



Converse Bank Closed Joint-Stock Company

Financial statements

Period ended 31 March 2024

Contents

Financial statements

Statement of financial position.....	1
Statement of profit and loss.....	2
Statement of comprehensive income.....	3
Statement of changes in equity.....	4
Statement of cash flows.....	5

Notes to the financial statements

1. Principal activities.....	7
2. Basis of preparation.....	8
3. Summary of accounting policies.....	8
4. Significant accounting judgments and estimates.....	25
5. Segment information.....	27
6. Cash and cash equivalents.....	30
7. Trading securities.....	30
8. Amounts due from banks.....	31
9. Loans and advances to customers.....	33
10. Investment securities.....	44
11. Property and equipment and right-of-use assets.....	46
12. Intangible assets.....	48
13. Repossessed assets.....	49
14. Other assets and liabilities.....	49
15. Amounts due to banks.....	51
16. Derivative financial instruments.....	52
17. Amounts due to customers.....	52
18. Debt securities issued.....	53
19. Taxation.....	53
20. Other borrowed funds.....	54
21. Commitments and contingencies.....	55
22. Equity.....	58
23. Net interest income.....	59
24. Credit loss expense.....	60
25. Net fee and commission income.....	61
26. Net trading income.....	61
27. Other income.....	61
28. Personnel and other operating expenses.....	62
29. Risk management.....	63
30. Fair value measurements.....	79
31. Transferred financial assets and assets held or pledged as collateral.....	83
32. Offsetting of financial instruments.....	83
33. Maturity analysis of assets and liabilities.....	85
34. Related party disclosures.....	87
35. Changes in liabilities arising from financing activities.....	89
36. Capital adequacy.....	89

Statement of financial position**as of 31 March 2024***(thousands of Armenian drams)*

	Notes	31 March 2024	31 December 2023
Assets			
Cash and cash equivalents	6	47,400,342	38,593,409
Trading securities	7	1,023,612	970,372
Amounts due from banks	8	53,596,584	36,939,337
Derivative financial assets	16	19,528	72,646
Loans and advances to customers	9	278,089,214	271,831,024
Investment securities	10	109,053,241	133,475,489
Investment securities pledged under repurchase agreements	10	30,413,174	7,927,279
Property, plant and equipment and right-of-use assets	11	10,920,542	11,095,293
Intangible assets	12	887,974	882,208
Repossessed assets	13	791,713	804,122
Other assets	14	3,257,342	4,165,063
Total assets		535,453,266	506,756,242
Liabilities			
Amounts due to banks	15	25,333,623	4,175,967
Derivative financial liabilities	16	31,813	31,110
Amounts due to customers	17	360,271,143	360,249,656
Debt securities issued	18	20,345,893	20,367,348
Current income tax liabilities	19	3,102,917	2,675,304
Deferred income tax liabilities	19	1,105,927	494,462
Other borrowed funds	20	37,374,156	37,251,747
Lease liabilities	36	1,907,365	1,942,813
Provisions on commitments and contingencies	22	287,679	323,878
Other liabilities	14	3,958,722	3,546,225
Total liabilities		453,719,238	431,058,510
Equity			
Share capital	23	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		3,547,892	3,572,171
Revaluation reserve for financial assets at FVOCI		816,019	(1,368,416)
Retained earnings		48,511,069	44,634,929
Total equity		81,734,028	75,697,732
Total equity and liabilities		535,453,266	506,756,242

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

Andranik Grigoryan

Chief Executive Officer –
Chairman of Executive Management

Davit Azatyan

Chief Accountant

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

Statement of profit and loss for the period ended 31 March 2024

(thousands of Armenian drams)

	Note	01/01/2024- 31/03/2024	01/01/2023- 31/03/2023
Interest revenue calculated using effective interest rate	24	11,029,148	8,588,813
Other interest revenue	24	12,508	10,590
Interest expense	24	(4,789,491)	(3,609,505)
Net interest income	24	6,252,165	4,989,898
Credit loss expense	25	262,952	352,904
Net interest income after credit loss expense		6,515,117	5,342,802
Fee and commission income	26	2,533,397	2,380,944
Fee and commission expense	26	(1,802,754)	(1,421,139)
Net trading income	27	1,545,584	2,129,757
Net gain from foreign currency translation		(431,025)	628,377
Gains less losses from investment securities measured at fair value through other comprehensive income		157,384	42,861
Other income	28	217,809	331,044
Non-interest income		2,220,395	4,091,844
Personnel expenses	29	(2,359,690)	(2,152,484)
Depreciation of property and equipment and right-of-use asset	11	(327,350)	(281,961)
Amortization of intangible assets	12	(26,167)	(20,355)
Administrative and other operating expenses	29	(1,159,867)	(1,033,215)
Non-interest expense		(3,873,074)	(3,488,015)
Profit before income tax expense		4,862,438	5,946,631
Income tax expense	19	(1,010,577)	(1,130,903)
Profit for the year		3,851,861	4,815,728

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

Statement of comprehensive income for the period ended 31 March 2024

(thousands of Armenian drams)

	Note	01/01/2024- 31/03/2024	01/01/2023- 31/03/2023
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of property and equipment		-	-
Income tax effect		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealised (losses)/gains on debt securities at FVOCI		2,821,138	491,404
Realised gains on debt securities at FVOCI transferred to profit or loss		(157,384)	(42,861)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		191	2,603
Income tax effect	19	(479,510)	(81,206)
Net other comprehensive loss to be reclassified subsequently to profit or loss		2,184,435	369,940
Other comprehensive (loss)/income for the year, net of tax		2,184,435	369,940
Total comprehensive income for the year		6,036,296	5,185,668

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

Statement of changes in equity for the period ended 31 March 2024

(thousands of Armenian drams)

	Note	Share capital	Share pre- miu m	Statutory reserve	general reserve	Revaluation reserve for securities at fair value through OCI	Revaluation reserve of PPE	Retained earnings	Total
Balance as at 1 January 2023		19,947,633	63,233	8,848,182	(4,099,566)	3,669,287	34,279,291	62,708,060	
Issue of share capital		-	-	-	-	-	-	-	
Distribution to general reserve		-	-	-	-	-	-	-	
Dividends to shareholders		-	-	-	-	-	-	-	
Transactions with owners		-	-	-	-	-	-	-	
Profit for the year							4,815,728	4,815,728	
Other comprehensive income for the year					369,940		-	369,940	
Total comprehensive income for the year		-	-	-	369,940	-	4,815,728	5,185,668	
Depreciation of revaluation reserve		-	-	-	-	(24,279)	24,279	-	
Balance as at 31 March 2023		19,947,633	63,233	8,848,182	(3,729,626)	3,645,008	39,119,298	67,893,728	
Balance as at 1 January 2024		19,947,633	63,233	8,848,182	(1,368,416)	3,572,171	44,634,929	75,697,732	
Issue of share capital								-	
Distribution to general reserve								-	
Dividends to shareholders								-	
Transactions with owners		-	-	-	-	-	-	-	
Profit for the year							3,851,861	3,851,861	
Other comprehensive income for the year					2,184,435		-	2,184,435	
Total comprehensive income for the year		-	-	-	2,184,435	-	3,851,861	6,036,296	
Depreciation of revaluation reserve		-	-	-	-	(24,279)	24,279	-	
Balance as at 31 March 2024		19,947,633	63,233	8,848,182	816,019	3,547,892	48,511,069	81,734,028	

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

Statement of cash flows

for the period ended 31 March 2024

(thousands of Armenian drams)

	Note	01/01/2024- 31/03/2024	01/01/2023- 31/03/2023
Cash flows from operating activities			
Interest received		10,304,464	7,809,675
Interest paid		(3,767,895)	(3,256,386)
Fees and commissions received		2,533,397	2,380,944
Fees and commissions paid		(1,802,754)	(1,309,465)
Net trading income received		1,409,052	2,962,921
Other income received		243,186	166,412
Personnel expenses paid		(1,940,229)	(1,712,932)
Administrative and other operating expenses paid		(1,266,060)	(1,246,738)
Cash flows from operating activities before changes in operating assets and liabilities		5,713,161	5,794,431
<i>Net (increase)/decrease in operating assets</i>			
Trading securities		(11,603)	20,851
Amounts due from banks		(17,404,002)	5,436,776
Loans and advances to customers		(8,881,825)	(4,064,501)
Repossessed assets		36,439	502,870
Other assets		825,905	1,911,388
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks		21,196,773	3,768,935
Amounts due to customers		6,234,581	4,651,535
Derivative financial liabilities		150,088	(777,383)
Other liabilities		110,416	78,819
Net cash used in operating activities before income tax		7,969,933	17,323,721
Income tax paid		(451,201)	(199,675)
Net cash used in operating activities		7,518,732	17,124,046
Cash flows from investing activities			
Purchase of investment securities		(27,625,538)	(22,805,058)
Proceeds from sale and redemption of investment securities		31,231,147	12,947,921
Purchase of property and equipment		(143,976)	(539,255)
Proceeds from sale of property and equipment		22,044	119,819
Purchase of intangible assets		(31,933)	(131,421)
Net cash from / (used) in investing activities		3,451,744	(10,407,994)
Cash flows from financing activities			
Dividends paid to shareholders		-	-
Proceeds from debt securities issued		-	5,295,222
Redemption of debt securities issued		-	-
Proceeds from other borrowed funds		1,161,837	2,263,718
Repayment of other borrowed funds		(1,080,286)	(1,118,013)
Repayment of subordinated loans		-	(276,346)
Repayment of lease liabilities		(129,130)	(37,574)
Net cash from financing activities		(47,579)	6,127,007
Net increase in cash and cash equivalents		10,922,897	12,843,059
Cash and cash equivalents at the beginning of the year		38,593,409	50,293,614
Effect of exchange rates changes on cash and cash equivalents		(2,116,940)	(1,253,781)

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

Statement of cash flows
for the period ended 31 March 2024*(thousands of Armenian drams)*

Effect of expected credit losses on cash and cash equivalents		976	4,205
Cash and cash equivalents at the end of the year	6	<u>47,400,342</u>	<u>61,887,097</u>

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

(thousands of Armenian drams)

1. Principal activities

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

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

The Bank’s main office is in Yerevan and its 32 branches are located in Yerevan and in different regions.

As of 31 March 2024, the number of Bank’s employees is 912 (31 December 2023: 899).

As of 31 March 2024, the shareholders of the Bank are:

Shareholder	31 March 2024, %	31 December 2023, %
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management S.a.r.l.	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	100.00	100.00

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

Armenian business environment

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

(thousands of Armenian drams)

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

Functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank'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 Bank. The Bank prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These financial statements are based on the Bank's books and records as adjusted and reclassified in order to comply with IFRS. The financial statements are presented in thousands of AMD, which is not convertible outside Armenia.

3. Summary of accounting policies

Fair value measurement

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

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

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

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

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

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

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

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Bank 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 Bank 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.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

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

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

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

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

The Bank'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 Bank'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 Bank's original expectations, the Bank 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 Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

'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 Bank 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 Bank measures debt instruments at FVOCI when both of the following conditions are met:

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

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

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

Equity instruments at FVOCI

Upon initial recognition, the Bank 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 Bank 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.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the 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 Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

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

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets and liabilities in 31 March 2024.

