



Converse Bank Closed Joint-Stock Company

Financial statements

for the period ended 30 September 2024

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Statement of financial position**as of 30 September 2024***(thousands of Armenian drams)*

	Notes	30 September 2024	31 December 2023
Assets			
Cash and cash equivalents	5	44,360,109	37,214,306
Trading securities	6	944,718	970,372
Amounts due from banks	7	50,808,865	37,318,440
Derivative financial assets	8	5,392	72,646
Loans and advances to customers	9	306,100,835	271,831,024
Investments securities	10		
- Held by the Bank		72,728,052	133,475,489
- Pledged under sale and repurchase agreements		53,888,186	7,927,279
Property, equipment and right-of-use assets	11	11,150,042	11,095,293
Intangible assets	12	913,467	882,208
Repossessed assets	13	746,606	804,122
Other assets	14	3,942,353	4,165,063
Total assets		<u>545,588,625</u>	<u>505,756,242</u>
Liabilities			
Amounts due to banks	15	51,520,462	4,175,967
Derivative financial liabilities		50,090	31,110
Amounts due to customers	16	341,862,933	359,249,656
Current tax liabilities	18	1,367,679	2,675,304
Debt securities issued	17	20,171,577	20,367,348
Other borrowed funds	19	37,216,660	37,251,747
Lease liabilities	32	1,874,812	1,942,813
Provisions for credit related commitments	20	287,609	323,878
Deferred tax liabilities	18	1,505,400	494,462
Other liabilities	14	4,243,298	3,546,225
Total liabilities		<u>460,100,520</u>	<u>430,058,510</u>
Equity			
Share capital	21	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		3,499,333	3,572,171
Revaluation reserve for investment securities		960,053	(1,368,416)
Retained earnings		52,169,671	44,634,929
Total equity		<u>85,488,105</u>	<u>75,697,732</u>
Total equity and liabilities		<u>545,588,625</u>	<u>505,756,242</u>

Signed and authorised for release on behalf of the Management Board of the Bank on 15 October 2024. .

Andranik Grigoryan

Chief Executive Officer –
Chairman of Executive Management

Davit Azatyan

Chief Accountant

Statement of profit and loss
for the period ended 30 September 2024

(thousands of Armenian drams)

	Note	01/07/24- 30/09/24	01/01/24- 30/09/24	01/07/23- 30/09/23	01/01/23- 30/09/23
Interest revenue calculated using effective interest rate	22	11,602,607	33,567,125	9,664,460	27,093,380
Other interest revenue	22	11,378	36,295	10,813	32,032
Interest expense	22	(4,958,590)	(14,523,569)	(4,169,139)	(11,502,157)
Net interest income		6,655,395	19,079,851	5,506,134	15,623,255
Net impairment losses on financial instruments	26	(215,718)	62,743	(1,405,230)	(2,080,594)
Net interest income after credit loss expense		6,439,677	19,142,594	4,100,904	13,542,661
Fee and commission income	23	2,830,145	8,122,654	2,574,583	7,691,657
Fee and commission expense	23	(1,759,479)	(5,342,890)	(1,937,612)	(5,133,109)
Net trading income	24	1,316,780	4,919,729	1,488,863	5,402,866
Net gain from foreign currency translation		396,351	(330,726)	116,683	1,074,591
Gains less losses from investment securities measured at fair value through other comprehensive income		121,756	427,348	(4,705)	58,693
Other income	25	161,412	601,398	238,323	575,462
Non-interest income		3,066,965	8,397,513	2,476,135	9,670,160
Personnel expenses	27	(2,551,404)	(7,655,679)	(2,208,975)	(6,619,993)
Depreciation of property and equipment and right-of- use asset	11	(335,486)	(1,007,708)	(322,813)	(905,692)
Amortization of intangible assets	12	(28,848)	(82,293)	(22,376)	(63,124)
Administrative and other operating expenses	27	(1,318,682)	(3,796,543)	(1,042,685)	(3,242,151)
Non-interest expense		(4,234,420)	(12,542,223)	(3,596,849)	(10,830,960)
Profit before income tax expense		5,272,222	14,997,884	2,980,190	12,381,861
Income tax expense	18	(1,141,247)	(3,068,433)	(556,816)	(2,356,564)
Profit for the period		4,130,975	11,929,451	2,423,374	10,025,297

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

Statement of comprehensive income
for the period ended 30 September 2024

(thousands of Armenian drams)

	<i>Note</i>	01/07/24- 30/09/24	01/01/24- 30/09/24	01/07/23- 30/09/23	01/01/23- 30/09/23
Profit for the period		4,130,975	11,929,451	2,423,374	10,025,297
Other comprehensive income not to be reclassified to profit or loss					
Revaluation of property and equipment		-	-	-	-
Income tax effect		-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-	-	-
Other comprehensive income that is or may be reclassified to profit or loss					
Unrealised gain/(loss) on debt securities at FVOCI		(39,412)	3,240,898	1,298,065	4,285,447
Realised (loss)/gain on debt securities at FVOCI transferred to profit or loss		(121,756)	(427,348)	4,705	(58,693)
Changes in allowance for expected credit losses of debt instruments at FVOCI		13,803	26,046	17,850	24,958
Income tax effect	18	26,526	(511,127)	(237,712)	(765,308)
Net other comprehensive income/(loss) that is or to be reclassified to profit or loss		(120,839)	2,328,469	1,082,908	3,486,404
Other comprehensive income/(loss) for the period, net of tax		(120,839)	2,328,469	1,082,908	3,486,404
Total comprehensive income for the period		4,010,136	14,257,920	3,506,282	13,511,701

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

Statement of changes in equity
for the period ended 30 September 2024

(thousands of Armenian drams)

	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory general reserve</i>	<i>Revaluation reserve for securities at fair value through OCI</i>	<i>Revaluation reserve of PPE</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 1 January 2023/audited/	19,947,633	63,233	8,848,182	(4,099,566)	3,669,287	34,346,235	62,775,004
Issue of share capital							-
Distribution to general reserve							-
Dividends to shareholders						(4,432,091)	(4,432,091)
Transactions with owners	-	-	-	-	-	(4,432,091)	(4,432,091)
Profit for the period						10,025,297	10,025,297
Other comprehensive income for the period				3,486,404		-	3,486,404
Total comprehensive income for the period	-	-	-	3,486,404	-	10,025,297	13,511,701
Depreciation of revaluation reserve					(72,837)	72,837	-
Balance as at 30 September 2023	19,947,633	63,233	8,848,182	(613,162)	3,596,450	40,012,278	71,854,614
Balance as at 1 January 2024/audited/	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						(4,467,547)	(4,467,547)
Transactions with owners	-	-	-	-	-	(4,467,547)	(4,467,547)
Profit for the period						11,929,451	11,929,451
Other comprehensive income for the period				2,328,469		-	2,328,469
Total comprehensive income for the period	-	-	-	2,328,469	-	11,929,451	14,257,920
Depreciation of revaluation reserve					(72,838)	72,838	-
Balance as at 30 September 2024	19,947,633	63,233	8,848,182	960,053	3,499,333	52,169,671	85,488,105

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

Statement of cash flows
for the period ended 30 September 2024

(thousands of Armenian drams)

Note	01/01/2024- 30/09/2024	01/01/2023- 30/09/2023
Cash flows from operating activities		
Interest received	32,447,051	25,782,336
Interest paid	(13,789,615)	(11,160,480)
Fees and commissions received	8,122,654	7,691,657
Fees and commissions paid	(5,342,890)	(4,762,697)
Net trading income received	4,597,994	5,245,870
Other income received	598,497	640,022
Personnel expenses paid	(7,138,330)	(6,812,922)
Administrative and other operating expenses paid	(3,745,600)	(3,494,329)
Cash flows from operating activities before changes in operating assets and liabilities	15,749,761	13,129,457
<i>Net (increase)/decrease in operating assets</i>		
Trading securities	91,707	22,802
Amounts due from banks	(14,206,155)	14,594,330
Loans and advances to customers	(37,465,132)	(18,025,097)
Repossessed assets	240,292	1,478,525
Other assets	207,481	(443)
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to banks	48,262,277	6,846,063
Amounts due to customers	(9,513,966)	6,983,689
Derivative financial liabilities	342,766	216,172
Other liabilities	142,744	432,476
Net cash from operating activities before income tax	3,851,775	25,677,974
Income tax paid	(3,902,294)	(4,229,766)
Net cash (used in)/from operating activities	(50,519)	21,448,208
Cash flows from investing activities		
Purchase of investment securities	(20,713,121)	(65,044,816)
Proceeds from sale and redemption of investment securities	37,186,474	45,469,134
Purchase of property and equipment	(978,961)	(1,733,487)
Proceeds from sale of property and equipment	45,556	101,489
Purchase of intangible assets	(113,552)	(256,200)
Net cash used in investing activities	15,426,396	(21,463,880)
Cash flows from financing activities		
Dividends paid to shareholders	(4,467,547)	(4,432,091)
Proceeds from debt securities issued	8,900,661	5,295,222
Redemption of debt securities issued	(8,914,400)	-
Proceeds from other borrowed funds	3,714,240	6,060,725
Repayment of other borrowed funds	(3,755,192)	(3,862,816)
Repayment of subordinated loans	-	(276,346)
Repayment of lease liabilities	(381,345)	433,805
Net cash from financing activities	(4,903,583)	3,218,499
Net (decrease)/increase in cash and cash equivalents	10,472,294	3,202,827
Cash and cash equivalents at the beginning of the year	37,214,306	50,293,614
Effect of exchange rates changes on cash and cash equivalents	(3,319,411)	(2,433,415)
Effect of expected credit losses on cash and cash equivalents	(7,080)	3,501
Cash and cash equivalents at the end of the period	44,360,109	51,066,527

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

(thousands of Armenian drams)

1. Background

(a) Principal activities

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

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

The Bank’s main office is in Yerevan and its 34 branches (2023: 33) are located in Yerevan and in different regions. The registered address of the head office is 26/1 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

As of 30 September 2024, the number of Bank’s employees is 909 (31 December 2023: 898).

