
Loans outstanding at the end of the reporting period, net	**13,345**	**31,461,637**	**254,649**	**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	6,852,465	152,653,381	9,893,988	992,054	190,544,006	6,064,298
Deposits repaid during reporting period	(7,011,809)	(140,914,062)	(9,652,962)	(946,004)	(211,480,293)	(5,995,043)
Deposits at the end of the reporting period	**60,249**	**49,810,797**	**1,351,464**	**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	-	2,618,610	22,576	-	2,753,980	37,279
Fee and commission income	72	40,037	5,571	138	25,951	6,246
Other income	21,543	86,098	5,808	3,106	144,336	5,619
Interest expense	(16,915)	(1,357,358)	(56,938)	(2,680)	(1,833,030)	(59,629)
Impairment charge	(59)	42,576	(1,102)	(103)	(5,185)	306
Other expenses	(3)	(29,148)	(50,430)	-	(57,278)	(32,949)

(thousands of Armenian drams)

Deposits from entities under common control denominated in USD have 3.79% average EIR and maturity 2024-2029 (2022: 4.75%, and maturity 2023-2029). Deposits from Key management personnel and their close family members denominated in AMD have 10.25% average EIR and maturity 2024-2025, in USD 3.47% average EIR with maturity 2024-2025, in EUR 1.02% average EIR with maturity 2024-2025 (2022: AMD 9.46%, maturity 2023-2024, USD 3.62%, maturity 2023-2024).

Loans to entities under common control denominated in AMD have 17.36% average EIR and maturity 2026-2042, in USD have 8.45% average EIR and maturity 2024-2041, (2022: AMD 19.05%, maturity 2026-2042, USD 8.22% maturity 2023-2041, in EUR 14%, maturity 2041). Loans to Key management personnel and their close family members denominated in AMD have 11.43% average EIR and maturity 2025-2043, in USD 7.9% average EIR with maturity 2033-2043, in EUR 5.04% average EIR with maturity 2033-2041 (2022: AMD 11.41%, maturity 2023-2042, USD 7.81%, maturity 2033-2041, EUR 5.11%, maturity 2034-2041).

Out of total loans to related party AMD 31,415,482 thousand is collateralized with cash and deposit (2022: AMD 30,091,627 thousand is collateralized with cash and deposit).

Compensation of key management personnel was comprised of the following:

	31 December 2023	*31 December 2022*
Salaries and other short-term benefits	1,139,033	690,230
Total key management personnel compensation	**1,139,033**	**690,230**

34. 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	19, 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)**
Additions and modifications		-	-	-	507,609	**507,609**
Interest expense on lease liabilities		-	-	-	149,459	**149,459**
Other		(27,924)	92,684	1,265	-	**66,025**
Carrying amount at 31 December 2022	19, 21	**14,692,148**	**34,501,456**	**276,140**	**1,521,514**	**50,991,258**
Proceeds from issue		5,295,222	8,116,744	-	-	**13,411,966**
Redemption		-	(5,392,342)	(276,346)	(647,653)	**(6,316,341)**
Foreign currency translation		347,319	-	849	-	**348,168**
Additions and modifications		-	-	-	907,903	**907,903**
Interest expense on lease liabilities		-	-	-	156,685	**156,685**
Other		32,659	25,889	(643)	4,364	**62,269**
Carrying amount at 31 December 2023	19, 21	**20,367,348**	**37,251,747**	**-**	**1,942,813**	**59,561,908**

The “Other” line includes the effect of change of accrued interest balance on debt securities issued, other borrowed funds, subordinated loans.

(thousands of Armenian drams)

35. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. New capital adequacy ratios came into force on June 1, 2023. 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 31 December 2023 and 31 December 2022.

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

	31 December 2023 (Unaudited)	***31 December 2022 (Unaudited)***
Tier 1 capital	69,846,025	55,257,747
Tier 2 capital	2,951,362	(407,983)
Total capital	**72,797,387**	**54,849,764**
Risk-weighted assets	**416,724,739**	**344,620,487**
Capital adequacy ratio N1.1	**16.76%**	**16.03%**
Capital adequacy ratio N1.2	**17.47%**	**15.92%**

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 as at 31 December 2023 and 31 December 2022.