Cash and cash equivalents

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

Precious metals

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

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 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 statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

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

Derivative financial instruments

In the normal course of business, the Bank 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 statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

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

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

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Borrowings

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

Leases

i. Bank as a lessee

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

Right-of-use assets

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

Lease liabilities

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

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Short-term leases and leases of low-value assets

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

ii. Operating – Bank as a lessor

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

iii. Finance – Bank as a lessor

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

Offsetting of financial instruments

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

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

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Renegotiated loans

Where possible, the Bank 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 Bank 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 Bank 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 Bank records a modification gain or loss, presented within Interest revenue calculated using effective interest rate in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

Derecognition of financial assets and liabilities

Financial assets

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

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Bank 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 Bank 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 Bank 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 Bank’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 Bank could be required to repay.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Financial assets(continued)

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 Bank's continuing involvement is the amount of the transferred asset that the Bank 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 Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial assets and liabilities (continued)

Write-off

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

Financial liabilities

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

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

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the 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 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.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Taxation (continued)

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 Bank's activities. These taxes are included as a component of other expenses in the statement of comprehensive income.

Property and equipment

Property and equipment is carried at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the 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.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Property and equipment (continued)

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

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

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

Property and equipment (continued)

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

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

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

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Property and equipment (continued)

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

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

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

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

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

Intangible assets

Intangible assets include computer software, licenses and other.

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

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

Repossessed assets

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Grants

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

Financial guarantees

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

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

Provisions

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

Equity

Share capital

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

Share premium

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

Retained earnings

Includes retained earnings of current and previous periods.

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

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 financial statements are authorised for issue.

Property revaluation surplus

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

Revaluation reserve for investment securities

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

Segment reporting

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

Contingencies

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

Recognition of income and expenses

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

(thousands of Armenian drams)

3. Summary of accounting policies (continued)

Interest and similar revenue and expense

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

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

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

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

Fee and commission income

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

Dividend income

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

Foreign currency translation

The financial statements are presented in Armenian drams, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the 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

(thousands of Armenian drams)

the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the CBA on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official CBA exchange rates at 31 March 2024 and 31 December 2023 were AMD 393.28 and AMD 404.79 to 1 USD, respectively.

(thousands of Armenian drams)

4. Significant accounting judgments and estimates

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

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

Determining the lease term of contracts with renewal options

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

Revaluation of land and buildings

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

Measurement of fair values

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

(thousands of Armenian drams)

4. Significant accounting judgments and estimates (continued)

Impairment losses on financial assets

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

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

(thousands of Armenian drams)

5. Segment information

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 31 March 2024 or 31 December 2023.

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

As of 31 March 2024	Retail banking	Corporate banking	Trading and IB	Total
External income				
Interest revenue calculated using effective interest rate	5,463,946	2,271,424	3,293,778	11,029,148
Other interest revenue		-	12,508	12,508
Interest expense	(1,544,379)	(2,389,789)	(855,323)	(4,789,491)
Net interest income	3,919,567	(118,365)	2,450,963	6,252,165
Credit loss expense	123,637	139,506	(191)	262,952
Fee and commission income	2,233,059	282,624	17,714	2,533,397
Fee and commission expense	(1,740,248)	(62,506)	-	(1,802,754)
Other non-interest income	247,190	1,042,130	200,432	1,489,752
Non-interest expense	(2,352,471)	(552,263)	(968,340)	(3,873,074)
Segment profit	2,430,734	731,126	1,700,578	4,862,438
Income tax expense	(505,187)	(151,953)	(353,438)	(1,010,577)
Profit for the period	1,925,548	579,173	1,347,140	3,851,861

(thousands of Armenian drams)

As of 31 March 2023	Retail banking	Corporate banking	Trading and IB	Total
External income				
Interest revenue calculated using effective interest rate	3,991,864	1,733,269	2,863,680	8,588,813
Other interest revenue	-	-	10,590	10,590
Interest expense	(1,123,160)	(1,959,521)	(526,824)	(3,609,505)
Net interest income	2,868,704	(226,252)	2,347,446	4,989,898
Credit loss expense	180,079	175,428	(2,603)	352,904
Fee and commission income	1,965,120	391,857	23,967	2,380,944
Fee and commission expense	(1,265,633)	(155,493)	(12)	(1,421,138)
Other non-interest income	861,245	2,831,547	(560,753)	3,132,039
Non-interest expense	(2,114,540)	(458,671)	(914,805)	(3,488,016)
Segment profit	2,494,975	2,558,416	893,240	5,946,630
Income tax expense	(474,483)	(486,548)	(169,872)	(1,130,903)
Profit for the period	2,020,492	2,071,868	723,367	4,815,728

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

As of 31 March 2024					
Interest bearing					
	Retail banking	Corporate banking	Trading and IB	Unallocated balances	Total
Assets	168,966,910	109,122,304	169,991,471	87,372,581	535,453,266
Liabilities	165,733,145	194,825,677	83,085,485	10,074,931	453,719,238

As of 31 March 2023					
Interest bearing					
	Retail banking	Corporate banking	Trading and IB	Non-interest bearing	Total
Assets	136,077,104	91,498,550	151,742,475	102,484,984	481,803,113
Liabilities	160,599,780	182,970,795	61,276,377	9,062,433	413,909,385

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

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

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

(thousands of Armenian drams)

Geographic information

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

5. Segment information (continued)

Revenue from contracts with customers

Segment breakdown of revenue from contracts with customers in scope of IFRS 15 for the period ended 31 March 2024 or 31 December 2023 are as follows:

As of 31 March 2024	Retail banking	Corporate banking	Investment banking	Total
Commission income				
Plastic cards operations	2,022,962	-	-	2,022,962
Wire transfer fees	68,153	100,613	350	169,116
Settlement operation	32,793	14,401	17,221	64,415
Loan accounts servicing fees	1,939	41,425	-	43,364
Guarantees and letters of credit	384	37,241	-	37,625
Other	106,827	88,944	143	195,914
Total revenue from contracts with customers	2,233,059	282,624	17,714	2,533,397
As of 31 March 2023	Retail banking	Corporate banking	Investment banking	Total
Commission income				
Plastic cards operations	1,747,726	-	-	1,747,726
Wire transfer fees	65,743	102,359	315	168,417
Settlement operation	62,709	27,548	23,520	113,777
Loan accounts servicing fees	(22,903)	78,074	-	55,172
Guarantees and letters of credit	120	28,131	-	28,251
Other	111,724	155,745	132	267,601
Total revenue from contracts with customers	1,965,120	391,857	23,967	2,380,944

(thousands of Armenian drams)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2024	31 December 2023
Current accounts with the Central Bank, including obligatory reserves in AMD	23,399,198	13,970,419
Cash on hand	9,428,910	8,961,815
Placements with other banks	14,574,453	15,664,370
Less – allowance for impairment	(2,219)	(3,195)
Cash and cash equivalents	47,400,342	38,593,409

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

	31 March 2024	31 March 2023
ECL allowance as at 1 January	3,195	7,192
Changes in ECL	(976)	(4,370)
At the end of the period	2,219	2,822

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2023: 4%) of the amounts attracted in Armenian drams and 18% (2023: 18%) of the amounts attracted in foreign currencies.

As of 31 March 2024, current accounts with Central Bank of Armenia include obligatory reserve in the amount of AMD 43,879,204 thousand (2023: AMD 43,221,537 thousand).

The banks are required to maintain 6% of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams (2023: 6%), and 12% – in the foreign currency (2023: 12%). The banks' ability to withdraw reserved amounts in foreign currency is restricted. Therefore, the Bank classifies obligatory reserves deposited in foreign currency as amounts due from banks (Note 8).

As of 31 March 2024 placements with other banks in the amount of AMD 14,034,854 thousand (96.3%) were due from seven banks (2023: AMD 14,361,030 thousand (91.7%) were due from six banks).

7. Trading securities

Trading securities owned comprise:

	31 March 2024	31 December 2023
Debt securities issued by the RA government	677,954	646,747
Investments in funds	345,658	323,625
Trading securities	1,023,612	970,372

(thousands of Armenian drams)

8. Amounts due from banks

Amounts due from banks comprise:

	31 March 2024	31 December 2023
Foreign currency obligatory reserves with CBA (Note 6)	24,095,140	23,602,405
Receivables from payment and settlement operations	6,074,497	1,975,245
Reverse repurchase agreements	424,620	-
Loans and deposits to banks	17,909,167	6,836,655
Deposits and deposited funds with CBA	1,510,000	2,305,000
Other amounts	3,605,965	2,244,533
	53,619,389	36,963,838
Less – allowance for impairment	(22,805)	(24,501)
Amounts due from banks	53,596,584	36,939,337

As at 31 March 2024 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 449,184 thousand (As at 31 December 2023 there were no amounts receivable under reverse repurchase agreements).

As at 31 March 2024 the balances included loans and deposits to banks in amount of AMD 13,603,442 thousand due from two counterparties (2023: AMD 6,836,655 thousand due from three counterparty).

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

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from banks during the period ended 31 March 2024 is as follows:

	Stage 1	Total
Gross carrying value as at 1 January 2024	36,963,838	36,963,838
New assets originated or purchased	18,587,052	18,587,052
Assets repaid	(1,094,944)	(1,094,944)
Foreign exchange adjustments	(836,556)	(836,556)
At 31 March 2024	53,619,389	53,619,389
	Stage 1	Total
ECL allowance as at 1 January 2024	24,501	24,501
New assets originated or purchased	15,113	15,113
Assets repaid	(17,205)	(17,205)
Changes to models and inputs used for ECL calculations	396	396
At 31 March 2024	22,805	22,805

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from banks during the year ended 31 December 2023 is as follows:

(thousands of Armenian drams)

	Stage 1	Total
Gross carrying value as at 1 January 2023	47,134,594	47,134,594
New assets originated or purchased	4,117,635	4,117,635
Assets repaid	(13,529,840)	(13,529,840)
Foreign exchange adjustments	(758,551)	(758,551)
At 31 December 2023	36,963,838	36,963,838

	Stage 1	Total
ECL allowance as at 1 January 2023	16,472	16,472
New assets originated or purchased	106,690	106,690
Assets repaid	(98,779)	(98,779)
Changes to models and inputs used for ECL calculations	-	-
Foreign exchange adjustments	118	118
At 31 December 2023	24,501	24,501

(thousands of Armenian drams)

9. Loans and advances to customers

	31 March 2024	31 December 2023
Loans to customers	246,711,096	242,360,459
Overdrafts	28,414,387	26,733,104
Reverse repurchase agreements	7,233,422	7,400,589
Financial lease receivables	2,447,932	2,333,816
Letter of credit	7,464	7,316
Factoring	-	5,481
	<u>284,814,301</u>	<u>278,840,765</u>
Less – allowance for loan impairment	(6,725,086)	(7,009,741)
Total loans and advances to customers	<u><u>278,089,215</u></u>	<u><u>271,831,024</u></u>