As of 30 September 2024 and 31 December 2023, the shareholders of the Bank are:

Shareholder	30 September 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	100.000	100.000

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

Related party transactions are detailed in Note 31.

(b) Armenian business environment

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

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

(thousands of Armenian drams)

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

Functional currency of the Bank and its subsidiary is the currency of the primary economic environment in which the entities of the Bank operates. The Bank's and its subsidiary's functional and presentation currency is Armenian dram ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the entities of the Bank.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 30 September 2024 and 31 December 2023, were AMD 387.29 and AMD 404.79 to USD 1, and AMD 433.34 and AMD 447.90 to EUR 1, respectively.

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

(d) Use of estimates and judgments

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

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

Judgements

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

- ▶ classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3.
- ▶ establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss ("ECL") and selection of models used to measure ECL – Note 28.

Assumptions and estimations uncertainty

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

- ▶ impairment of financial instruments: determining inputs into the ECL measurement model – Note 28.

(e) Changes in material accounting policies

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

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

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

(thousands of Armenian drams)

3. Material accounting policies

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

(a) Financial assets and liabilities

Initial recognition

Date of recognition

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

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 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 Banks 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.

(thousands of Armenian drams)

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.

'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 income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

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.

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

(thousands of Armenian drams)

Performance guarantees are contracts that provide compensation if the applicant fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. The Bank has the contractual right to receive repayment from the applicant as reimbursement for any payments made to the beneficiary and therefore the Bank considers that has not accepted any insurance risk. The Bank considers that the primary purpose and nature of the contract is to provide funding to, and accept the credit risk of, the applicant.

Performance guarantees are recognized consistent with financial guarantees at higher of unamortized initial commission and loss reserves.

Reclassification of financial assets and liabilities

The 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 2024 and 2023 .

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), including the part of obligatory reserves denominated in AMD and balances (nostro accounts) due from other banks.

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

(c) Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the 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.

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

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

(e) Renegotiated loans

Where possible, the 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.

(thousands of Armenian drams)

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 income calculated using effective interest rate in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

(f) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a 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.

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.

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.

(g) 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.

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.

(thousands of Armenian drams)

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.

(h) Property and equipment

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

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

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

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

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

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

(i) Repossessed assets

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

(j) Equity

Share capital

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

Share premium

(thousands of Armenian drams)

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

Dividends

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

(k) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment reporting is based on the following operating segments: Retail Banking, Corporate Banking and Investment Banking.

(l) Recognition of income and expenses

Interest and similar revenue and expense

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

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

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

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

(m) Foreign currency translation

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

4. Segment information

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

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

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

(thousands of Armenian drams)

Investment banking Treasury and finance, leasing and other central functions.

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

As of 30 September 2024	Retail banking	Corporate banking	Investment banking	Total
External income				
Interest income	16,551,532	7,397,736	9,654,152	33,603,420
Interest expense	(6,511,457)	(3,457,038)	(4,555,074)	(14,523,569)
Inter-segment income	595,062	2,359,682	(2,954,744)	-
Net interest income	10,635,136	6,300,380	2,144,334	19,079,851
Net impairment expense on financial instruments	(431,442)	500,039	(5,853)	62,743
Net non-interest income	3,232,108	1,988,242	3,177,163	8,397,513
Non-interest expense	(7,233,437)	(3,904,749)	(1,404,037)	(12,542,223)
Operating unit profit	6,202,366	4,883,911	3,911,608	14,997,884
Income tax expense	(1,270,895)	(997,975)	(799,564)	(3,068,434)
Profit for the period	4,931,471	3,885,936	3,112,044	11,929,451

As of 30 September 2023	Retail banking	Corporate banking	Investment banking	Total
External income				
Interest income	12,512,772	5,742,609	8,870,031	27,125,412
Interest expense	(5,174,070)	(3,181,539)	(3,146,548)	(11,502,157)
Inter-segment income	815,361	3,418,175	(4,233,536)	-
Net interest income	8,154,063	5,979,244	1,489,948	15,623,255
Net impairment expense on financial instruments	(1,253,025)	(803,385)	(24,184)	(2,080,594)
Net non-interest income	3,110,342	1,979,475	4,580,343	9,670,160
Non-interest expense	(6,099,416)	(3,317,808)	(1,413,736)	(10,830,960)
Operating unit profit	3,911,964	3,837,526	4,632,371	12,381,861
Income tax expense	(720,189)	(724,901)	(911,475)	(2,356,564)
Profit for the period	3,191,775	3,112,625	3,720,896	10,025,297

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

	As of 30 September 2024				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Investment banking		
Assets	181,526,026	124,574,809	155,643,042	83,844,748	545,588,625
Liabilities	165,275,107	176,875,435	108,958,789	8,991,189	460,100,520
	As of 30 September 2023				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Investment banking		
Assets	146,176,147	94,276,602	158,312,720	90,615,367	489,380,836
Liabilities	162,102,449	183,575,271	64,951,051	6,897,451	417,526,222

(thousands of Armenian drams)

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

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

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

Geographic information

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

Revenue from contracts with customers

Breakdown of revenue per operating units from contracts with customers in scope of IFRS 15 for the periods ended 30 September 2024 and 30 September 2023 are as follows:

<i>As of 30 September 2024</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	6,371,594	38,825	5,343	6,415,762
Wire transfer fees	214,366	315,405	19,121	548,892
Settlement operation	93,673	47,886	107,993	249,552
Loan accounts servicing fees	32,872	86,031	-	118,903
Banknotes transfers to banks	-	-	45,906	45,906
Guarantees and letters of credit	-	138,273	-	138,273
Other	168,322	168,321	268,723	605,365
Total revenue from contracts with customers	6,880,826	794,742	447,087	8,122,654
<i>As of 30 September 2023</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	5,737,209	33,137	3,326	5,773,672
Wire transfer fees	230,379	284,729	10,022	525,130
Settlement operation	114,517	45,491	135,930	295,938
Loan accounts servicing fees	260,990	40,917	-	301,907
Banknotes transfers to banks	-	-	158,545	158,545
Guarantees and letters of credit	-	99,990	-	99,990
Other	170,791	170,792	194,893	536,475
Total revenue from contracts with customers	6,513,886	675,056	502,716	7,691,657

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 30 September 2024 and 30 September 2023.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 September 2024</i>	<i>31 December 2023</i>
Cash on hand	9,485,640	8,961,815
Nostro accounts with the Central Bank, including obligatory reserves in AMD	26,978,234	12,591,359
Nostro accounts with other Banks	7,906,510	15,664,327
	44,370,384	37,217,501
Less – allowance for impairment	(10,275)	(3,195)
Cash and cash equivalents	44,360,109	37,214,306

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 30 September 2024 and 31 December 2023.

(thousands of Armenian drams)

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.

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 7).

As of 30 September 2024 placements with other banks in the amount of AMD 7,529,337 thousand (95.3%) were due from nine banks (2023: AMD 14,798,805 thousand (94.5%) were due from six banks).

6. Trading securities

Trading securities owned comprise:

	30 September 2024	31 December 2023
Debt securities issued by the RA government	584,583	646,747
Investments in funds	360,135	323,625
Corporate bonds	-	-
Trading securities	944,718	970,372

7. Amounts due from banks

Amounts due from banks comprise:

	30 September 2024	31 December 2023
Foreign currency obligatory reserves with CBA	22,726,779	24,981,465
Loans and deposits to banks	21,634,445	6,836,741
Deposited funds with CBA	710,000	2,305,000
Receivables from payment and settlement operations	2,064,580	1,975,202
Other deposited funds	2,536,213	1,244,533
Reverse repurchase agreements	1,162,918	-
	50,834,935	37,342,941
Less – allowance for impairment	(26,070)	(24,501)
Amounts due from banks	50,808,865	37,318,440

As at 30 September 2024 amounts receivable under reverse repurchase agreements were collateralized by RA government bonds with fair value of AMD 1,196,472 thousand (As at 31 December 2023 there were no amounts receivable under reverse repurchase agreements).

As at 30 September 2024 the balances included loans and deposits to banks are due from seven counterparties (2023: two counterparties).

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

No amounts due from banks are past due or impaired and are fully in Stage 1. All the amounts due from banks are measured at amortised cost as at 30 September 2024 and 31 December 2023.

8. Derivative financial instruments

As of 30 September 2024, and 31 December 2023, the Bank has positions currency swaps.

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.