	31 March 2024	31 December 2023
Large business loans	79,706,898	80,423,393
SME loans	36,535,736	35,400,065
Consumer loans	57,894,530	56,286,507
Mortgage loans	86,364,188	84,098,149
Gold loans	24,312,949	22,632,651
Gross loans and advances to customers	<u>284,814,301</u>	<u>278,840,765</u>
Less – allowance for impairment	(6,725,086)	(7,009,741)
Total loans and advances to customers	<u><u>278,089,215</u></u>	<u><u>271,831,024</u></u>

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to large business loans as of 31 March 2024:

Large business loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	75,424,659	-	4,998,734	80,423,393
New assets originated or purchased	11,629,667			11,629,667
Assets repaid	(11,436,613)	-	(909,659)	(12,346,272)
Transfers to Stage 2	(536,015)	536,015	-	-
Transfers to Stage 3	-	-	-	-
Recoveries			110	110
Amounts written off			-	-
At 31 March 2024	<u>75,081,697</u>	<u>536,015</u>	<u>4,089,185</u>	<u>79,706,897</u>

Large business loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	253,232	-	2,424,195	2,677,427
New assets originated or purchased	63,493			63,493

(thousands of Armenian drams)

Assets repaid	(18,836)	-	(432,101)	(450,937)
Transfers to Stage 2	(24,416)	24,416	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Changes to models and inputs used for ECL calculations	(12,881)	-	(324,258)	(337,140)
Recoveries			110	110
Amounts written off			-	-
At 31 March 2024	260,591.88	24,416	1,667,945	1,952,953

An analysis of changes in the gross carrying value and corresponding ECL in relation to SME loans as of 31 March 2024:

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	32,814,009	705,696	1,880,360	35,400,065
New assets originated or purchased	4,951,141			4,951,141
Assets repaid	(3,478,328)	(46,092)	(177,266)	(3,701,686)
Transfers to Stage 1	163,150	(145,377)	(17,773)	-
Transfers to Stage 2	(695,364)	762,018	(66,654)	-
Transfers to Stage 3	(9,134)	(508,488)	517,621	-
Recoveries			65,885	65,885
Amounts written off			(179,668)	(179,668)
At 31 March 2024	33,745,474	767,757	2,022,505	36,535,736

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	466,800	140,861	941,595	1,549,256
New assets originated or purchased	113,870			113,870
Assets repaid	(16,281)	(2,992)	(78,868)	(98,141)
Transfers to Stage 1	56,164	(43,827)	(12,337)	-
Transfers to Stage 2	(145,499)	185,458	(39,959)	-
Transfers to Stage 3	(132)	(177,910)	178,042	-
Impact on period end ECL of exposures transferred between stages during the period	(53,894)	24,224	37,033	7,364
Unwinding of discount (recognised in interest revenue)			1,266	1,266
Changes to models and inputs used for ECL calculations	57,076	(7,736)	105,229	154,569
Recoveries			65,885	65,885
Amounts written off			(179,668)	(179,668)
At 31 March 2024	478,105	118,078	1,018,218	1,614,401

(thousands of Armenian drams)

9. Loans and advances to customers (continued)**Allowance for impairment of loans and advances to customers (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans as of 31 March 2024:

Consumer loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	53,377,037	1,096,927	1,812,543	56,286,507
New assets originated or purchased	6,560,157			6,560,157
Assets repaid	(4,605,034)	(74,718)	(264,934)	(4,944,686)
Transfers to Stage 1	199,873	(195,938)	(3,935)	-
Transfers to Stage 2	(565,202)	587,385	(22,183)	-
Transfers to Stage 3	(78,004)	(331,357)	409,361	-
Recoveries			507,454	507,454
Amounts written off			(514,901)	(514,901)
At 31 March 2024	54,888,827	1,082,299	1,923,405	57,894,530

Consumer loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	582,330	236,505	1,105,593	1,924,428
New assets originated or purchased	70,862			70,862
Assets repaid	(24,609)	(7,516)	(159,841)	(191,966)
Transfers to Stage 1	39,205	(36,702)	(2,503)	-
Transfers to Stage 2	(35,183)	49,477	(14,293)	-
Transfers to Stage 3	(1,630)	(94,312)	95,942	-
Impact on period end ECL of exposures transferred between stages during the period	(37,226)	76,031	189,001	227,806
Unwinding of discount (recognised in interest revenue)			8,702	8,702
Changes to models and inputs used for ECL calculations	10,630	(8,403)	61,947	64,174
Recoveries			507,454	507,454
Amounts written off			(514,901)	(514,901)
At 31 March 2024	604,380	215,079	1,277,101	2,096,559

(thousands of Armenian drams)

9. Loans and advances to customers (continued)**Allowance for impairment of loans and advances to customers (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans as of 31 March 2024:

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	82,333,016	916,087	849,046	84,098,149
New assets originated or purchased	4,470,442			4,470,442
Assets repaid	(2,124,320)	(38,065)	(115,369)	(2,277,754)
Transfers to Stage 1	140,900	(114,627)	(26,272)	-
Transfers to Stage 2	(317,098)	373,451	(56,353)	-
Transfers to Stage 3	(64,803)	(161,904)	226,707	-
Recoveries			228,351	228,351
Amounts written off			(154,999)	(154,999)
At 31 March 2024	84,438,136	974,942	951,110	86,364,188

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	216,058	171,003	407,911	794,971
New assets originated or purchased	10,923			10,923
Assets repaid	(2,560)	(3,424)	(55,534)	(61,519)
Transfers to Stage 1	33,809	(19,669)	(14,140)	-
Transfers to Stage 2	(636)	31,059	(30,423)	-
Transfers to Stage 3	(170)	(15,148)	15,318	-
Impact on period end ECL of exposures transferred between stages during the period	(33,457)	20,258	100,461	87,261
Unwinding of discount (recognised in interest revenue)			1,701	1,701
Changes to models and inputs used for ECL calculations	2,778	(6,451)	83,438	79,765
Recoveries			228,351	228,351
Amounts written off			(154,999)	(154,999)
At 31 March 2024	226,744	177,627	582,082	986,454

(thousands of Armenian drams)

9. Loans and advances to customers (continued)**Allowance for impairment of loans and advances to customers (continued)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to gold loans as of 31 March 2024:

Gold loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	22,432,489	144,414	55,748	22,632,652
New assets originated or purchased	7,427,691			7,427,691
Assets repaid	(5,635,780)	(52,004)	(41,173)	(5,728,958)
Transfers to Stage 1	12,685	(12,685)	-	-
Transfers to Stage 2	(191,503)	191,503	-	-
Transfers to Stage 3	(12,213)	(46,568)	58,781	-
Recoveries			32,604	32,604
Amounts written off			(51,040)	(51,040)
At 31 March 2024	24,033,369	224,660	54,920	24,312,949

Gold loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	12,604	10,519	40,538	63,660
New assets originated or purchased	6,137			6,137
Assets repaid	(2,334)	(2,476)	(28,407)	(33,218)
Transfers to Stage 1	917	(917)	-	-
Transfers to Stage 2	(20,658)	20,658	-	-
Transfers to Stage 3	(7)	(20,621)	20,628	-
Impact on period end ECL of exposures transferred between stages during the period	(911)	9,670	19,528	28,287
Unwinding of discount (recognised in interest revenue)			103	103
Changes to models and inputs used for ECL calculations	17,757	(469)	10,897	28,185
Recoveries			32,604	32,604
Amounts written off			(51,040)	(51,040)
At 31 March 2024	13,506	16,362	44,851	74,719

(thousands of Armenian drams)

9. Loans and advances to customers (continued)**Allowance for impairment of loans and advances to customers (continued)**

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

Large business loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	63,198,091	233,537	5,013,251	68,444,879
New assets originated or purchased	35,210,609			35,210,609
Assets repaid	(23,585,082)	(8,102)	(954,735)	(24,547,919)
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(559,000)	(225,435)	784,435	-
Recoveries			505,627	505,627
Amounts written off			(467,217)	(467,217)
Foreign exchange adjustments	1,160,040	-	117,373	1,277,413
At 31 December 2023	75,424,659	-	4,998,734	80,423,393

Large business loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	326,061	5,203	1,240,743	1,572,007
New assets originated or purchased	145,548			145,548
Assets repaid	(126,061)	(192)	(201,469)	(327,723)
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(6,933)	(5,011)	11,944	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	209,553	209,553
Changes to models and inputs used for ECL calculations	(90,778)	-	1,091,441	1,000,664
Recoveries			505,627	505,627
Amounts written off			(467,217)	(467,217)
Foreign exchange adjustments	5,394	-	33,574	38,968
At 31 December 2023	253,232	-	2,424,195	2,677,427

(thousands of Armenian drams)

9. Loans and advances to customers (continued)**Allowance for impairment of loans and advances to customers (continued)**

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

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	25,967,710	1,029,220	2,812,700	29,809,629
New assets originated or purchased	17,144,844			17,144,844
Assets repaid	(9,835,835)	(490,577)	(1,921,443)	(12,247,855)
Transfers to Stage 1	460,512	(190,616)	(269,896)	-
Transfers to Stage 2	(779,932)	1,012,529	(232,597)	-
Transfers to Stage 3	(464,276)	(662,583)	1,126,860	-
Recoveries			1,075,544	1,075,544
Amounts written off			(744,357)	(744,357)
Foreign exchange adjustments	320,987	7,723	33,550	362,260
At 31 December 2023	32,814,009	705,696	1,880,360	35,400,065

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	235,880	303,558	832,174	1,371,613
New assets originated or purchased	156,528			156,528
Assets repaid	(51,635)	(148,821)	(711,898)	(912,354)
Transfers to Stage 1	104,908	(14,244)	(90,663)	-
Transfers to Stage 2	(166,293)	212,075	(45,782)	-
Transfers to Stage 3	(28,678)	(157,648)	186,325	-
Impact on period end ECL of exposures transferred between stages during the period	(100,305)	45,812	321,994	267,502
Unwinding of discount (recognised in interest revenue)			53,769	53,769
Changes to models and inputs used for ECL calculations	313,457	(100,478)	54,511	267,490
Recoveries			1,075,544	1,075,544
Amounts written off			(744,357)	(744,357)
Foreign exchange adjustments	2,937	608	9,977	13,522
At 31 December 2023	466,800	140,861	941,595	1,549,256

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

Consumer loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	40,278,317	1,195,765	1,952,035	43,426,117

(thousands of Armenian drams)

New assets originated or purchased	29,211,919			29,211,919
Assets repaid	(14,949,379)	(691,870)	(2,671,806)	(18,313,054)
Transfers to Stage 1	551,612	(299,096)	(252,516)	-
Transfers to Stage 2	(1,202,581)	1,568,494	(365,914)	-
Transfers to Stage 3	(722,715)	(680,336)	1,403,051	-
Recoveries			3,234,691	3,234,691
Amounts written off			(1,519,774)	(1,519,774)
Foreign exchange adjustments	209,864	3,969	32,774	246,608
At 31 December 2023	53,377,037	1,096,927	1,812,543	56,286,507