(thousands of Armenian drams)

Foreign exchange contracts	30 September 2024		31 December 2023	
	Fair values		Fair value	
	Asset	Liability	Asset	Liability
Derivative assets (currency swaps)	5,392	-	72,646	-
Derivative liabilities (currency swaps)	-	50,090	-	31,110

9. Loans and advances to customers

	30 September 2024	31 December 2023
Loans to customers	296,154,721	269,106,364
Reverse repurchase agreements with financial institutions	13,206,665	7,400,589
Financial lease receivables	3,250,564	2,333,812
	312,611,950	278,840,765
Less – allowance for loan impairment	(6,511,115)	(7,009,741)
Total loans and advances to customers	306,100,835	271,831,024
	30 September 2024	31 December 2023
Large business loans including finance lease receivables	77,434,920	72,547,698
SME loans including finance lease receivables	41,524,592	36,090,995
Total loans to corporate customers	118,959,512	108,638,693
Mortgage loans	94,222,670	84,098,149
Consumer loans	61,170,831	56,070,539
Gold loans	25,052,272	22,632,795
Total loans to retail customers	180,445,773	162,801,483
Reverse repurchase agreements with financial institutions	13,206,665	7,400,589
Gross loans and advances to customers	312,611,950	278,840,765
Less – allowance for impairment	(6,511,115)	(7,009,741)
Total loans and advances to customers	306,100,835	271,831,024

Allowance for impairment of loans and advances to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans as of 30 September 2024:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	101,055,932	705,696	6,877,065	108,638,693
New assets originated or purchased	32,223,618	-	-	32,223,618
Assets repaid	(17,548,261)	(392,718)	(946,426)	(18,887,406)
Transfers to Stage 1	423,718	(152,781)	(270,937)	-
Transfers to Stage 2	(661,419)	897,986	(236,566)	-
Transfers to Stage 3	(1,113,813)	(303,787)	1,417,600	-
Recoveries	-	-	149,053	149,053
Amounts written off	-	-	(204,415)	(204,415)
Foreign exchange differences	(2,721,262)	(15,201)	(223,568)	(2,960,031)
At 30 September 2024	111,658,512	739,195	6,561,805	118,959,512

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	722,135	140,861	3,367,411	4,230,407
New assets originated or purchased	456,173	-	-	456,173
Assets repaid	(241,968)	(55,584)	(397,592)	(695,144)
Transfers to Stage 1	149,634	(46,029)	(103,604)	-
Transfers to Stage 2	(19,160)	144,248	(125,088)	-
Transfers to Stage 3	(70,639)	(38,731)	109,371	-
Impact on period end ECL of exposures transferred between stages during the period	(126,228)	(13,711)	144,875	4,935

(thousands of Armenian drams)

Unwinding of discount (recognised in interest income)	-	-	19,744	19,744
Changes to models and inputs used for ECL calculations	3,423	5,468	(454,195)	(445,304)
Recoveries	-	-	149,053	149,053
Amounts written off	-	-	(204,415)	(204,415)
Foreign exchange differences	(11,197)	(3,454)	(114,197)	(128,848)
At 30 September 2024	862,173	133,066	2,391,362	3,386,601

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 30 September 2024:

<i>Retail loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	157,924,688	2,157,429	2,719,366	162,801,483
New assets originated or purchased	53,794,274	-	-	53,794,274
Assets repaid	(32,969,969)	(530,563)	(1,298,686)	(34,799,218)
Transfers to Stage 1	651,245	(465,776)	(185,469)	-
Transfers to Stage 2	(2,148,930)	2,871,817	(722,887)	-
Transfers to Stage 3	(1,413,779)	(1,133,932)	2,547,711	-
Recoveries	-	-	747,230	747,230
Amounts written off	-	-	(1,011,138)	(1,011,138)
Foreign exchange differences	(1,011,499)	(31,293)	(44,067)	(1,086,858)
At 30 September 2024	174,826,030	2,867,682	2,752,061	180,445,773

<i>Retail loans</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2024	808,889	418,027	1,552,418	2,779,334
New assets originated or purchased	352,450	-	-	352,450
Assets repaid	(189,515)	(107,461)	(691,161)	(988,137)
Transfers to Stage 1	187,736	(82,929)	(104,807)	-
Transfers to Stage 2	(29,720)	440,966	(411,246)	-
Transfers to Stage 3	(73,333)	(134,405)	207,738	-
Impact on period end ECL of exposures transferred between stages during the period	(161,153)	(29,295)	1,041,329	850,882
Unwinding of discount (recognised in interest income)	-	-	37,714	37,714
Changes to models and inputs used for ECL calculations	2,468	3,863	382,143	388,474
Recoveries	-	-	747,230	747,230
Amounts written off	-	-	(1,011,138)	(1,011,138)
Foreign exchange differences	(4,641)	(5,880)	(21,774)	(32,295)
At 30 September 2024	893,181	502,885	1,728,447	3,124,513

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

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

(thousands of Armenian drams)

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

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

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

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

(thousands of Armenian drams)

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 30 September 2024.

	Stage 1	Stage 2	Stage 3	Total loans
Loans to Corporate customers				
Large business loans				
- not overdue	72,730,555	-	841,577	73,572,131
- overdue less than 30 days	-	161,032	-	161,032
- overdue 31-90 days	-	-	-	-
- overdue 91-180 days	-	-	531,103	531,103
- overdue 181-360 days	-	-	-	-
- overdue more than 1 year	-	-	3,170,654	3,170,654
Total gross loans	72,730,555	161,032	4,543,334	77,434,920
Expected credit loss allowance	(302,908)	(4,834)	(1,678,382)	(1,986,124)
Total net loans	72,427,646	156,198	2,864,952	75,448,796
Loans to Corporate customers				
SME loans				
- not overdue	38,844,170	398,330	194,414	39,436,913
- overdue less than 30 days	83,788	31,425	14,527	129,740
- overdue 31-90 days	-	148,408	150,347	298,756
- overdue 91-180 days	-	-	339,742	339,742
- overdue 181-360 days	-	-	566,918	566,918
- overdue more than 1 year	-	-	752,523	752,523
Total gross loans	38,927,958	578,163	2,018,471	41,524,592
Expected credit loss allowance	(559,265)	(128,232)	(712,980)	(1,400,477)
Total net loans	38,368,693	449,931	1,305,490	40,124,115
Loans to retail customers				
Mortgage loans				
- not overdue	92,074,847	977,255	311,817	93,363,919
- overdue less than 30 days	44,840	15,843	158,513	219,195
- overdue 31-90 days	-	101,321	59,139	160,460
- overdue 91-180 days	-	-	178,531	178,531
- overdue 181-360 days	-	-	96,728	96,728
- overdue more than 1 year	-	-	203,837	203,837
Total gross loans	92,119,686	1,094,419	1,008,565	94,222,670
Expected credit loss allowance	(240,559)	(189,154)	(580,227)	(1,009,939)
Total net loans	91,879,127	905,265	428,339	93,212,731
Loans to retail customers				
Consumer loans				
- not overdue	57,754,545	1,148,267	366,687	59,269,499
- overdue less than 30 days	267,916	44,246	115,105	427,267
- overdue 31-90 days	-	344,856	114,403	459,259
- overdue 91-180 days	-	-	408,689	408,689
- overdue 181-360 days	-	-	496,908	496,908
- overdue more than 1 year	-	-	109,210	109,210

(thousands of Armenian drams)

Total gross loans	58,022,461	1,537,369	1,611,002	61,170,831
Expected credit loss allowance	(638,748)	(296,550)	(1,040,035)	(1,975,333)
Total net loans	57,383,713	1,240,819	570,967	59,195,498
Loans to retail customers				
Gold loans				
- not overdue	24,609,834	148,518	34,277	24,792,629
- overdue less than 30 days	74,049	7,800	18,591	100,439
- overdue 31-90 days	-	79,577	19,232	98,808
- overdue 91-180 days	-	-	44,154	44,154
- overdue 181-360 days	-	-	15,714	15,714
- overdue more than 1 year	-	-	526	526
Total gross loans	24,683,883	235,894	132,494	25,052,271
Expected credit loss allowance	(13,874)	(17,182)	(108,186)	(139,241)
Total net loans	24,670,009	218,712	24,309	24,913,030
Total gross loans to corporate customers	111,658,512	739,195	6,561,805	118,959,512
Expected credit loss allowance	(862,173)	(133,066)	(2,391,362)	(3,386,601)
Total net loans to corporate customers	110,796,339	606,129	4,170,442	115,572,911
Total gross loans to retail customers	174,826,030	2,867,682	2,752,061	180,445,773
Expected credit loss allowance	(893,181)	(502,885)	(1,728,447)	(3,124,513)
Total net loans to retail customers	173,932,849	2,364,796	1,023,614	177,321,259
Total gross loans	286,484,543	3,606,877	9,313,866	299,405,285
Expected credit loss allowance	(1,755,354)	(635,952)	(4,119,809)	(6,511,115)
Total net loans	284,729,188	2,970,925	5,194,057	292,894,170

(thousands of Armenian drams)

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

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

(thousands of Armenian drams)

Total net loans	52,578,813	860,422	710,603	54,149,838
Loans to retail customers				
Gold loans				
- not overdue	22,389,233	109,512	10,191	22,508,936
- overdue less than 30 days	43,400	4,445	3,677	51,522
- overdue 31-90 days	-	30,457	3,140	33,597
- overdue 91-180 days	-	-	17,771	17,771
- overdue 181-360 days	-	-	20,877	20,877
- overdue more than 1 year	-	-	92	92
Total gross loans	22,432,633	144,414	55,748	22,632,795
Expected credit loss allowance	(12,604)	(10,519)	(40,538)	(63,661)
Total net loans	22,420,029	133,895	15,210	22,569,134
Total gross loans to corporate customers				
Expected credit loss allowance	(722,135)	(140,861)	(3,367,411)	(4,230,407)
Total net loans to corporate customers	101,055,932	705,696	6,877,065	108,638,693
Total gross loans to retail customers				
Expected credit loss allowance	(808,889)	(418,027)	(1,552,418)	(2,779,334)
Total net loans to retail customers	157,924,688	2,157,429	2,719,366	162,801,483
Total gross loans				
Expected credit loss allowance	(1,531,024)	(558,888)	(4,919,829)	(7,009,741)
Total net loans	257,449,596	2,304,237	4,676,602	264,430,435

Concentration of loans and advances to customers

As at 30 September 2024 the Bank had a concentration of loans totaling to AMD 49,754,484 thousand due from the ten largest Banks of borrowers (15.92% 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 1,510,723 thousand (2023: AMD 1,939,571 thousand) was created against these loans.

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

	30 September 2024	31 December 2023
Mortgage	94,222,670	84,098,149
Consumer and gold loans to individuals	86,223,103	78,703,334
Trade	40,466,191	34,694,238
Construction	26,325,034	24,075,833
Agriculture (including loans to individuals)	11,699,671	11,663,851
Manufacturing	7,083,690	7,397,313
Services	4,923,226	4,198,867
Energy	3,400,406	2,998,568
Transport and communication	1,976,828	2,093,145
Financial services	23,152,381	10,305,840
Other	13,138,750	11,211,038
Gross loan portfolio	312,611,950	271,440,176
Less allowance for loan impairment	(6,511,115)	(7,009,741)
Total	306,100,835	264,430,435

(thousands of Armenian drams)

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 30 September 2024 is as follows:

	30 September 2024	31 December 2023
Gross investment in finance lease, receivable		
Not later than 1 year	1,207,974	773,364
1-2 years	1,209,400	773,445
2-3 years	852,585	717,664
3-4 years	542,775	399,775
4-5 years	173,661	194,238
More than 5 years	84,259	5,756
	4,070,654	2,864,242
Unearned future finance income on finance lease	(820,090)	(530,430)
Net investment in financial lease, before impairment allowance	3,250,564	2,333,812
Impairment allowance	(42,834)	(23,973)
Net investment in finance lease	3,207,730	2,309,839

Reverse repurchase agreements with financial institutions

As at 30 September 2024 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 13,812,586 thousand (31 December 2023: AMD 7,400,602 thousand).

(thousands of Armenian drams)

10. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	30 September 2024	31 December 2023
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	4,599,227	6,531,648
Governments bonds of the foreign countries	-	4,016,352
RA corporate bonds	-	-
Less – allowance for impairment	(5,568)	(10,217)
Debt securities at amortised cost held by the Bank	4,593,659	10,537,783
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	46,259,213	84,542,756
Governments bonds of the foreign countries	12,657,212	28,870,511
Corporate bonds	7,710,122	8,230,943
Bonds of International organizations	1,158,662	1,212,941
Debt securities at FVOCI held by the Bank	67,785,209	122,857,151
Equity securities at FVOCI		
Equity shares of companies in OECD countries	5,333	5,333
Corporate shares in the Armenian companies	343,851	75,222
Equity securities at FVOCI held by the Bank	349,184	80,555
Total investment securities held by the Bank	72,728,052	133,475,489
Pledged under sale and repurchase agreements		
RA government bonds	53,888,186	7,927,279
Debt securities at FVOCI pledged under repurchase agreements	53,888,186	7,927,279

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

Debt securities at amortised cost	Stage 1	Total
Gross carrying value as at 1 January 2024	10,548,000	10,548,000
New assets originated or purchased	477,555	477,555
Assets repaid	(6,421,287)	(6,421,287)
Foreign exchange differences	(5,042)	(5,042)
At 30 September 2024	4,599,227	4,599,227

Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2024	10,217	10,217
New assets originated or purchased	507	507
Assets repaid	(1,767)	(1,767)
Changes to models and inputs used for ECL calculations	(3,389)	(3,389)
At 30 September 2024	5,568	5,568

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:

Debt securities at amortised cost	Stage 1	Total
Gross carrying value as at 1 January 2023	18,407,917	18,407,917
New assets originated or purchased	5,802,473	5,802,473
Assets repaid	(12,471,121)	(12,471,121)
Write-off	(1,253,325)	(1,253,325)
Foreign exchange differences	62,056	62,056
At 31 December 2023	10,548,000	10,548,000
Debt securities at amortised cost	Stage 1	Total

(thousands of Armenian drams)

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

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

Debt securities at FVOCI	Stage 1	Total
Gross carrying value as at 1 January 2024	130,784,430	130,784,430
New assets originated or purchased	44,573,309	44,573,309
Assets repaid	(41,425,536)	(41,425,536)
Assets sold	(13,836,245)	(13,836,245)
Net change in fair value	3,240,898	3,240,898
Foreign exchange differences	(1,663,460)	(1,663,460)
At 30 September 2024	121,673,395	121,673,395

Debt securities at FVOCI	Stage 1	Total
ECLs as at 1 January 2024	212,725	212,725
New assets originated or purchased	85,275	85,275
Assets repaid	(14,498)	(14,498)
Assets sold	(33,366)	(33,366)
Changes to models and inputs used for ECL calculations	(11,367)	(11,367)
At 30 September 2024	238,770	238,770

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:

Debt securities at FVOCI	Stage 1	Total
Gross carrying value as at 1 January 2023	106,889,636	106,889,636
New assets originated or purchased	71,615,859	71,615,859
Assets repaid	(34,103,306)	(34,103,306)
Assets sold	(18,949,114)	(18,949,114)
Net change in fair value	3,496,537	3,496,537
Foreign exchange differences	1,834,818	1,834,818
At 31 December 2023	130,784,430	130,784,430

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

(thousands of Armenian drams)

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

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

	<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>CIP</i>	<i>Right-of-use asset</i>	<i>Total</i>
Cost or revalued amount									
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,189,593	2,209,111	97,964	4,031,491	20,110,715
Additions	3,914	206,749	17,544	419,613	78,873	252,268	70,980	256,218	1,306,159
Disposals and write-offs	-	(87,279)	(9,900)	(58,029)	(11,170)	(17,681)	-	(214,294)	(398,353)
Transfers	-	-	-	-	-	-	(108,316)	-	(108,316)
30 September 2024	5,312,912	911,479	309,354	6,541,423	1,257,296	2,443,698	60,628	4,073,415	20,910,205
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	108,891	38,186	16,730	438,913	54,308	116,309	-	234,371	1,007,708
Disposals and write-offs	-	(77,582)	(5,925)	(55,193)	(8,942)	(17,681)	-	(97,643)	(262,966)
30 September 2024	253,862	606,369	174,068	4,315,499	820,042	1,273,164	-	2,317,159	9,760,163
Net book value									
31 December 2023	5,164,027	146,244	138,446	2,248,060	414,917	1,034,575	97,964	1,851,060	11,095,293
30 September 2024	5,059,050	305,110	135,285	2,225,924	437,254	1,170,534	60,628	1,756,256	11,150,042

	<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>CIP</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	873,019	1,493,369	390,410	2,989,747	16,815,056
Additions	3,601	50,941	72,044	1,494,162	222,450	758,866	-	1,210,101	3,812,165
Disposals and write-offs	-	(33,062)	(35,655)	(97,607)	(28,900)	(91,784)	(61,141)	(168,357)	(516,506)
Transfers	-	-	-	59,621	123,024	48,660	(231,305)	-	-
31 December 2023	5,308,998	792,009	301,710	6,179,839	1,189,593	2,209,111	97,964	4,031,491	20,110,715
Accumulated depreciation									
31 December 2022	-	636,649	182,814	3,538,146	767,042	1,177,009	-	1,738,055	8,039,715
Depreciation charge	144,971	41,102	15,279	477,999	34,201	83,282	-	454,079	1,250,913
Disposals and write-offs	-	(31,986)	(34,829)	(84,366)	(26,567)	(85,755)	-	(11,703)	(275,206)
31 December 2023	144,971	645,765	163,264	3,931,779	774,676	1,174,536	-	2,180,431	9,015,422
Net book value									
31 December 2022	5,305,397	137,481	82,507	1,185,517	105,977	316,360	390,410	1,251,692	8,775,341
31 December 2023	5,164,027	146,244	138,446	2,248,060	414,917	1,034,575	97,964	1,851,060	11,095,293

(thousands of Armenian drams)

Revaluation of assets

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

The fair value of land and buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used.

Based on analysis of changes in real estate prices management believes that fair value of land and buildings approximates the carrying amount as at 30 September 2024.

Fully depreciated items

As of 30 September 2024 property and equipment included fully depreciated assets in amount of AMD 3,638,399 thousand (2023: AMD 3,726,632 thousand).

Property and equipment in the phase of installation

As of 30 September 2024 property and equipment included assets in the phase of installation in amount of AMD 631,693 thousand (2023: AMD 610,892 thousand).

Security

No property and equipment item is pledged under any arrangements as at 30 September 2024 (2023: None).

12. Intangible assets

	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2024	1,067,886	259,668	676,965	2,004,519
Additions	14,625	6,100	92,826	113,551
Disposals and write-offs	-	-	-	-
30 September 2024	1,082,511	265,768	769,791	2,118,070
Accumulated amortization and impairment				
1 January 2024	833,003	69,459	219,849	1,122,311
Amortisation charge	34,209	9,971	38,113	82,293
Disposals and write-offs	-	-	-	-
30 September 2024	867,212	79,430	257,962	1,204,604
Net book value				
1 January 2024	234,883	190,209	457,116	882,208
30 September 2024	215,299	186,338	511,829	913,467
	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
1 January 2023	1,021,215	149,709	518,859	1,689,783
Additions	46,671	110,163	158,356	315,190
Disposals and write-offs	-	(204)	(250)	(454)
31 December 2023	1,067,886	259,668	676,965	2,004,519
Accumulated amortization and impairment				
1 January 2023	798,386	63,326	174,830	1,036,542
Amortisation charge	34,617	6,133	45,269	86,019
Disposals and write-offs	-	-	(250)	(250)

(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 30 September 2024, intangible assets included fully amortized assets in amount of AMD 814,468 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 30 September 2024 and 31 December 2023 are shown below:

	30 September 2024	31 December 2023
Land and buildings	960,125	1,033,211
Other assets	20,036	15,327
	991,022	1,048,538
Less: allowance for impairment	(233,555)	(244,416)
Total repossessed collateral	746,606	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 30 September 2024 the Bank repossessed assets in amount of AMD 87,565 thousand (2023: AMD 194,752 thousand) and sold assets with carrying amount of AMD 145,081 thousand (2023: AMD 1,673,285 thousand).