Consumer loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	355,206	292,239	640,689	1,288,133
New assets originated or purchased	264,586			264,586
Assets repaid	(103,591)	(174,787)	(1,810,178)	(2,088,556)
Transfers to Stage 1	128,392	(48,433)	(79,959)	-
Transfers to Stage 2	(351,922)	419,588	(67,666)	-
Transfers to Stage 3	(171,033)	(318,411)	489,444	-
Impact on period end ECL of exposures transferred between stages during the period	(124,049)	58,928	270,051	204,930
Unwinding of discount (recognised in interest revenue)			36,360	36,360
Changes to models and inputs used for ECL calculations	583,633	6,181	(97,013)	492,801
Recoveries			3,234,691	3,234,691
Amounts written off			(1,519,774)	(1,519,774)
Foreign exchange adjustments	1,108	1,199	8,948	11,255
At 31 December 2023	582,330	236,505	1,105,593	1,924,428

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

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	66,428,370	2,409,440	1,367,405	70,205,216
New assets originated or purchased	21,310,958			21,310,958
Assets repaid	(5,781,673)	(1,850,850)	(1,426,680)	(9,059,202)
Transfers to Stage 1	685,211	(319,959)	(365,252)	-
Transfers to Stage 2	(900,984)	1,069,254	(168,270)	-
Transfers to Stage 3	(74,114)	(403,930)	478,045	-
Recoveries			1,789,373	1,789,373
Amounts written off			(846,849)	(846,849)
Foreign exchange adjustments	665,247	12,132	21,274	698,653
At 31 December 2023	82,333,016	916,087	849,046	84,098,149

(thousands of Armenian drams)

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	61,845	766,862	487,830	1,316,537
New assets originated or purchased	251,651			251,651
Assets repaid	(3,136)	(671,744)	(1,078,245)	(1,753,125)
Transfers to Stage 1	165,721	(36,286)	(129,436)	-
Transfers to Stage 2	(197,881)	261,577	(63,696)	-
Transfers to Stage 3	(69)	(191,519)	191,588	-
Impact on period end ECL of exposures transferred between stages during the period	(164,210)	12,505	53,063	(98,642)
Unwinding of discount (recognised in interest revenue)			10,212	10,212
Changes to models and inputs used for ECL calculations	101,519	26,023	(13,428)	114,114
Recoveries			1,789,373	1,789,373
Amounts written off			(846,849)	(846,849)
Foreign exchange adjustments	617	3,584	7,501	11,701
At 31 December 2023	216,058	171,003	407,911	794,971

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

Gold loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	17,374,690	273,761	186,672	17,835,123
New assets originated or purchased	18,840,324			18,840,324
Assets repaid	(13,648,495)	(230,395)	(331,097)	(14,209,987)
Transfers to Stage 1	63,373	(46,704)	(16,669)	-
Transfers to Stage 2	(152,127)	166,818	(14,691)	-
Transfers to Stage 3	(53,218)	(19,167)	72,386	-
Recoveries			350,791	350,791
Amounts written off			(191,749)	(191,749)
Foreign exchange adjustments	7,942	101	107	8,150
At 31 December 2023	22,432,489	144,414	55,747	22,632,651

*(thousands of Armenian drams)***9. Loans and advances to customers (continued)****Allowance for impairment of loans and advances to customers (continued)**

Gold loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	21,889	56,749	117,354	195,992
New assets originated or purchased	34,654			34,654
Assets repaid	(14,510)	(44,440)	(241,318)	(300,269)
Transfers to Stage 1	18,058	(7,470)	(10,589)	-
Transfers to Stage 2	(5,289)	14,653	(9,363)	-
Transfers to Stage 3	(18,970)	(3,034)	22,004	-
Impact on period end ECL of exposures transferred between stages during the period	(18,039)	(5,126)	12,146	(11,019)
Unwinding of discount (recognised in interest revenue)			9,184	9,184
Changes to models and inputs used for ECL calculations	(5,199)	(821)	(17,965)	(23,985)
Recoveries			350,791	350,791
Amounts written off			(191,749)	(191,749)
Foreign exchange adjustments	10	8	44	62
At 31 December 2023	12,604	10,519	40,538	63,660

Concentration of loans and advances to customers

As at 31 March 2024 the Bank had a concentration of loans totalling to AMD 48,318,166 thousand due from the ten largest groups of borrowers (16.96% of gross loan portfolio) (2023: AMD 48,993,284 thousand or 17.57% of gross loan portfolio). An allowance for impairment in amount of AMD 1,451,997 thousand (2023: AMD 1,939,571 thousand) was created against these loans.

Loans have been extended to the following types of customers:

	31 March 2024	31 December 2023
Individuals	172,124,642	166,068,609
Private companies	94,860,603	95,046,912
Financial organizations	17,815,210	17,706,437
State companies	13,846	18,807
	284,814,301	278,840,765

(thousands of Armenian drams)

9. Loans and advances to customers (continued)

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

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

	31 March 2024	31 December 2023
Mortgage	86,364,188	84,098,149
Consumer loans to individuals	82,207,479	78,919,158
Trade	34,822,374	34,794,091
Construction	25,863,161	24,073,279
Agriculture (including loans to individuals)	11,463,367	11,663,934
Manufacturing	6,001,848	7,397,314
Services	4,499,506	4,198,893
Energy	2,884,904	2,998,585
Transport and communication	2,202,264	2,094,490
Other	28,505,210	28,602,872
Gross loan portfolio	284,814,301	278,840,765
Less allowance for loan impairment	(6,725,086)	(7,009,741)
Total	278,089,215	271,831,024

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 March 2024 is as follows:

	31 March 2024	31 December 2023
Gross investment in finance lease, receivable		
Not later than 1 year	856,908	773,364
1-2 years	857,086	773,445
2-3 years	717,508	717,664
3-4 years	427,953	399,775
4-5 years	127,147	194,238
More than 5 years	4,739	5,755
	2,991,341	2,864,237
Unearned future finance income on finance lease	(543,409)	(530,426)
Net investment in financial lease, before impairment allowance	2,447,932	2,333,816
Impairment allowance	(25,054)	(23,973)
Net investment in finance lease	2,422,878	2,309,839

(thousands of Armenian drams)

10. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 March 2024	31 December 2023
Debt securities at amortised cost		
RA government bonds	6,186,684	6,531,648
Foreign governments bonds	-	4,016,352
RA corporate bonds	-	-
Less – allowance for impairment	(9,329)	(10,217)
Debt securities at amortised cost	6,177,355	10,537,783
Debt securities at FVOCI		
RA government bonds	65,795,777	84,542,756
Foreign governments bonds	28,637,507	28,870,511
RA corporate bonds	6,974,765	8,230,943
International organizations bonds	1,187,281	1,212,941
Debt securities at FVOCI	102,595,330	122,857,151
RA government bonds	30,413,174	7,927,279
Debt securities at FVOCI pledged under repurchase agreements	30,413,174	7,927,279
Equity securities at FVOCI		
Equity shares of OECD countries	5,333	5,333
RA equity shares	275,222	75,222
Equity securities at FVOCI	280,555	80,555
Total	139,466,415	141,402,768

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 2024	10,548,000	10,548,000
New assets originated or purchased	-	-
Assets repaid	(4,361,316)	(4,361,316)
At 31 March 2024	6,186,684	6,186,684

Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2024	10,217	10,217
New assets originated or purchased	-	-
Assets repaid	(43)	(43)
Changes to models and inputs used for ECL calculations	(845)	(845)
At 31 March 2024	9,329	9,329

(thousands of Armenian drams)

10. Investment securities (continued)

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost at 31 December 2023 is as follows:

<i>Debt securities at amortised cost</i>	<i>Stage 1</i>	<i>Total</i>
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	(13,662,390)	(13,662,390)
At 31 December 2023	10,548,000	10,548,000

<i>Debt securities at amortised cost</i>	<i>Stage 1</i>	<i>Total</i>
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)
Changes to models and inputs used for ECL calculations	(542)	(542)
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 FVOCI including pledged under repurchase agreements is as follows:

<i>Debt securities at FVOCI</i>	<i>Stage 1</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	130,784,430	130,784,430
New assets originated or purchased	27,625,538	27,625,538
Assets repaid	(18,638,237)	(18,638,237)
Assets sold	(9,584,366)	(9,584,366)
Net change in fair value	2,821,138	2,821,138
At 31 March 2024	133,008,504	133,008,504

<i>Debt securities at FVOCI</i>	<i>Stage 1</i>	<i>Total</i>
ECLs as at 1 January 2024	212,725	212,725
New assets originated or purchased	28,586	28,586
Assets repaid	(2,402)	(2,402)
Assets sold	(23,331)	(23,331)
Changes to models and inputs used for ECL calculations	(2,663)	(2,663)
At 31 March 2024	212,915	212,915

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI 31 December 2023 is as follows:

(thousands of Armenian drams)

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	72,584,676	72,584,676
Assets repaid	(33,209,728)	(33,209,728)
Assets sold	(18,976,690)	(18,976,690)
Net change in fair value	3,496,536	3,496,536
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

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

The movements in property and equipment were as follows:

	Land and buildings	Equipment	Vehicles	Computers and network appliances	Other fixed assets	Leasehold improvements	Right of use asset	Total
Cost or revalued amount								
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,287,557	2,209,111	4,031,491	20,110,715
Additions	3,914	55,817	-	10,410	27,025	46,810	123,579	267,555
Disposals and write-offs	-	(55,861)	-	-	(4,847)	(17,681)	(88,188)	(166,577)
Internal Flow	-	-	-	-	(18,091)	-	-	(18,091)
31 March 2024	5,312,912	791,965	301,710	6,190,249	1,291,644	2,238,240	4,066,882	20,193,602
Accumulated depreciation								
31 December 2023	144,971	645,765	163,264	3,931,779	774,676	1,174,536	2,180,431	9,015,422
Depreciation charge	36,285	9,364	5,418	140,447	17,240	36,791	81,805	327,350
Disposals and write-offs	-	(48,111)	-	-	(2,690)	(17,681)	(1,230)	(69,712)
31 March 2024	181,256	607,018	168,682	4,072,226	789,226	1,193,646	2,261,006	9,273,060
Net book value								
31 December 2023	5,164,027	146,244	138,446	2,248,060	512,881	1,034,575	1,851,060	11,095,293
31 March 2024	5,131,656	184,947	133,028	2,118,023	502,418	1,044,594	1,805,876	10,920,542

(thousands of Armenian drams)

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

	<i>Land and buildings</i>	<i>Equipment</i>	<i>Vehicles</i>	<i>Computers and network appliances</i>	<i>Other fixed assets</i>	<i>Leasehold improvements</i>	<i>Right of use asset</i>	<i>Total</i>
Cost or revalued amount								
31 December 2022	5,305,397	774,130	265,321	4,723,663	1,263,429	1,493,369	2,989,747	16,815,056
Additions	3,601	50,941	72,044	1,553,783	590,839	807,526	1,210,101	4,288,835
Disposals and write-offs	-	(33,062)	(35,655)	(97,607)	(28,900)	(91,784)	(168,357)	(455,365)
Internal Flow	-	-	-	-	(537,811)	-	.	(537,811)
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,287,557	2,209,111	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	496,387	316,360	1,251,692	8,775,341
31 December 2023	5,164,027	146,244	138,446	2,248,060	512,881	1,034,575	1,851,060	11,095,293

Revaluation of assets

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

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

	31 March 2024	31 December 2023
Cost	726,272	726,272
Accumulated depreciation and impairment	(601,182)	(600,206)
Net carrying amount	125,090	126,066

(thousands of Armenian drams)

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

Fully amortized items

As of 31 March 2024, intangible assets included fully amortized assets in amount of AMD 798,043 thousand (2023: AMD 798,043 thousand).

13. Repossessed assets

Details of assets obtained by the Bank by taking possession of collateral held as security against loans and advances as at 31 March 2024 and 31 December 2023 are shown below:

	31 March 2024	31 December 2023
Land and buildings	1,028,334	1,033,211
Other assets	26,377	15,327
	1,054,711	1,048,538
Less: allowance for impairment	(262,998)	(244,416)
Total repossessed collateral	791,713	804,122

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank 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 March 2024 the Bank repossessed assets in amount of AMD 22,020 thousand (2023: AMD 194,752 thousand) and sold assets with carrying amount of AMD 36,945 thousand (2023: AMD 1,673,285 thousand).

14. Other assets and liabilities

Other assets comprise:

	31 March 2024	31 December 2023
Other financial assets		
Accounts receivables	890,784	940,083
Receivables from cash transfers	212,368	242,274
Total other financial assets	1,103,152	1,182,357
Less – allowance for impairment of other financial assets	(33,803)	(28,363)
Total net other financial assets	1,069,349	1,153,994
Other non-financial assets		
Prepayments to suppliers	1,273,690	816,236
Precious metals	283,348	1,514,469

(thousands of Armenian drams)

Other prepaid taxes	383,611	389,881
Materials	218,095	249,532
Unamortized insurance premium	26,734	32,940
Settlements with employees	650	6,146
Other	1,865	1,865
Total other non-financial assets	2,187,993	3,011,069
Other assets	3,257,342	4,165,063

An analysis of changes in the ECLs for other financial assets for the period ended 31 March 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2024	28,283	30	49	28,363
Transfers to Stage 1	14	(4)	(10)	-
Transfers to Stage 2	(46)	46	-	-
Transfers to Stage 3	(443)	(18)	461	-
ECL charge	5,921	(7)	931	6,845
Recoveries	-	-	2,052	2,052
Amounts written off	-	-	(3,457)	(3,457)
At 31 March 2024	33,729	47	26	33,803

An analysis of changes in the ECLs for other financial assets for the period 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 adjustments	-	-	5	5
At 31 December 2023	28,283	30	49	28,363

(thousands of Armenian drams)

Other liabilities comprise:

	31 March 2024	31 December 2023
Other financial liabilities		
Due to personnel	2,194,070	1,780,104
Accounts payables	845,972	751,242
Total other financial liabilities	3,040,042	2,531,346
Other non-financial liabilities		
Tax payable, other than income tax	897,213	1,003,409
Grants related to assets	10,862	11,468
Other	10,605	2
Total other non-financial liabilities	918,680	1,014,879
Total other liabilities	3,958,722	3,546,225

15. Amounts due to banks

Amounts due to banks comprise:

	31 March 2024	31 December 2023
Loans from banks	-	61,600
Repurchase agreements with CBA	25,030,116	3,933,642
Correspondent accounts of other banks	195,489	177,448
Other liabilities	108,018	3,277
Total amounts due to banks	25,333,623	4,175,967

As of 31 March 2024 the Bank didn't have loans from banks (2023: 1 bank).

As of 31 March 2024 95.9% of correspondent accounts of other banks are concentrated within 4 counterparty (2023: 95.7% within 3 counterparty).

As at 31 March 2024 amounts receivable under reverse repurchase agreements with CBA were collateralized by RA government bonds with fair value of AMD 26,720,237 thousand (2023: AMD 4,012,295 thousand).

(thousands of Armenian drams)

16. Derivative financial instruments

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

Foreign exchange contracts	31 March 2024			31 December 2023		
	Notional amount	Fair values		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Swaps	3,228,151	19,528	31,813	1,766,145	72,646	31,110
Total derivative liabilities	3,228,151	19,528	31,813	1,766,145	72,646	31,110

As of 31 March 2024 and 31 December 2023, the Bank has positions in the following types of derivatives:

Swaps

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

17. Amounts due to customers

The amounts due to customers include the following:

	31 March 2024	31 December 2023
Corporate customers		
Current/settlement accounts	92,637,108	93,270,849
Time deposits	102,188,569	99,179,015
	194,825,677	192,449,864
Retail customers		
Current/settlement accounts	69,943,046	75,383,637
Time deposits	95,502,420	92,416,155
	165,445,466	167,799,792
Amounts due to customers	360,271,143	360,249,656

As of 31 March 2024 included in amounts due to customers are deposits amounting to AMD 37,429,530 thousand (2023: AMD 41,718,769 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities.

As of 31 March 2024 the aggregate balance of top ten customers of the Bank amounts to AMD 125,182,152 thousand (2023: AMD 120,718,599 thousand) or 34.75% of total customer accounts (2023: 33.51%)

(thousands of Armenian drams)

18. Debt securities issued

Debt securities issued consisted of the following:

	31 March 2024	31 December 2023
Domestic bonds in USD	12,015,087	12,235,398
Domestic bonds in AMD	8,330,806	8,131,950
Debt securities issued	20,345,893	20,367,348

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

19. Taxation

The corporate income tax expense comprises:

	31 March 2024	31 March 2023
Current tax charge	878,623	1,146,100
Deferred tax charge/(credit) – origination and reversal of temporary differences	131,954	(15,197)
Total income tax expense	1,010,577	1,130,903

As of 31 March 2024 the corporate income tax within the Republic of Armenia is levied at the rate of 18% (2023: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

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

	31 March 2024	31 March 2023
Profit before tax	4,862,438	5,946,631
Statutory tax rate	18%	18%
Theoretical income tax expense at the statutory rate	875,239	1,070,394
Non-deductible expenses / (tax exempt income)	135,338	60,509
Adjustment of current income tax of previous years	-	-
Income tax expense	1,010,577	1,130,903

19. Taxation (continued)

(thousands of Armenian drams)

Deferred tax assets and liabilities as of 31 March 2024 and 31 December 2023 and their movements for the respective periods comprise:

	<i>Origination and reversal of temporary differences</i>			<i>Origination and reversal of temporary differences</i>			
	<i>Balance 31 December 2022</i>	<i>In the statement of profit or loss</i>	<i>In other compre- hensive income</i>	<i>Balance 31 December 2023</i>	<i>In the statement of profit or loss</i>	<i>In other compre- hensive income</i>	<i>Balance 31 March 2024</i>
Other liabilities	285,080	25,100		310,180	-	--	310,180
Reposessed assets	81,110	14,024		95,134	-	-	95,134
Loans and advances to customers	(1,118,024)	191,740		(926,284)	(74,205)	-	(1,000,489)
Investment securities	930,595	4,426	(599,520)	335,501	(125)	(479,510)	(144,134)
Property, plant and equipment and right- of-use assets	(318,381)	(10,914)		(329,295)	(17,701)	-	(346,996)
Other impairment and provisions	7,966	22,646		30,612	(39,923)	-	(9,311)
Amounts due to customers	(7,140)	(3,170)		(10,310)	-	-	(10,310)
Net deferred tax liabilities	(138,794)	243,852	(599,520)	(494,462)	(131,955)	(479,510)	(1,105,927)

20. Other borrowed funds

Other borrowed funds consisted of the following:

	31 March 2024	31 December 2023
Loans from refinancing credit organizations	29,905,551	29,632,386
Loans from CBA	5,727,782	5,717,504
Loans from international financial institution	1,716,335	1,874,052
Loans from the Government of the RA	24,488	27,805
Other borrowed funds	37,374,156	37,251,747

As of 31 March 2024 Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the Small and Medium business, consumer and other purposes.

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

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

Covenants

As at 31 March 2024 and 31 December 2023 the Bank was in compliance with all debt covenants.

(thousands of Armenian drams)

21. 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Management believes that the Bank 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 Bank, will not have a material adverse impact on the financial condition or results of future operations of the Bank.

(thousands of Armenian drams)

21. Commitments and contingencies (continued)

Loan commitment, guarantee and other financial facilities

In the normal course of business, the Bank 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 statement of financial position.

Commitments and contingencies

As of 31 March 2024 and 31 December 2023 the Bank's commitments and contingencies comprised the following:

	31 March 2024	31 December 2023
Credit related commitments		
Undrawn loan commitments	11,716,758	14,457,798
Financial guarantees	8,555,548	8,494,788
Letters of credit	14,899	-
	20,287,205	22,952,586
Provisions for ECL for credit related commitments	(287,679)	(323,878)

An analysis of changes in the ECLs at 31 March 2024 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2024	195,601	195,601
New exposures	29,336	29,336
Expired exposures	(44,914)	(44,914)
Changes to models and inputs used for ECL calculations	(21,505)	(21,505)
Foreign exchange adjustments	-	-
At 31 March 2024	158,518	158,518

Letters of credit	Stage 1	Total
ECLs as at 1 January 2024	-	-
New exposures	224	224
Expired exposures	-	-
Foreign exchange adjustments	-	-
At 31 March 2024	224	224

Financial guarantees	Stage 1	Total
ECLs as at 1 January 2024	128,277	128,277
New exposures	42,431	42,431

(thousands of Armenian drams)

Expired exposures	(41,099)	(41,099)
Changes to models and inputs used for ECL calculations	(674)	(674)
Foreign exchange adjustments	-	-
At 31 March 2024	128,935	128,935

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	1,759	1,759
At 31 December 2023	195,601	195,601

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	119	119
At 31 December 2023	-	-

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

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 March 2024 the Bank 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 Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

(thousands of Armenian drams)

22. Equity

As of 31 March 2024 the Bank's registered and paid-in share capital was AMD 19,947,633 thousand (2023: AMD 19,947,633 thousand).

In accordance with the Bank's statutes, the share capital consists of 66,492 ordinary shares, all of which have a par value of AMD 300,000 each and of 333 privileged shares, all of which have a par value of AMD 100 each (2023: 66,492 ordinary shares and 333 privileged shares).

The respective shareholdings as at 31 March 2024 and 31 December 2023 may be specified as follows:

	31 March 2024		31 December 2023	
	<i>Paid-in share capital</i>	<i>% of total paid-in capital</i>	<i>Paid-in share capital</i>	<i>% of total paid-in capital</i>
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 S.a.r.l	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.

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

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

(thousands of Armenian drams)

22. Equity (continued)

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.