14. Other assets and liabilities

Other assets comprise:

	30 September 2024	31 December 2023
Other financial assets		
Accounts receivables	1,561,465	940,083
Receivables from cash transfers	94,497	242,274
Total other financial assets	1,655,962	1,182,357
Less – allowance for impairment of other financial assets	(41,888)	(28,363)
Total net other financial assets	1,614,074	1,153,994
Other non-financial assets		
Prepayments to suppliers	1,192,107	816,236
Precious metals	271,950	1,514,469
Other prepaid taxes	456,464	389,881
Materials	394,173	249,532
Unamortized insurance premium	11,064	32,940
Settlements with employees	656	6,146
Other	1,865	1,865
Total other non-financial assets	2,328,279	3,011,069
Other assets	3,942,353	4,165,063

An analysis of changes in the ECLs for other financial assets for the period ended 30 September 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	10	(5)	(5)	-

(thousands of Armenian drams)

Transfers to Stage 2	(12)	12	-	-
Transfers to Stage 3	(44)	-	44	-
ECL charge	13,784	21	2,139	15,944
Recoveries	-	-	5,314	5,314
Amounts written off	-	-	(7,481)	(7,481)
Foreign exchange differences	(250)	-	(2)	(252)
At 30 September 2024	41,771	58	59	41,888

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2023	29,804	25	348	30,177
Transfers to Stage 1	5	-	(5)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(4)	(15)	19	-
ECL charge	(1,521)	20	(792)	(2,293)
Recoveries	-	-	16,496	16,496
Amounts written off	-	-	(16,022)	(16,022)
Foreign exchange differences	-	-	5	5
At 31 December 2023	28,284	30	49	28,363

Other liabilities comprise:

	30 September 2024	31 December 2023
Other financial liabilities		
Due to personnel	2,291,964	1,780,104
Accounts payables	886,831	751,242
Total other financial liabilities	3,178,795	2,531,346
Other non-financial liabilities		
Tax payable, other than income tax	1,054,352	1,003,409
Grants related to assets	9,650	11,468
Other	501	2
Total other non-financial liabilities	1,064,503	1,014,879
Total other liabilities	4,243,298	3,546,225

15. Amounts due to banks

Amounts due to banks comprise:

	30 September 2024	31 December 2023
Repurchase agreements with CBA	40,051,733	3,933,642
Repurchase agreements with banks	10,619,361	-
Correspondent accounts of other banks	459,564	177,448
Loans and deposits from banks	387,459	61,600
Other liabilities	2,345	3,277
Total amounts due to banks	51,520,462	4,175,967

As of 30 September 2024, the Bank has received loans and deposits from 1 bank (2023: 1 banks).

As of 30 September 2024 95.9% of correspondent accounts of other banks are concentrated within 4 counterparties (2023: 95.7% within 3 counterparty).

As at 30 September 2024 amounts payable under repurchase agreements with CBA were collateralized by RA government bonds with fair value of AMD 42,828,901 thousand (2023: 4,012,295 thousand AMD).

(thousands of Armenian drams)

16. Amounts due to customers

The amounts due to customers include the following:

	30 September 2024	31 December 2023
Corporate customers		
Repurchase agreements with financial institutions	-	3,806,274
Current/settlement accounts	78,035,041	92,270,849
Time deposits	98,840,394	95,372,741
	176,875,435	191,449,864
Retail customers		
Current/settlement accounts	71,530,010	75,383,637
Time deposits	93,457,488	92,416,155
	164,987,498	167,799,792
Amounts due to customers	341,862,933	359,249,656

As of 30 September 2024, included in amounts due to customers are deposits amounting to AMD 38,217,848 thousand (2023: AMD 39,061,851 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities.

As of 30 September 2024, the aggregate balance of top ten customers of the Bank amounts to AMD 120,090,518 thousand (2023: AMD 120,718,599 thousand) or 35.13% of total customer accounts (2023: 33.60%).

As at 30 September 2024 there were no amounts payable under repurchase agreements with financial institutions (2023: 3,914,984 thousand AMD).

17. Debt securities issued

Debt securities issued consisted of the following:

	30 September 2024	31 December 2023
Domestic bonds in USD	11,825,447	12,235,398
Domestic bonds in AMD	8,346,130	8,131,950
Debt securities issued	20,171,577	20,367,348

The contractual maturity of AMD and USD bonds ranges from 2024 -2027. Coupon rates are 10.25% to 10.5% for bonds denominated in AMD, 3.75% to 4.75% for bonds denominated in USD.

(thousands of Armenian drams)

18. Taxation

The corporate income tax expense comprises:

	30 September 2024	31 December 2023
Current tax charge	2,568,623	2,922,000
Adjustment of current income tax of previous years	-	-
Deferred tax charge – origination and reversal of temporary differences	499,810	(565,436)
Total income tax expense	3,068,433	2,356,564

As of 30 September 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:

	30 September 2024		30 September 2023	
Profit before tax	14,997,884		12,381,861	
Income tax at the applicable tax rate	2,699,619	18%	2,228,735	18%
Non-deductible expenses	368,814	2%	127,829	1%
Adjustment of current income tax of previous years	-		-	
Income tax expense	3,068,433	20%	2,356,564	19%

Deferred tax assets and liabilities as of 30 September 2024 and 31 December 2023 and their movements for the respective periods comprise:

	Balance 31 December 2022	Origination and reversal of temporary differences In the		Balance 31 December 2023	Origination and reversal of temporary differences In the		Balance 30 September 2024
		statement of profit or loss	In other comprehensive income		statement of profit or loss	In other comprehensive income	
Loans and advances to customers	(1,118,024)	191,740	-	(926,284)	(297,950)	-	(1,224,234)
Investment securities	930,595	4,426	(599,520)	335,501	3,851	(511,127)	(171,775)
Property, equipment and right-of-use assets	(592,254)	(86,747)	-	(679,001)	(182,042)	-	(861,043)
Repossessed assets	81,110	14,024	-	95,134	-	-	95,134
Amounts due to customers	(7,140)	(3,170)	-	(10,310)	-	-	(10,310)
Lease liabilities	273,873	75,834	-	349,706	-	-	349,706
Other impairment and provisions	7,966	22,646	-	30,612	-	-	30,612
Other liabilities	285,080	25,100	-	310,180	(23,670)	-	286,510
Net deferred tax liabilities	(138,794)	243,852	(599,520)	(494,462)	(499,810)	(511,127)	(1,505,400)

(thousands of Armenian drams)

19. Other borrowed funds

Other borrowed funds consisted of the following:

	30 September 2024	31 December 2023
Loans from refinancing credit organizations	30,531,803	29,632,386
Loans from CBA	5,639,586	5,717,504
Loans from international financial institution	1,027,530	1,874,052
Loans from the Government of the RA	17,741	27,805
Other borrowed funds	37,216,660	37,251,747

As of 30 September 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 businesses, consumer and other purposes.

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

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

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

Covenants

As at 30 September 2024 and 31 December 2023 the Bank was in compliance with all debt covenants.

20. 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.

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 30 September 2024 and 31 December 2023 the Bank's commitments and contingencies comprised the following:

(thousands of Armenian drams)

	30 September 2024	31 December 2023
Credit related commitments		
Undrawn loan commitments	10,785,391	14,457,798
Financial guarantees	9,288,561	8,494,788
Letters of credit	107,259	-
	20,181,211	22,952,586
Provisions for ECL for credit related commitments	(287,609)	(323,878)

An analysis of changes in the ECLs at 30 September 2024 is as follows:

<i>Undrawn loan commitments</i>	<i>Stage 1</i>	<i>Total</i>
ECLs as at 1 January 2024	195,601	195,601
New exposures	53,051	53,051
Expired exposures	(76,405)	(76,405)
Changes to models and inputs used for ECL calculations	(23,184)	(23,184)
Foreign exchange adjustments	(3,210)	(3,210)
At 30 September 2024	145,852	145,852

<i>Financial guarantees</i>	<i>Stage 1</i>	<i>Total</i>
ECLs as at 1 January 2024	128,277	128,277
New exposures	90,702	90,702
Expired exposures	(76,644)	(76,644)
Changes to models and inputs used for ECL calculations	(2,197)	(2,197)
Foreign exchange adjustments	-	-
At 30 September 2024	140,138	140,138

<i>Letters of credit</i>	<i>Stage 1</i>	<i>Total</i>
ECLs as at 1 January 2024	-	-
New exposures	1,618	1,618
Expired exposures	-	-
Foreign exchange adjustments	-	-
At 30 September 2024	1,618	1,618

(thousands of Armenian drams)

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

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

<i>Financial guarantees</i>	<i>Stage 1</i>	<i>Total</i>
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

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

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 30 September 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.

21. Equity

As of 30 September 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 preference shares, all of which have a par value of AMD 100 each (2023: 66,492 ordinary shares and 333 preference shares).

The respective shareholdings as at 30 September 2024 and 31 December 2023 may be specified as follows:

	<i>30 September 2024</i>		<i>31 December 2023</i>	
	<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

(thousands of Armenian drams)

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

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

According to decision of Meeting of Shareholders dated on 20 June 2024 dividends declared and paid by the Bank amounted to AMD 4,467,540 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders (2023: AMD 4,432,084 thousand for ordinary shares and AMD 6.6 thousand to preferred shareholders). As of the date the dividends declared per ordinary share amounted to AMD 67,189, and dividends per preference share amounted to AMD 19.8 (2023: AMD 66,656 per ordinary shares and AMD 19.8 per preference shares).