23. Net interest income

Net interest income comprises:

	01/01/24- 31/03/24	01/01/23- 31/03/23
Financial assets measured at amortized cost		
Loans to customers	7,871,189	5,995,815
Investment securities	181,023	238,324
Amounts due from banks	231,558	95,452
Finance leases	65,700	13,233
Cash equivalents	13,302	5,104
Other interest income	4,010	3,311
Financial assets measured at fair value through other comprehensive income	2,662,366	2,237,574
Interest revenue calculated using effective interest rate	11,029,148	8,588,813
Trading securities	12,508	10,590
Other interest revenue	12,508	10,590
Total interest revenue	11,041,656	8,599,403
Amounts due to customers	3,414,808	2,655,014
Other borrowed funds	608,409	581,793
Debt securities issued	329,671	291,445
Amounts due to banks	379,886	40,169
Subordinated loans	-	418
Lease liabilities	56,717	40,666
Interest expense	4,789,491	3,609,505
Net interest income	6,252,165	4,989,898

(thousands of Armenian drams)

24. Credit loss expense

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 31 March 2024:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(976)	-	-	(976)
Amounts due from banks	8	(1,696)	-	-	(1,696)
Loans and advances to customers	9	150,538	90,714	(471,478)	(230,226)
Debt securities measured at amortised cost	10	(888)	-	-	(888)
Debt securities measured at FVOCI	10	190	-	-	190
Other financial assets	14	5,446	17	1,382	6,845
Financial guarantees	22	658	-	-	658
Loan commitments	22	(37,083)	-	-	(37,083)
Letters of credit	22	224	-	-	224
Total credit loss expense		116,413	90,731	(470,096)	(262,952)

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

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(4,370)	-	-	(4,370)
Amounts due from banks	8	(16,956)	-	-	(16,956)
Loans and advances to customers	9	36,415	(32,693)	(325,972)	(322,250)
Debt securities measured at amortised cost	10	211	-	-	211
Debt securities measured at FVOCI	10	2,603	-	-	2,603
Other financial assets	14	(3,168)	73	(3,623)	(6,718)
Financial guarantees	22	1,946	-	-	1,946
Loan commitments	22	(3,210)	-	-	(3,210)
Letters of credit	22	(4,158)	-	-	(4,158)
Total credit loss expense		9,313	(32,620)	(329,595)	(352,904)

*(thousands of Armenian drams)***25. Net fee and commission income**

Net fee and commission income comprises: Settlement operation

	01/01/24- 31/03/24	01/01/23- 31/03/24
Plastic cards operations	2,022,962	1,747,726
Settlement operation	64,415	113,777
Wire transfer fees	169,116	168,417
Fees and commission income from loans	43,364	55,172
Guarantees and letters of credit	37,625	28,251
Other	195,914	267,601
Fee and commission income	2,533,397	2,380,944
Plastic cards operations	1,468,856	1,108,233
Expenses related to Armenian Card payment system	217,200	111,674
Settlement operation	22,208	39,574
Wire transfer fees	39,265	37,752
Guarantees and letters of credit	511	11,485
Other expense	54,714	112,421
Fee and commission expense	1,802,754	1,421,139
Net fee and commission income	730,643	959,805

26. Net trading income

	01/01/24- 31/03/24	01/01/23- 31/03/23
Net gains from foreign currency transactions	1,334,133	2,919,823
Net (loss)/gain from trading securities	41,637	46,638
Net loss on derivative financial instruments	164,931	(901,629)
Net income from operations with precious metals	4,883	64,925
Total net trading income	1,545,584	2,129,757

27. Other income

	01/01/24- 31/03/24	01/01/23- 31/03/23
Fines and penalties received	150,156	146,944
Income from cash collection services	-	4,286
Income from grants	606	606
Other income	67,047	179,208
Total other income	217,809	331,044

*(thousands of Armenian drams)***28. Personnel and other operating expenses**

Personnel and other operating expenses comprise:

	01/01/24- 31/03/24	01/01/23- 31/03/23
Salaries	2,299,920	2,081,616
Other expenses	59,770	70,868
Personnel expenses	2,359,690	2,152,484
Software maintenance expenses	278,040	254,317
Advertising costs	233,921	177,017
Insurance of deposits	115,622	111,828
Fixed assets repair and maintenance expenses	62,385	68,959
Communications	44,948	51,030
Security	49,155	52,615
Taxes, other than income tax, duties	67,605	51,989
Office supplies	33,417	33,575
Consulting	15,746	22,360
Audit	23,100	10,500
Insurance expenses	36,882	30,441
Utility expenses	39,354	44,919
Business trip expenses	9,453	16,369
Financial system mediator	12,662	11,555
Lease expenses	7,124	11,661
Other expenses	130,453	84,080
Other operating expenses	1,159,867	1,033,215

(thousands of Armenian drams)

29. Risk management

Introduction

The Bank'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 Bank and is designed to improve the financial position and the reputation of the Bank .

The aim of the risk management process is the assistance to the management of the Bank 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 Bank 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 Bank's authorized body. The identification, measurement, supervision and monitoring of the Bank's risks are ongoing and regular processes. The risk analysis is an integral part of the Bank's strategic planning, as well as the evaluation of investment programs. The Bank'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 Bank's assets and liabilities, implementation of monitoring by a frequency consistent with the risks undertaken by the Bank, management of the risk concentrations, the ongoing cooperation between the risk management administration and departments.

Risk management structure

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

The Board

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

Direction

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

- ▶ Approval of complex measures, in agreement with the Board, based on the Bank's risk management, associated with the Bank'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;

(thousands of Armenian drams)

- ▶ Determining internal norms for banking risks regulation and supervision.

The Executive Board is responsible for the management of the Bank's assets and liabilities, as well as the overall financial system. The Bank's Executive Board is also responsible for the Bank's liquidity financial risks. The Executive Board is designed to fulfil the functions of the Bank'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 Bank, as well as monitoring over their implementation;
- ▶ Analysis of the risk level of loans issued by the Bank 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 Bank's property;
- ▶ Management of the doubtful loans portfolio.

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of the procedures and the Bank'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 Bank 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 Bank 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 Bank 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 Bank 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.

(thousands of Armenian drams)

29. Risk management (continued)

Risk management structure (continued)

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 Bank and its competitors.

The interest rate risk is managed by the Risk Management Division of the Bank by elaborating and implementing interest rate mitigation mechanisms/models, based on which the Bank'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 Bank's Risk management division presents monthly analysis of the Bank's expected repayments, amounts to be lent and the positions to the Bank's Assets and Liabilities Management Committee. The liquidity risk management includes the elaboration of pricing mechanisms for assets of the Bank, limits of amounts attracted by the Bank, their types or gross interest expenses, limits on concentrations of the financial sources used by the Bank for fulfilling the liquidity requirements, the diversification of the maturities of the borrowings, limits on the borrowings attracted from the Bank's related parties aimed at satisfying the liquidity needs, principles and methods for determining the interest rate risk limit, including the interest rate risk and limits related to the off-balance sheet items, the intended level of interest margins, mechanisms and procedures of making decisions on attraction and attribution of financial means, acceptable limits of maturity gaps between the Bank's assets and liabilities, the ways of coordinating the Bank's other divisions activities, who can influence the Bank'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 Bank's executive body and Board.

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

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

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

(thousands of Armenian drams)

29. Risk management (continued)

Risk management structure (continued)

Excessive risk concentrations

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

For avoiding the excessive risk concentrations, the Bank'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 Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank 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 Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank 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 statement of financial position.

Credit-related commitments risks

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

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

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

(thousands of Armenian drams)

29. Risk management (continued)

Risk management structure (continued)

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

Impairment assessment

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

- Stage 1: When loans are first recognised, the Bank 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 Bank records an allowance for the LTECL.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.

(thousands of Armenian drams)

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

Definition of default and cure

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

Loans customers

Bucketing

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

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

(thousands of Armenian drams)

29. Risk management (continued)

Credit risk (continued)

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

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

Exposure at default

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

Loss given default

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

Significant increase in credit risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The objective criterion used by the Bank is the information on overdue days of the loans. The Bank 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:

(thousands of Armenian drams)

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

Forward-looking information and multiple economic scenarios

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

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

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank internal credit ratings, as described above. The Bank 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	High grade
Baa3 to Baa1 / BBB- to BBB+	Standard grade
Ba3 to Ba1 / BB- to BB+	Sub-standard grade
Below Ba3 / BB-	Impaired

In the table below loans to customers of high grade are those having a minimal level of credit risk, i.e. very well collateralized (cash collateral or state guarantee). Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises not past due loans below standard grade but not individually impaired. For banks and securities the Bank determines allocation to grades depending on ratings given by international rating agencies.

The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Bank's credit rating system.

(thousands of Armenian drams)

31 March 2024	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	4,725,419	33,248,232			37,973,651
Amounts due from banks	8	Stage 1	1,055,972	52,563,417			53,619,389
Loans to customers at amortised cost	11						
		Stage 1	110,436	33,635,038			33,745,474
		Stage 2			767,757		767,757
- SME		Stage 3				2,022,505	2,022,505
		Stage 1	37,915,772	37,165,925			75,081,697
- Corporate lending		Stage 2	-	-	536,015		536,015
		Stage 3	-	-	-	4,089,185	4,089,185
		Stage 1	1,307,620	53,581,207			54,888,827
- Consumer lending		Stage 2	-	-	1,082,299		1,082,299
		Stage 3	-	-	-	1,923,405	1,923,405
		Stage 1	66,261	84,371,875			84,438,136
- Residential mortgages		Stage 2	-	-	974,942		974,942
		Stage 3	-	-		951,110	951,110
		Stage 1	-	24,033,369			24,033,369
- Other gold		Stage 2	-	-	224,660		224,660
		Stage 3	-	-		54,920	54,920
Debt investment securities	10						
- Measured at FVOCI		Stage 1	28,637,507	73,957,823			102,595,330
- Measured at amortised cost		Stage 1		6,186,684			6,186,684
- Measured at FVOCI pledged under repurchase agreements		Stage 1		30,413,174			30,413,174
Other financial assets	14	Stage 1	212,368	882,857			1,095,225
		Stage 2			4,621		4,621
		Stage 3				3,297	3,297
Undrawn loan commitments	22	Stage 1	-	11,716,758			11,716,758
Letter of credits	22	Stage 1	-	14,899			14,899
Guarantees	22	Stage 1	-	8,555,548			8,555,548
Total			74,031,355	450,326,806	3,590,294	9,044,422	536,992,877

31 December 2023	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	6	Stage 1	2,714,771	26,920,018	-	-	29,634,789
Amounts due from banks	8	Stage 1	938,219	36,025,619	-	-	36,963,838
Loans to customers at amortised cost	11						
		Stage 1	89,219	32,724,790			32,814,009
		Stage 2			705,696		705,696
- SME		Stage 3				1,880,360	1,880,360
		Stage 1	34,444,558	40,980,102			75,424,659
- Corporate lending		Stage 2	-	-	-		-

(thousands of Armenian drams)

		Stage 3	-	-	-	4,998,734	4,998,734
		Stage 1	1,718,526	51,658,511	-	-	53,377,037
- Consumer lending		Stage 2	-	-	1,096,927	-	1,096,927
		Stage 3	-	-	-	1,812,543	1,812,543
		Stage 1	-	82,333,016	-	-	82,333,016
- Residential mortgages		Stage 2	-	-	916,087	-	916,087
		Stage 3	-	-	-	849,046	849,046
		Stage 1	-	22,432,489	-	-	22,432,489
- Other gold		Stage 2	-	-	144,414	-	144,414
		Stage 3	-	-	-	55,748	55,748
Debt investment securities	10						
- 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	14	Stage 1	500,545	674,150.86			1,174,696
		Stage 2			2,895		2,895
		Stage 3				4,764	4,764
Undrawn loan commitments	22	Stage 1	-	14,457,798			14,457,798
Letter of credits	22	Stage 1	-	-	-	-	-
Guarantees	22	Stage 1	-	8,494,788	-	-	8,494,788
Total			71,069,138	427,370,411	2,866,019	9,601,195	510,906,763

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

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

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 March 2024 and 31 December 2023.