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

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

Statutory general reserve

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

Revaluation surplus for land and buildings

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

Revaluation reserve for financial assets at FVOCI

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

22. Net interest income

Net interest income comprises:

	<u>01/07/24-</u> <u>30/09/24</u>	<u>01/01/24-</u> <u>30/09/24</u>	<u>01/07/23-</u> <u>30/09/23</u>	<u>01/01/23-</u> <u>30/09/23</u>
Financial assets measured at amortized cost				
Loans to customers	8,507,077	24,387,900	6,825,285	19,082,225
Investment securities	108,787	423,670	125,129	547,802
Amounts due from banks	243,483	642,715	112,187	266,435
Cash equivalents	8,847	38,660	37,091	51,696
Finance leases	88,327	217,312	43,636	81,283
Other interest income	4,221	12,304	3,795	10,519
Financial assets measured at fair value through other comprehensive income				
Debt securities at FVOCI	2,641,867	7,844,564	2,517,337	7,053,420
Interest income calculated using effective interest rate	11,602,609	33,567,125	9,664,460	27,093,380
Trading securities	11,378	36,295	10,813	32,032
Other interest income	11,378	36,295	10,813	32,032
Total interest income	11,613,987	33,603,420	9,675,273	27,125,412
Amounts due to customers	3,396,409	10,178,008	3,147,536	8,468,439
Other borrowed funds	594,265	1,814,343	609,577	1,788,606
Debt securities issued	331,538	981,594	330,701	947,323
Amounts due to banks	577,479	1,376,190	39,751	173,110
Lease liabilities	58,899	173,434	41,574	124,261
Subordinated loans	-	-	-	418
Interest expense	4,958,590	14,523,569	4,169,139	11,502,157
Net interest income	6,655,397	19,079,851	5,506,134	15,623,255

(thousands of Armenian drams)

23. Net fee and commission income

Net fee and commission income comprises:

	<i>01/07/24- 30/09/24</i>	<i>01/01/24- 30/09/24</i>	<i>01/07/23- 30/09/23</i>	<i>01/01/23- 30/09/23</i>
Plastic cards operations	2,192,144	6,415,763	2,021,724	5,773,670
Wire transfer fees	197,206	548,892	172,364	525,130
Fees and commission income from early repayments of loans	40,662	118,903	20,304	301,907
Settlement operation	99,045	249,553	88,031	295,937
Banknotes transfers to banks	16,104	45,906	47,811	158,545
Guarantees and letters of credit	54,315	138,273	40,353	99,991
Other fee income	230,670	605,365	183,996	536,477
Fee and commission income	2,830,145	8,122,654	2,574,583	7,691,657
Plastic cards operations	1,355,846	4,221,452	1,613,679	4,222,871
Expenses related to Armenian Card payment system	225,943	691,386	135,642	370,412
Banknotes transfers to banks	28,706	65,168	58,066	127,102
Wire transfer fees	55,371	127,743	37,025	108,297
Settlement operation	2,737	20,802	2,014	29,245
Guarantees and letters of credit	19,975	24,510	1,487	21,623
Other fee expense	70,901	191,829	89,699	253,559
Fee and commission expense	1,759,479	5,342,890	1,937,612	5,133,109
Net fee and commission income	1,070,666	2,779,764	636,971	2,558,548

Performance obligations and revenue recognition policies

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

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

24. Net trading income

	<i>01/07/24- 30/09/24</i>	<i>01/01/24- 30/09/24</i>	<i>01/07/23- 30/09/23</i>	<i>01/01/23- 30/09/23</i>
Net gains from foreign currency transactions	1,506,507	4,588,598	1,452,232	6,495,250
Net income/(loss) from operations with precious metals	33,289	54,955	43,728	102,887
Net gain from trading securities	11,177	66,053	29,862	108,555
Net loss on derivative financial instruments	(234,193)	210,123	(36,959)	(1,303,826)
Total net trading income	1,316,780	4,919,729	1,488,863	5,402,866

(thousands of Armenian drams)

25. Other income

	<u>01/07/24- 30/09/24</u>	<u>01/01/24- 30/09/24</u>	<u>01/07/23- 30/09/23</u>	<u>01/01/23- 30/09/23</u>
Fines and penalties received	119,666	412,514	177,445	428,380
Income from cash collection services	-	-	-	10,681
Income from dividends	871	871	-	-
Income from grants	606	1,818	606	1,818
Other income	40,269	186,195	60,272	134,583
Total other income	<u>161,412</u>	<u>601,398</u>	<u>238,323</u>	<u>575,462</u>

26. Net impairment losses on financial instruments

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 30 September 2024:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	7,080	-	-	7,080
Amounts due from banks	7	1,569	-	-	1,569
Loans and advances to customers	9	95,645	(196,721)	28,858	(75,672)
Debt securities measured at amortised cost	10	(4,649)	-	-	(4,649)
Debt securities measured at FVOCI	10	26,044	-	-	26,044
Other financial assets	14	13,738	28	2,179	15,945
Financial guarantees	19	11,861	-	-	11,861
Loan commitments	19	(46,539)	-	-	(46,539)
Letters of credit	19	1,618	-	-	1,618
Total credit loss expense		<u>106,368</u>	<u>(196,693)</u>	<u>31,037</u>	<u>(62,743)</u>

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

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(3,501)	-	-	(3,501)
Amounts due from banks	8	(2,245)	-	-	(2,245)
Loans and advances to customers	9	63,936	(1,219,834)	3,164,990	2,009,092
Debt securities measured at amortised cost	10	1,997	-	-	1,997
Debt securities measured at FVOCI	10	24,957	-	-	24,957
Other financial assets	14	19,486	4	(375)	19,115
Financial guarantees	22	21,870	-	-	21,870
Loan commitments	22	13,467	-	-	13,467
Letters of credit	22	(4,158)	-	-	(4,158)
Total credit loss expense		<u>135,809</u>	<u>(1,219,830)</u>	<u>3,164,615</u>	<u>2,080,594</u>

27. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	<u>01/07/24- 30/09/24</u>	<u>01/01/24- 30/09/24</u>	<u>01/07/23- 30/09/23</u>	<u>01/01/23- 30/09/23</u>
Salaries	2,480,753	7,482,723	2,178,101	6,488,663
Other expenses	70,651	172,956	30,874	131,330
Personnel expenses	<u>2,551,404</u>	<u>7,655,679</u>	<u>2,208,975</u>	<u>6,619,993</u>
Software maintenance expenses	311,297	888,754	196,596	736,538
Advertising costs	304,750	836,479	189,384	552,743
Insurance of deposits	96,593	326,550	106,772	340,322

(thousands of Armenian drams)

Fixed assets repair and maintenance expenses	62,739	188,349	64,048	196,308
Communications	67,361	176,855	55,442	162,293
Security	60,054	166,829	51,981	157,611
Taxes, other than income tax, duties	39,536	155,057	32,648	158,178
Office supplies	83,048	193,714	58,604	157,364
Consulting	37,180	95,588	19,732	97,383
Audit	23,100	69,300	10,500	31,500
Insurance expenses	15,099	87,473	10,932	72,394
Utility expenses	34,369	110,952	25,403	89,678
Business trip expenses	21,674	51,766	12,916	45,734
Financial system mediator	12,662	37,987	11,555	34,664
Lease expenses	4,312	15,195	15,281	40,925
Other expenses	144,908	395,695	180,891	368,516
Other operating expenses	1,318,682	3,796,543	1,042,685	3,242,151

(thousands of Armenian drams)

28. 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;
- ▶ 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.

(thousands of Armenian drams)

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.

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)

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. 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.

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 <i>Probability of Default</i> 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 <i>Exposure at Default</i> 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 <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

(thousands of Armenian drams)

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. Based on the above process, the Bank Banks 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 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

The 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.

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 impact on the probability of default estimated through time series regression analysis. The forecasts of PDs are evaluated based on the officially available forward-looking macroeconomic parameters.

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

Exposure at default

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

(thousands of Armenian drams)

for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

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

Loss given default

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

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

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. The main 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:

- ▶ Overdue days of the borrower in other financial institutions in Armenia;
- ▶ Overdue days of the predefined affiliated parties;
- ▶ Difficulties in the financial conditions of the borrower;
- ▶ Renegotiation of the loan terms resulting from deterioration of the borrower's financial position.

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

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:

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

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

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 and fully cash collateralized assets	High grade
Baa3 to Baa1 / BBB- to BBB+, Ba3 to Ba1 / BB- to BB+	Standard grade
B3 to B1 / B- to B+	Sub-standard grade
Below B3 / B-	Impaired

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

(thousands of Armenian drams)

Sub-standard grade comprises 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 and loan commitment, guarantees and other financial facilities, based on the Bank's credit rating system.

30 September 2024	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	4,145,896	30,738,848	0	0	34,884,744
Amounts due from banks	7	Stage 1	18,438,961	32,395,974		0	50,834,935
Loans to customers at amortised cost	9						
– Large business loans including amounts receivable under reverse repo agreements		Stage 1	33,754,727	38,975,828			72,730,555
		Stage 2	-	-	161,032		161,032
		Stage 3	-	-	-	4,543,334	4,543,334
Debt investment securities	10						
– Measured at FVOCI		Stage 1	12,657,212	55,127,997			67,785,209
– Measured at amortised cost		Stage 1	-	4,599,227			4,599,227
– Measured at FVOCI pledged under repurchase agreements		Stage 1	-	53,888,186			53,888,186
		Stage 1	94,497	1,550,180			1,644,677
		Stage 2			5,553		5,553
Other financial assets	14	Stage 3				5,731	5,731
Undrawn loan commitments	19	Stage 1	-	10,785,391			10,785,391
Guarantees	19	Stage 1	-	9,288,561	-	-	9,288,561
Letters of credit	19	Stage 1	-	107,259	-	-	107,259
Total			69,091,293	237,457,451	166,585	4,549,065	311,264,393

31 December 2023	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	2,714,771	25,540,915	-	-	28,255,686
Amounts due from banks	7	Stage 1	938,175	36,404,766	-	-	37,342,941
Loans to customers at amortised cost	9						
– Large business loans including amounts receivable under reverse repo agreements		Stage 1	34,444,558	37,077,442	3,618,987		75,140,987
		Stage 2	-	-	-		-
		Stage 3	-	-	-	4,807,300	4,807,300
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		Stage 1	500,545	674,153	-	-	1,174,698
		Stage 2	-	-	2,895	-	2,895
	14	Stage 3	-	-	-	4,764	4,764
Undrawn loan commitments	19	Stage 1	-	14,457,798	-	-	14,457,798
Guarantees	19	Stage 1	-	8,494,788	-	-	8,494,788
Total			69,261,349	233,318,992	3,621,882	4,812,064	311,014,287

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.

(thousands of Armenian drams)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 30 September 2024 and 31 December 2023.