	31 March 2024			Total
	Armenia	Other non-OECD countries	OECD countries	
Assets				
Cash and cash equivalents	32,828,865	9,707,669	4,863,809	47,400,342
Trading securities	1,023,612	-	-	1,023,612
Amounts due from banks	29,529,298	6,243,027	17,824,258	53,596,584
Derivative financial assets	2,444	17,084	-	19,528
Loans and advances to customers	244,102,526	33,841,324	145,364	278,089,214
Investment securities	79,218,794	533,949	29,300,498	109,053,241
Securities pledged under repurchase agreements	30,413,174	-	-	30,413,174
Other financial assets	856,150	803	212,396	1,069,349

(thousands of Armenian drams)

	417,974,863	50,343,856	52,346,325	520,665,044
Liabilities				
Amounts due to banks	25,205,166	22,414	106,043	25,333,623
Derivative financial liabilities	-	31,813	-	31,813
Amounts due to customers	277,054,147	73,849,735	9,367,261	360,271,143
Debt securities issued	18,201,145	1,609,152	535,596	20,345,893
Other borrowed funds	35,657,821	-	1,716,335	37,374,156
Lease liabilities	1,861,410	45,955	-	1,907,365
Other liabilities	3,031,991	8,047	-	3,040,038
	361,011,680	75,567,115	11,725,236	448,304,031
Net assets/(liabilities)	56,963,183	(25,223,260)	40,621,089	72,361,013

Other non-OECD countries as of 31 March 2024 are mostly represented by Russia, Georgia, Argentina, Uruguay, United Arab Emirates, Lebanon, etc.

	31 December 2023			
	Armenia	Other non-OECD countries	OECD countries	Total
Assets				
Cash and cash equivalents	22,932,312	12,647,552	3,013,545	38,593,409
Trading securities	970,372	-	-	970,372
Amounts due from banks	29,130,499	2,460,358	5,348,480	36,939,337
Derivative financial assets	581	72,065	-	72,646
Loans and advances to customers	236,919,619	34,748,121	163,285	271,831,024
Investment securities	99,338,173	1,212,941	32,924,374	133,475,489
Securities pledged under repurchase agreements	7,927,279	-	-	7,927,279
Other financial assets	910,820	847	242,326	1,153,994
	398,129,655	51,141,884	41,692,011	490,963,550
Liabilities				
Amounts due to banks	4,106,870	7,491	61,606	4,175,967
Derivative financial liabilities	-	31,110	-	31,110
Amounts due to customers	284,649,520	66,029,504	9,570,632	360,249,656
Debt securities issued	18,125,307	1,691,969	550,072	20,367,348
Other borrowed funds	35,377,696	-	1,874,051	37,251,747
Lease liabilities	1,894,332	48,481	-	1,942,813
Subordinated debt	-	-	-	-
Other liabilities	2,507,043	24,300	-	2,531,343
	346,660,768	67,832,855	12,056,362	426,549,984
Net assets/(liabilities)	51,468,887	(16,690,971)	29,635,649	64,413,566

(thousands of Armenian drams)

Other non-OECD countries as of 31 December 2023 are mostly represented by Russia, Georgia, Argentina, Uruguay, United Arab Emirates, Lebanon, etc.

29. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank 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 Bank 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 Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 4% of certain obligations of the Bank denominated in Armenian drams and 6% on certain obligations of the Bank denominated in foreign currency in Armenian drams and 12% on certain obligations of the Bank 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 Bank.

The liquidity management of the Bank 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 Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 31 March 2024 and 31 December 2023, these ratios were as follows:

	Threshold	31 March 2024, %	31 December 2023, %
N21 "General Liquidity Ratio" (highly liquid assets / total assets)	Min 15%	44.26	44.42
N22 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	Min 60%	119.51	114.60

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 March 2024 based on contractual undiscounted repayment obligations. See Note 34 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

(thousands of Armenian drams)

29. Risk management (continued)**Liquidity risk and funding management (continued)**

	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	25,292,705	-	-	-	58,992	25,351,697	25,333,623	
Derivative liabilities	31,813					31,813	31,813	
Amounts due to customers	180,034,843	20,694,566	104,621,928	58,444,626	1,162,570	364,958,533	360,271,143	
Other borrowed funds	921,156	890,360	3,916,320	22,473,431	20,433,408	48,634,676	37,374,156	
Debt securities issued	9,898,245	774,923	3,000,000	7,865,600	-	21,538,768	20,345,894	
Lease liabilities	66,843	129,979	550,969	1,974,578	912,421	3,634,790	1,907,365	
Total undiscounted financial liabilities	216,245,606	22,489,827	112,089,218	90,758,236	22,567,391	464,150,277	445,263,993	
Commitments and contingent liabilities	20,287,205	-	-	-	-	20,287,205	20,287,205	

	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	4,182,685	4,175,967	
Derivative liabilities	31,110	-	-	-	-	31,110	31,110	
Amounts due to customers	180,871,307	22,666,020	94,804,448	65,649,259	1,195,188	365,186,222	360,249,656	
Other borrowed funds	633,580	452,558	4,600,720	22,270,819	20,682,041	48,639,719	37,251,746	
Debt securities issued	-	-	13,452,980	8,095,800	-	21,548,780	20,367,349	
Lease liabilities	71,841	138,932	577,317	1,856,177	809,737	3,454,004	1,942,813	
Subordinated debt	-	-	-	-	-	-	-	
Total undiscounted financial liabilities	185,664,529	23,322,784	113,435,466	97,872,056	22,747,686	443,042,520	424,018,642	
Commitments and contingent liabilities	22,952,586	-	-	-	-	22,952,586	22,952,586	

(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 Bank classifies exposures to market risk into either trading or non-trading portfolios. Non-trading positions are managed and monitored using other sensitivity analyses.

Interest rate risk

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

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

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities and on net trading income, based on trading instruments held at 31 March. The sensitivity of equity is calculated by revaluing debt financial assets measured at FVOCI at 31 March for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	Increase in basis points 31 March 2024	Sensitivity of net interest income 31 March 2024	Sensitivity of equity 31 March 2024
AMD	3.18%	(44,912)	(9,038,175)
USD	2.18%	-	(941,941)
EUR	1.36%	-	(45,698)
Currency	Decrease in basis points 31 March 2024	Sensitivity of net interest income 31 March 2024	Sensitivity of equity 31 March 2024
AMD	3.18%	44,912	9,038,175
USD	2.18%	-	941,941
EUR	1.36%	-	45,698

(thousands of Armenian drams)

29. Risk management (continued)**Market risk (continued)**

Currency	Increase in basis points	Sensitivity of net interest income	Sensitivity of equity
	31 December 2023	31 December 2023	31 December 2023
AMD	3.18%	(46,935)	(9,009,009)
USD	2.18%	-	(1,020,956)
EUR	1.36%	-	(50,419)

Currency	Decrease in basis points	Sensitivity of net interest income	Sensitivity of equity
	31 December 2023	31 December 2023	31 December 2023
AMD	3.18%	46,935	9,009,009
USD	2.18%	-	1,020,956
EUR	1.36%	-	50,419

Currency risk

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

The tables below indicate the currencies to which the Bank had significant exposure at 31 March 2024 and 31 December 2023 on its non-trading monetary assets and liabilities. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant, on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase

Currency	31 March 2024		31 December 2023	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	12.62%	57,662	12.62%	390,007
USD	(12.62%)	(57,662)	(12.62%)	(390,007)
EUR	21.31%	(15,498)	21.31%	(21,386)
EUR	(21.31%)	15,498	(21.31%)	21,386

(thousands of Armenian drams)

29. Risk management (continued)

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Board of the Bank. 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 Bank 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 Bank are prepared by the Bank's Legal Department by cooperating with the Bank's appropriate departments and are approved by the Bank's Executive Board. In the Bank's day-to-day operations non-standard contracts between the Bank and third parties are allowed only in case of appropriate conclusion from the Bank'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 Bank'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 Bank's risks and supervises the Bank's activity and operational risks.

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

(thousands of Armenian drams)

30. Fair value measurements

Fair value measurement procedures

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

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

*(thousands of Armenian drams)***30. Fair value measurements (continued)****Financial instruments that are not measured at fair value**

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

	31 March 2024				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Loans and advances to customers	-	-	279,686,082	279,686,082	278,089,214
Investment securities at amortised cost	-	6,233,722	-	6,233,722	6,177,355
Financial liabilities					
Amounts due to customers	-	-	361,082,162	361,082,162	360,271,143
Other borrowed funds	-	-	35,920,708	35,920,708	37,374,156
Debt securities issued	-	19,750,383	-	19,750,383	20,345,893
	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	-	-	361,247,244	361,247,244	360,249,656
Other borrowed funds	-	-	34,653,186	34,653,186	37,251,747
Debt securities issued	-	20,082,581	-	20,082,581	20,367,348

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)

30. Fair value measurements (continued)

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 (2023: 3% to 24% per annum).

Financial instruments that are measured at fair value (continued)

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

	31 March 2024		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	1,023,612	1,023,612
Derivative financial assets	-	19,528	19,528
Investment securities at FVOCI	28,637,507	74,238,379	102,875,886
Investment securities at FVOCI pledged under repurchase agreements	-	30,413,174	30,413,174
Total	28,637,507	105,694,693	134,332,200
Financial liabilities			
Derivative financial liabilities	-	31,813	31,813
Net fair value	28,637,507	105,662,880	134,300,387
	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

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

(thousands of Armenian drams)

30. Fair value measurements (continued)**Fair value measurement of non-financial assets and liabilities**

	31 March 2024	
	Level 3	Total
Non-financial assets		
Land and buildings	5,131,656	5,131,656
Total	5,131,656	5,131,656
	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

Fair value measurements in Level 3

The Bank'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 2024	5,164,027	5,164,027
Purchases	3,914	3,914
Depreciation charge	(36,285)	(36,285)
Net fair value at 31 March 2024	5,131,656	5,131,656
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

Fair value of the Bank'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.

(thousands of Armenian drams)

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.

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

Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The securities sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange, or other financial assets. If the securities increase or decrease in value, the Bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The Bank 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 Bank 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 Bank, which instead records a separate asset for any cash given.

As at 31 March 2024 Bank had no amounts to be received from banks under reverse repurchase agreements (2023: AMD 6,068,320 thousand).