	30 September 2024			
	<i>Armenia</i>	<i>Other non-OECD countries</i>	<i>OECD countries</i>	<i>Total</i>
Assets				
Cash and cash equivalents	36,456,200	4,841,904	3,062,005	44,360,109
Trading securities	944,718	-	-	944,718
Amounts due from banks	27,752,285	2,305,832	20,750,748	50,808,865
Derivative financial assets	879	4,513	-	5,392
Loans and advances to customers	272,644,143	33,320,285	136,407	306,100,835
Investment securities	58,902,597	198,970	13,626,485	72,728,052
Securities pledged under repurchase agreements	53,888,186	-	-	53,888,186
Other financial assets	1,518,775	730	94,569	1,614,074
	452,107,783	40,672,234	37,670,214	530,450,231
Liabilities				
Amounts due to banks	50,904,068	616,389	6	51,520,462
Derivative financial liabilities	-	50,090	-	50,090
Amounts due to customers	267,823,510	64,630,192	9,409,231	341,862,933
Debt securities issued	18,453,708	1,478,240	239,629	20,171,577
Other borrowed funds	36,189,130	-	1,027,530	37,216,660
Lease liabilities	1,834,075	40,737	-	1,874,812
Other liabilities	3,140,777	19,900	18,118	3,178,795
	378,345,268	66,835,549	10,694,513	455,875,329
Net assets/(liabilities)	73,762,520	(26,163,315)	26,975,701	74,574,906
	31 December 2023			
	<i>Armenia</i>	<i>Other non-OECD countries</i>	<i>OECD countries</i>	<i>Total</i>
Assets				
Cash and cash equivalents	21,553,252	12,647,552	3,013,502	37,214,306
Trading securities	970,372	-	-	970,372
Amounts due from banks	28,645,172	3,076,325	5,596,943	37,318,440
Derivative financial assets	-	72,646	-	72,646
Loans and advances to customers	236,919,619	34,748,120	163,285	271,831,024
Investment securities	99,370,352	1,212,941	32,892,196	133,475,489
Securities pledged under repurchase agreements	7,927,279	-	-	7,927,279
Other financial assets	910,820	847	242,327	1,153,994
	396,296,866	51,758,431	41,908,253	489,963,550
Liabilities				
Amounts due to banks	4,106,870	2,264	66,833	4,175,967
Derivative financial liabilities	-	31,110	-	31,110
Amounts due to customers	283,649,520	66,029,504	9,570,632	359,249,656
Debt securities issued	18,125,307	1,691,969	550,072	20,367,348
Other borrowed funds	35,377,695	-	1,874,052	37,251,747
Subordinated debt	-	-	-	-
Lease liabilities	1,894,332	48,481	-	1,942,813
Other liabilities	2,245,913	-	285,433	2,531,346
	345,399,637	67,803,328	12,347,022	425,549,987
Net assets/(liabilities)	50,897,229	(16,044,897)	29,561,231	64,413,563

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

(thousands of Armenian drams)

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 30 September 2024 and 31 December 2023, these ratios were as follows:

	Threshold	30 September 2024, % (Unaudited)	31 December 2023, % (Unaudited)
N21 "General Liquidity Ratio" (highly liquid assets / total assets)	Min 15%	39.47	44.42
N22 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	Min 60%	105.02	114.60

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at 30 September 2024 and 31 December 2023 based on contractual undiscounted repayment obligations. See Note 30 for the contractual maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the 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.

	30 September 2024					Total	Carrying amounts
	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		
Financial liabilities							
Amounts due to banks	51,484,402	-	-	-	58,094	51,542,496	51,520,462
Amounts due to customers	160,919,025	30,467,879	106,460,833	54,495,151	622,069	352,964,957	341,862,933
Debt securities issued	2,120,570	3,539,462	3,872,900	12,745,800	-	22,278,732	20,171,577
Other borrowed funds	708,354	854,647	3,959,981	22,204,193	20,367,889	48,095,065	37,216,660
Lease liabilities	67,642	132,548	541,366	1,954,034	891,665	3,587,255	1,874,812
Total undiscounted financial liabilities	215,299,994	34,994,536	114,835,080	91,399,179	21,939,718	478,468,505	452,646,444
Commitments and contingent liabilities	20,181,211	-	-	-	-	20,181,211	20,181,211
Derivative financial liabilities	3,143,615	-	-	-	-	3,143,615	3,143,615

(thousands of Armenian drams)

31 December 2023							
	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>	<i>Carrying amounts</i>
Financial liabilities							
Amounts due to banks	4,056,691	65,274	-	-	60,719	4,182,684	4,175,967
Amounts due to customers	180,463,387	22,693,824	94,519,896	69,189,924	1,532,304	368,399,335	359,249,656
Debt securities issued	-	-	13,036,383	8,329,608	-	21,365,991	20,367,348
Other borrowed funds	1,320,882	212,672	3,165,527	17,975,344	25,976,607	48,651,032	37,251,747
Lease liabilities	71,841	138,932	577,317	1,856,177	809,737	3,454,004	1,942,813
Total undiscounted financial liabilities	<u>185,912,801</u>	<u>23,110,702</u>	<u>111,299,123</u>	<u>97,351,053</u>	<u>28,379,367</u>	<u>446,053,046</u>	<u>422,987,531</u>
Commitments and contingent liabilities	<u>22,952,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,952,586</u>	<u>22,952,586</u>
Derivative financial liabilities	<u>1,776,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,776,713</u>	<u>1,776,713</u>

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.

(thousands of Armenian drams)

Average effective interest rates

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as at 30 September 2024 and 31 December 2023. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	30 September 2024			31 December 2023		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Interest earning assets						
Cash and cash equivalent	-	-	0.01%-0.5%	-	-	0.45%-0.75%
Trading securities	7.33%	-	-	7.49%	-	-
Amounts due from banks	-	7.38%	-	-	4.83%	3.54%
Loans and advances to customer	14.57%	8.22%	7.33%	14.28%	8.56%	7.26%
Investment securities	10.39%	5.28%	3.08%	9.62%	5.14%	3.14%
Investment securities pledged under repurchase agreements	10.51%	-	-	10.16%	-	-
Interest bearing liabilities						
Amounts due to Banks	-	4.07%	-	-	-	6.24%
Amounts due to customers						
- Amounts payable under repurchase agreements	8.15%	-	-	9.43%	4.00%	3.13%
- Term deposits from customers	10.28%	3.67%	1.94%	9.84%	3.58%	1.92%
- Current accounts from customers	1.41%	0.17%	0.01%	1.37%	0.14%	0.01%
Debt securities issued	10.59%	4.20%	-	10.09%	4.33%	-
Subordinated debts	-	-	-	-	-	-
Other borrowed funds	6.59%	-	-	6.54%	-	-
Lease liabilities	13.37%	-	-	12.82%	-	-

Currency risk

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 30 September 2024.

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	31,241,751	5,942,278	2,054,011	5,122,069	44,360,109
Trading securities	944,718	-	-	-	944,718
Amount due from banks	1,297,741	32,141,655	16,474,725	894,744	50,808,865
Loans and advances to customers	203,874,931	89,762,637	12,463,195	72	306,100,835
Investment securities	48,372,084	19,656,079	4,500,919	198,970	72,728,052
Investment securities/ Securities pledged under repurchase agreements	53,888,186	-	-	-	53,888,186
Other assets	1,023,213	398,044	234,102	603	1,655,962
Total assets	340,642,624	147,900,693	35,726,952	6,216,458	530,486,727
Liabilities					
Amounts due to Banks	50,725,222	737,274	56,917	1,049	51,520,462
Amounts due to customers	168,922,678	129,421,495	33,194,812	10,323,948	341,862,933
Debt security issued	8,346,130	11,825,447	-	-	20,171,577
Other borrowed funds	37,216,660	-	-	-	37,216,660
Subordinated debt	-	-	-	-	-
Other liabilities	3,175,346	2,180	1,186	79	3,178,791

(thousands of Armenian drams)

Total liabilities	<u>268,386,036</u>	<u>141,986,396</u>	<u>33,252,915</u>	<u>10,325,076</u>	<u>453,950,423</u>
Off balance					
Effect of derivatives (currency swap)	<u>2694</u>	<u>(10617)</u>		<u>(36775)</u>	<u>(44698)</u>
Net position	<u>72,259,282</u>	<u>5,903,680</u>	<u>2,474,037</u>	<u>(4,145,393)</u>	<u>76,491,606</u>

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

(thousands of Armenian drams)

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

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

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

A weakening of the AMD, as indicated below, against the following currencies at 30 September 2024 and 31 December 2023, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes, and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	30 September 2024	31 December 2023
10% appreciation of USD against AMD	590,368	604,794
10% appreciation of EUR against AMD	247,404	9,205
10% appreciation of other currencies against AMD	(414,539)	(218,232)

A strengthening of the AMD against the above currencies at 30 September 2024 and 31 December 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Executive Board of the 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.

(thousands of Armenian drams)

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.

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.

(thousands of Armenian drams)

Offsetting of financial instruments

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

	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	
30 September 2024						
Loans and advances to customers – reverse repurchase agreements	13,206,665	-	13,206,665	13,206,665	-	-
Total financial assets	13,206,665	-	13,206,665	13,206,665	-	-
Amounts due to banks - Repurchase agreements with CBA	(40,051,733)	-	(40,051,733)	(40,051,733)	-	-
Amounts due to customers - Repurchase agreements with financial institutions	(10,619,361)	-	(10,619,361)	(10,619,361)	-	-
Total financial liabilities	(50,671,094)	-	(50,671,094)	(50,671,094)	-	-
31 December 2023						
Loans and advances to customers – reverse repurchase agreements	7,400,589	-	7,400,589	(7,400,589)	-	-
Total financial assets	7,400,589	-	7,400,589	(7,400,589)	-	-
Amounts due to banks - Repurchase agreements with CBA	(3,933,642)	-	(3,933,642)	(3,933,642)	-	-
Amounts due to customers - Repurchase agreements with financial institutions	(3,806,274)	-	(3,806,274)	(3,806,274)	-	-
Total financial liabilities	(7,739,916)	-	(7,739,916)	(7,739,916)	-	-

29. Fair value measurements**Fair value measurement procedures**

(thousands of Armenian drams)

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 Banks financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

Financial instruments that are not measured at fair value

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

	30 September 2024				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Loans and advances to customers	-	-	290,204,510	290,204,510	306,100,835
Investment securities at amortised cost	-	4,639,826	-	4,639,826	4,593,659
Financial liabilities					
Amounts due to customers	-	-	342,484,987	342,484,987	341,862,933
Other borrowed funds	-	-	36,752,755	36,752,755	37,216,660
Debt securities issued	-	19,578,602	-	19,578,602	20,171,577
	31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Loans and advances to customers	-	-	262,030,598	262,030,598	271,831,024
Investment securities at amortised cost	4,015,412	6,532,346	-	10,547,758	10,537,783
Financial liabilities					
Amounts due to customers	-	-	360,247,244	360,247,244	359,249,656
Other borrowed funds	-	-	35,744,907	35,744,907	37,251,747
Debt securities issued	-	20,082,581	-	20,082,581	20,367,348

Assets for which fair value approximates carrying value

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

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new

(thousands of Armenian drams)

instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 4.75% to 21.5% per annum (2023: 3% to 24% per annum).