32. Offsetting of financial instruments

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

	Gross amount of recognised financial assets	Net amount of financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Non-cash collateral received	
31 March 2024						
Financial liabilities						
Amounts due from banks - reverse repo	424,620	-	424,620	-	424,620	-
Loans and advances to customers -	7,233,422	-	7,233,422	-	7,233,422	-

(thousands of Armenian drams)

reverse repo						
Total	<u>7,658,042</u>	<u>-</u>	<u>7,658,042</u>	<u>-</u>	<u>7,658,042</u>	<u>-</u>

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Non-cash collateral received	
31 December 2023						
Financial liabilities						
Amounts due from banks - reverse repo	-	-	-	-	-	-
Loans and advances to customers - reverse repo	7,400,589	-	7,400,589	-	(7,400,589)	-
Total	<u>7,400,589</u>	<u>-</u>	<u>7,400,589</u>	<u>-</u>	<u>(7,400,589)</u>	<u>-</u>

(thousands of Armenian drams)

33. Maturity analysis of assets and liabilities

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

	31 March 2024								
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal less over 12 months	No maturity	Total
Cash and cash equivalents	47,400,342	0	0	47,400,342	0	0	0	0	47,400,342
Trading securities	21,174	0	0	21,174	486,786	515,651	1,002,437	0	1,023,612
Derivative financial assets	19,528	0	0	19,528	0	0	0	0	19,528
Amounts due from banks	47,284,700	0	1,195,919	48,480,619	0	0	0	5,115,965	53,596,584
Loans and advances to customers	12,279,848	36,486,408	39,716,933	88,483,189	98,354,296	91,251,729	189,606,025	0	278,089,214
Investment securities	12,298,282	14,788,833	16,658,486	43,745,601	43,226,270	21,800,722	65,026,992	280,648	109,053,241
Investment securities pledged under repurchase agreements	4,700,145	0	0	4,700,145	7,696,818	18,016,210	25,713,029	0	30,413,174
Property, plant and equipment	0	0	0	0	0	0	0	10,920,542	10,920,542
Intangible assets	0	0	0	0	0	0	0	887,974	887,974
Repossessed assets	0	0	791,713	791,713	0	0	0	0	791,713
Other assets	1,965,258	162,589	468,897	2,596,745	618,540	40,192	658,732	1,865	3,257,342
Total assets	125,969,278	51,437,829	58,831,948	236,239,056	150,382,710	131,624,505	282,007,215	17,206,994	535,453,266
Liabilities									
Amounts due to banks	25,274,631	0	0	25,274,631	0	0	0	58,992	25,333,623
Derivative financial liabilities	31,813	0	0	31,813	0	0	0	0	31,813
Amounts due to customers	179,910,036	19,980,547	101,601,952	301,492,535	57,624,795	1,153,813	58,778,608	0	360,271,143
Other borrowed funds	855,672	619,418	2,280,340	3,755,431	15,994,261	17,624,464	33,618,725	0	37,374,156
Debt securities issued	9,315,331	164,962	3,000,000	12,480,293	7,865,600	0	7,865,600	0	20,345,893
Lease liabilities	33,070	63,747	277,734	374,551	1,036,280	496,533	1,532,813	0	1,907,365
Current income tax liabilities	3,102,917	0	0	3,102,917	0	0	0	0	3,102,917
Deferred tax liabilities	0	0	0	0	1,105,927	0	1,105,927	0	1,105,927
Other liabilities	262,238	1,434,322	1,112,321	2,808,881	1,138,979	10,862	1,149,841	0	3,958,722
Provisions on commitments and contingencies	287,679	0	0	287,679	0	0	0	0	287,679
Total liabilities	219,073,388	22,262,996	108,272,347	349,608,732	84,765,842	19,285,672	104,051,514	58,992	453,719,238
Net position	(93,104,110)	29,174,833	(49,440,399)	(113,369,676)	65,616,868	112,338,833	177,955,701	17,148,002	81,734,028
Accumulated gap	(93,104,110)	(63,929,277)	(113,369,676)		(47,752,809)	64,586,024			

(thousands of Armenian drams)

31 December 2023									
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal less over 12 months	No maturity	Total
Cash and cash equivalents	38,593,409	-	-	38,593,409	-	-	-	-	38,593,409
Trading securities	638,081	-	8,666	646,747	-	323,625	323,625	-	970,372
Derivative financial assets	72,646	-	-	72,646	-	-	-	-	72,646
Amounts due from banks	8,787,399	-	-	8,787,399	-	-	-	28,151,938	36,939,337
Loans and advances to customers	12,521,204	34,786,985	40,939,653	88,247,842	95,404,839	88,178,343	183,583,182	-	271,831,024
Investment securities	87,327,140	20,399,894	15,917,172	123,644,207	9,750,927	-	9,750,927	80,355	133,475,489
Investment securities pledged under repurchase agreements	-	-	1,049,190	1,049,190	6,878,089	-	6,878,089	-	7,927,279
Property, plant and equipment	-	-	-	-	-	-	-	11,095,293	11,095,293
Intangible assets	-	-	-	-	-	-	-	882,208	882,208
Reposessed assets	-	-	804,122	804,122	0	-	-	-	804,122
Other assets	3,048,832	16,970	805,618	3,871,420	250,526	41,251	291,777	1,865	4,165,062
Total assets	150,988,711	55,203,851	59,524,421	265,716,983	112,284,381	88,543,219	200,827,600	40,211,659	506,756,242
Liabilities									
Amounts due to banks	4,053,648	61,600	-	4,115,248	-	-	-	60,719	4,175,967
Derivative financial liabilities	31,110	-	-	31,110	-	-	-	-	31,110
Amounts due to customers	180,754,820	22,133,488	91,386,739	294,275,046	64,790,678	1,183,932	65,974,610	-	360,249,656
Other borrowed funds	573,143	207,953	2,884,396	3,665,492	15,774,735	17,811,520	33,586,255	-	37,251,747
Debt securities issued	-	-	12,271,548	12,271,548	8,095,800	-	8,095,800	-	20,367,348
Lease liabilities	38,832	74,439	315,731	429,002	1,018,034	495,777	1,513,811	-	1,942,813
Current income tax liabilities	-	-	2,675,304	2,675,304	-	-	-	-	2,675,304
Deferred tax liabilities	-	-	-	-	494,462	-	494,462	-	494,462
Other liabilities	231,437	223,206	2,448,666	2,903,309	631,448	11,468	642,916	-	3,546,225
Provisions on commitments and contingencies	323,878	-	-	323,878	-	-	-	-	323,878
Total liabilities	186,006,868	22,700,686	111,982,383	320,689,937	90,805,157	19,502,698	110,307,855	60,719	431,058,510
Net position	(35,018,155)	32,503,165	(52,457,963)	(54,972,953)	21,479,224	69,040,521	90,519,745	40,150,940	75,697,732
Accumulated gap	(35,018,155)	(2,514,991)	(54,972,953)		(33,493,729)	35,546,792			

The table below shows an analysis of assets and liabilities analysed according to securities instant liquidity as at 31 March 2024 and 31 December 2023. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

(thousands of Armenian drams)

34. 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 financial statements, related parties include the Parent, entities under common control, members of Bank's Management as well as other persons and enterprises related with and controlled by them respectively. The ultimate controlling party of the Bank is Argentinean businessman E. Eurnekian.

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

The outstanding balances of related party transactions are as follows:

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

	31 March 2024			31 December 2023		
	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
Statement of financial position						
Loans and advances to customers						
Loans outstanding at 1 January, gross	13,549	31,466,748	257,150	11,719	30,103,012	230,755
Loans issued during reporting period	13,504	1,614,692	323,032	54,104	15,911,861	1,055,639
Loan repayments during reporting period	(24,470)	(1,957,651)	(310,705)	(52,274)	(14,548,125)	(1,029,244)
Loans outstanding at the end of the reporting period, gross	2,583	31,123,789	269,477	13,549	31,466,748	257,150
Less: allowance for loan impairment	(39)	(7,850)	(2,655)	(204)	(5,111)	(2,501)
Loans outstanding at the end of the reporting period, net	<u>2,544</u>	<u>31,115,939</u>	<u>266,822</u>	<u>13,345</u>	<u>31,461,637</u>	<u>254,649</u>
Amounts due to customers						
Deposits at 1 January	60,249	49,810,797	1,351,464	219,593	38,071,478	1,110,438
Deposits received during reporting period	47,692	34,967,218	3,713,128	6,852,465	152,653,381	9,893,988
Deposits repaid during reporting period	(75,813)	(31,317,001)	(3,869,076)	(7,011,809)	(140,914,062)	(9,652,962)
Deposits at the end of the reporting period	<u>32,128</u>	<u>53,461,014</u>	<u>1,195,516</u>	<u>60,249</u>	<u>49,810,797</u>	<u>1,351,464</u>
Amounts due to customers – subordinated debt						
Subordinated debt at 1 January	-	-	-	-	276,140	-
Redemption of subordinated loans	-	-	-	-	(276,346)	-
Net result from FX revaluation	-	-	-	-	849	-

(thousands of Armenian drams)

Other movements	-	-	-	-	(643)	-
Subordinated debt at the end of the reporting period	-	-	-	-	-	-
Items not recognised in the statement of financial position						
Guarantees given	-	-	-	-	-	-
Statement of comprehensive income						
Interest income	-	590,737	5,402	-	580,024	5,991
Fee and commission income	4	9,792	996	16	8,196	998
Other income	4	13,744	1,429	17	16,815	613
Interest expense	(131)	(368,345)	(16,552)	(659)	(357,725)	(12,021)
Impairment charge	165	(2,739)	(154)	145	(751)	(279)
Other expenses	-	(8,145)	0	(3)	(7,724)	(8,156)

Compensation of key management personnel was comprised of the following:

	31 March 2024	31 March 2023
Salaries and other short-term benefits	159,957	143,293
Total key management personnel compensation	159,957	143,293

(thousands of Armenian drams)

35. 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 2022	18, 20, 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
Non-cash transactions		-	-	-	907,903	907,603
Other		32,659	25,889	(642)	161,049	218,955
Carrying amount at 31 December 2023	18, 20, 21	20,367,348	37,251,747	-	1,942,813	59,561,908
Proceeds from issue		-	1,161,837	-	-	1,161,837
Redemption		-	(1,080,286)	-	(129,130)	(1,209,416)
Foreign currency translation		(352,498)	-	-	-	(352,498)
Non-cash transactions		-	-	-	36,965	36,965
Other		331,043	40,858	-	56,717	428,618
Carrying amount at 31 March 2024	18, 20, 21	20,345,893	37,374,156	-	1,907,365	59,627,414

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

36. Capital adequacy

The Bank 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 Bank’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 Bank 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 Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Bank 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

(thousands of Armenian drams)

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 2023 this minimum levels of N1.1, N1.2 and N1 ratios were accordingly 6.2%, 8.3% and 11%). The Bank is in compliance with the statutory capital ratio as at 31 March 2024 and 31 December 2023.

The following table shows the composition of capital position calculated in accordance with requirements set by the Central Bank of Armenia, as at 31 March 2024 and 31 December 2023:

	31 March 2024	31 December 2023
Tier 1 capital	67,161,840	70,414,751
Tier 2 capital	3,095,049	2,897,851
Total capital	70,256,889	73,312,602
Risk-weighted assets	417,476,943	402,120,090
Capital adequacy ratio N1.1	16.09%	17.51%
Capital adequacy ratio N1.2	16.09%	17.51%
Capital adequacy ratio N1	16.83%	18.23%

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 Bank has complied with externally imposed capital requirements through the period.