(thousands of Armenian drams)

Amounts due to customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 0.75% to 10.82% per annum (2023: 3% to 10% per annum).

Other borrowed funds

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 4.5% to 13% per annum (2023: 4.6% to 10.6% per annum).

Financial instruments that are measured at fair value

	30 September 2024		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	944,718	944,718
Derivative financial assets	-	5,392	5,392
Investment securities at FVOCI	12,657,980	55,476,413	68,134,393
Investment securities at FVOCI pledged under repurchase agreements		53,888,186	53,888,186
Total	12,657,980	110,314,709	122,972,689
Financial liabilities			
Derivative financial liabilities	-	50,090	50,090
Net fair value	12,657,980	110,264,619	122,922,599

	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. There were no transfers between Level 1 and 2 in 30 September 2024 (2023: none).

Fair value measurement of non-financial assets and liabilities

	30 September 2024	
	Level 3	Total
Non-financial assets		
Land and buildings	5,059,050	5,059,050
Total	5,059,050	5,059,050

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

(thousands of Armenian drams)

Total	<u>5,164,027</u>	<u>5,164,027</u>
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(thousands of Armenian drams)

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:

<i>Non-financial assets</i>	<i>Land and buildings</i>	<i>Total</i>
Balance as at 1 January 2024	5,308,998	5,308,998
Purchases	3,914	3,914
Depreciation charge	(253,862)	(253,862)
Net fair value at 30 September 2024	5,059,050	5,059,050

<i>Non-financial assets</i>	<i>Land and buildings</i>	<i>Total</i>
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.

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

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

(thousands of Armenian drams)

30. Maturity analysis of assets and liabilities

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 30 September 2024:

	30 September 2024							Total
	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	Overdue	No maturity	
Cash and cash equivalents	44,360,109	0	0	0	0	-	-	44,360,109
Trading securities	17,711	0	494,602	0	432,404	-	-	944,718
Amounts due from banks	22,882,264	0	1,953,609	0	0		25,972,992	50,808,865
Derivative financial assets	5,392	0	0	0	0		0	5,392
Loans and advances to customers	18,538,184	42,922,292	38,804,744	104,240,843	99,680,652	1,914,120	0	306,100,835
Investment securities	1,863,966	4,086,972	17,969,520	29,820,639	18,637,681		349,274	72,728,052
Investment securities pledged under repurchase agreements	2,033,855	0	8,565,727	18,433,724	24,854,879		0	53,888,185
Property, plant and equipment	-	-	-	-	-	-	11,150,042	11,150,042
Intangible assets	-	-	-	-	-	-	913,467	913,467
Repossessed assets	-	-	-	-	-	-	746,606	746,606
Other assets	3,063,700	274,700	559,247	3,200	39,641		1,865	3,942,353
Total assets	92,765,181	47,283,964	68,347,450	152,498,406	143,645,257	1,914,120	39,134,246	545,588,625
Liabilities								
Amounts due to banks	51,462,368	0	0	0	0		58,094	51,520,462
Derivative financial liabilities	50,090	0	0	0	0		0	50,090
Amounts due to customers	158,713,042	28,524,968	100,469,626	53,541,367	613,931		0	341,862,933
Current income tax liabilities	0	0	1,367,679	0	0		0	1,367,679
Debt securities issued	388,765	3,164,112	3,872,900	12,745,800	0		0	20,171,577
Other borrowed funds	645,353	586,445	2,356,781	15,843,086	17,784,994		0	37,216,660
Lease liabilities	34,804	68,194	276,307	1,044,153	451,353		0	1,874,812
Provisions on commitments and contingencies	287,609	0	0	0	0		0	287,609
Deferred tax liabilities	0	0	0	1,505,400	0		0	1,505,400
Other liabilities	616,206	483,116	3,134,326	0	9,650		0	4,243,298
Total liabilities	212,198,237	32,826,835	111,477,619	84,679,806	18,859,928		58,094	460,100,520
Net position	(119,433,056)	14,457,129	(43,130,169)	67,818,600	124,785,329	1,914,120	39,076,152	85,488,104

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

(thousands of Armenian drams)

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

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

(thousands of Armenian drams)

31. 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 period end, and related expense and income for the period are as follows:

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

	30 September 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	30,567	5,759,658	886,887	54,104	15,911,861	1,055,639
Loan repayments during reporting period	(43,058)	(6,658,953)	(865,765)	(52,274)	(14,548,125)	(1,029,244)
Loans outstanding at the end of the reporting period, gross	1,058	30,567,453	278,272	13,549	31,466,748	257,150
Less: allowance for loan impairment	(16)	(7,618)	(2,151)	(204)	(5,111)	(2,501)
Loans outstanding at the end of the reporting period, net	1,042	30,559,835	276,121	13,345	31,461,637	254,649
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	8,282,593	134,811,286	10,267,554	6,852,465	152,653,381	9,893,988
Deposits repaid during reporting period	(8,214,717)	(125,575,838)	(10,615,791)	(7,011,809)	(140,914,062)	(9,652,962)
Deposits at the end of the reporting period	128,125	59,046,245	1,003,227	60,249	49,810,797	1,351,464
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	-
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	-	1,672,162	15,427	-	2,618,610	22,576
Fee and commission income	34	36,059	4,274	72	40,037	5,571
Other income	31,224	63,937	3,090	21,543	86,098	5,808
Interest expense	(5,278)	(1,090,788)	(42,132)	(16,915)	(1,357,358)	(56,938)
Impairment charge	188	(2,507)	350	(59)	42,576	(1,102)
Other expenses	-	(28,205)	(183)	(3)	(29,148)	(50,430)

Deposits from entities under common control denominated in USD have 3.86% and maturity 2024-2029 (2023: 3.79%, and maturity 2024-2029). Deposits from Key management personnel and their close family members denominated in AMD have 9.65% and maturity 2024-2026, in USD 3.72% with maturity 2024-2026, in EUR 1.36% with maturity 2024-2025 (2023: AMD 10.25%, maturity 2024-2025, USD 3.47%, maturity 2023-2024, EUR 1.02%, maturity 2024-2025).

Loans to entities under common control denominated in AMD have 18.98% and maturity 2026-2043, in USD have 8.43% and maturity 2024-2044, in EUR have 14% and maturity 2042 (2023: AMD 17.36%, maturity 2026-2042, USD 8.45%

(thousands of Armenian drams)

maturity 2024-2041, in EUR 14%, maturity 2041). Loans to Key management personnel and their close family members denominated in AMD have 10.71% and maturity 2025-2044, in USD 7.88% with maturity 2033-2044, in EUR 5.17% with maturity 2033-2042 (2023: AMD 11.43%, maturity 2025-2043, USD 7.9%, maturity 2033-2043, EUR 5.04%, maturity 2034-2041).

Compensation of key management personnel was comprised of the following:

	<u>30 September 2024</u>	<u>30 September 2023</u>
Salaries and other short-term benefits	972,184	934,832
Total key management personnel compensation	<u>972,184</u>	<u>934,832</u>

32. Changes in liabilities arising from financing activities

	<i>Note</i>	<i>Debt securities issued</i>	<i>Other borrowed funds</i>	<i>Subordinated loans</i>	<i>Lease liabilities</i>	<i>Total liabilities from financing activities</i>
Carrying amount at 31 December 2022	17,19, 20	14,692,148	34,501,456	276,140	1,521,514	50,991,258
Proceeds from issue		5,295,222	8,116,744	-	-	13,411,966
Redemption		-	(5,392,342)	(276,346)	(647,653)	(6,316,341)
Foreign currency translation		347,319	-	849	-	348,168
Additions and modifications		-	-	-	907,903	907,903
Interest expense on lease liabilities		-	-	-	156,685	156,685
Other		32,659	25,889	(643)	4,364	62,269
Carrying amount at 31 December 2023	17,19, 20	20,367,348	37,251,747	-	1,942,813	59,561,908
Proceeds from issue		8,900,661	3,714,240	-	-	12,614,901
Redemption		(8,914,400)	(3,755,192)	-	(381,345)	(13,050,937)
Foreign currency translation		(508,087)	-	-	-	(508,087)
Additions and modifications		-	-	-	139,910	139,910
Interest expense on lease liabilities		-	-	-	173,434	173,434
Other		326,055	5,865	-	-	331,920
Carrying amount at 30 September 2024	17, 19, 20	<u>20,171,577</u>	<u>37,216,660</u>	<u>-</u>	<u>1,874,812</u>	<u>59,263,049</u>

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

33. 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 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%

(thousands of Armenian drams)

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 30 September 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 30 September 2024 and 31 December 2023:

	30 September 2024	31 December 2023 (Unaudited)
Tier 1 capital	74,571,157	69,846,025
Tier 2 capital	3,353,679	2,951,362
Total capital	77,924,836	72,797,387
Risk-weighted assets	443,705,817	416,724,739
Capital adequacy ratio N1.1	16.81%	16.76%
Capital adequacy ratio N1	17.56%	17.47%

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 as at 30 September 2024 and 31 December 2023.