

Converse Bank Closed Joint-Stock Company

Financial statements

for the year ended 31 December 2024

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Independent Auditors' Report

To the Shareholders and Board of Directors of Converse Bank CJSC

Opinion

We have audited the financial statements of Converse Bank CJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Expected credit losses for loans and advances to customers

Please refer to the Note 12 and Note 32 in the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans and advances to customers represent 54% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used, as outlined below.</p> <p>The ECL valuation model requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - timely identification of significant increase in credit risk and default events related to loans and advances to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 Financial Instruments (hereinafter, "IFRS 9")); - assessment of probability of default (PD) and loss given default (LGD); - assessment of adjustment to incorporate forward-looking information; - expected cash flows forecast, including from realisation of collateral for loans to customers classified in Stage 3. <p>Due to the significant volume of loans and advances to customers, and complexity and subjectivity over estimating amount of ECL this area is a key audit matter.</p>	<p>We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including through involvement of our credit risk specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by the management in relation to the ECL estimate, our audit procedures included the following:</p> <ul style="list-style-type: none"> - for loans to corporate clients we assessed and tested the design, implementation and operating effectiveness of the controls over allocation of loans into Stages. - for a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank. - for loans to customers we tested the design, implementation and operating effectiveness of controls over calculation of overdue days used as a basis for the allocation of loans into stages. - for loans to customers assigned to Stages 1, 2 and 3, where ECL are assessed collectively, we assessed the appropriateness of the related models, and checked the completeness and accuracy of data inputs into the ECL calculation models by reconciling the model input data against primary documents, on a sample basis. - for loans to customers assigned to Stage 3, where ECL are assessed individually we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on publicly available market information and by agreeing collateral values to external valuation reports. - we assessed the predictive capability of the Bank's ECL calculation methodology by comparing the estimates made as at 31 December 2023 with the actual results for 2024. - we assessed the accuracy and relevance of macroeconomic forecasts used in the adjustment to incorporate forward looking information by reperforming regression analysis and agreeing macroeconomic data to publicly available sources.

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| | <ul style="list-style-type: none">- we also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. |
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

(thousands of Armenian drams)

	Note	2024	2023
Interest income calculated using effective interest rate	26	45,388,068	37,350,681
Other interest income	26	372,125	188,379
Interest expense	26	(19,826,581)	(15,942,833)
Net interest income	26	25,933,612	21,596,227
Fee and commission income	27	10,591,042	10,882,481
Fee and commission expense	27	(6,846,521)	(6,981,151)
Net fee and commission income		3,744,521	3,901,330
Net trading income	28	5,743,874	7,836,496
Net gain from foreign currency translation		314,266	332,676
Net gain on investment securities measured at fair value through other comprehensive income		462,818	195,576
Other income	29	757,622	926,125
Operating income before impairment and other administrative expenses		36,956,713	34,788,430
Net reversal of impairment losses/(impairment losses) on financial instruments	30	311,808	(363,596)
Personnel expenses	31	(10,561,006)	(9,343,795)
Depreciation of property, equipment and right-of-use asset	14	(1,401,966)	(1,250,913)
Amortization of intangible assets	15	(113,668)	(86,019)
Administrative and other operating expenses	32	(5,262,230)	(5,229,774)
Other impairment and provisions		(76,564)	(77,914)
Profit before income tax expense		19,853,087	18,436,419
Income tax expense	24	(4,028,345)	(3,812,750)
Profit for the year		15,824,742	14,623,669

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

Statement of comprehensive income
for the period ended 31 December 2024

(thousands of Armenian drams)

	<i>Note</i>	2024	2023
Profit for the year		<u>15,824,742</u>	<u>14,623,669</u>
Other comprehensive income not to be reclassified to profit or loss			
Gain on equity securities at FVOCI		174,800	-
Income tax effect		<u>(31,464)</u>	<u>-</u>
Net other comprehensive income not to be reclassified to profit or loss		<u>143,336</u>	<u>-</u>
Other comprehensive income that is or may be reclassified to profit or loss			
Unrealised gain on debt securities at FVOCI		2,917,529	3,496,537
Realised gain on debt securities at FVOCI transferred to profit or loss		(462,818)	(195,576)
Changes in allowance for expected credit losses of debt instruments at FVOCI		123,239	29,709
Income tax effect	24	<u>(464,031)</u>	<u>(599,520)</u>
Net other comprehensive income that is or to be reclassified to profit or loss		<u>2,113,919</u>	<u>2,731,150</u>
Other comprehensive income for the year, net of tax		<u>2,257,255</u>	<u>2,731,150</u>
Total comprehensive income for the year		<u>18,081,997</u>	<u>17,354,819</u>

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

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

(thousands of Armenian drams)

	Share capital	Share premium	Statutory general reserve	Revaluation surplus for land and buildings	Revaluation reserve for investment securities	Retained earnings	Total
Balance as at 1 January 2023	19,947,633	63,233	8,848,182	3,669,287	(4,099,566)	34,346,235	62,775,004
Profit for the year	-	-	-	-	-	14,623,669	14,623,669
Other comprehensive income for the year	-	-	-	-	2,731,150	-	2,731,150
Total comprehensive income for the year	-	-	-	-	2,731,150	14,623,669	17,354,819
Dividends declared and paid	-	-	-	-	-	(4,432,091)	(4,432,091)
Total transactions with owners	-	-	-	-	-	(4,432,091)	(4,432,091)
Depreciation of revaluation reserve	-	-	-	(97,116)	-	97,116	-
Balance as at 31 December 2023	19,947,633	63,233	8,848,182	3,572,171	(1,368,416)	44,634,929	75,697,732
Profit for the year	-	-	-	-	-	15,824,742	15,824,742
Other comprehensive income for the year	-	-	-	-	2,257,255	-	2,257,255
Total comprehensive income for the year	-	-	-	-	2,257,255	15,824,742	18,081,997
Dividends declared and paid	-	-	-	-	-	(4,467,547)	(4,467,547)
Total transactions with owners	-	-	-	-	-	(4,467,547)	(4,467,547)
Depreciation of revaluation reserve	-	-	-	(97,116)	-	97,116	-
Balance as at 31 December 2024	19,947,633	63,233	8,848,182	3,475,055	888,839	56,089,240	89,312,182

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

Statement of cash flows

for the period ended 31 December 2024

(thousands of Armenian drams)

	Note	2024	2023
Cash flows from operating activities			
Interest received		44,318,414	36,142,354
Interest paid		(19,103,980)	(14,446,781)
Fees and commissions received		10,591,042	10,882,481
Fees and commissions paid		(6,846,521)	(6,981,151)
Net trading income received		5,294,438	7,462,715
Other income received		730,551	931,119
Personnel expenses paid		(10,246,280)	(9,201,774)
Administrative and other operating expenses paid		(5,037,450)	(4,843,499)
Cash flows from operating activities before changes in operating assets and liabilities		19,700,214	19,945,464
<i>Net (increase)/decrease in operating assets</i>			
Trading securities		102,483	(32,155)
Amounts due from banks		(4,936,597)	14,180,220
Amounts receivable under reverse repurchase agreements		(12,511,424)	(5,304,800)
Loans and advances to customers		(47,657,962)	(43,317,664)
Repossessed assets		348,472	1,349,682
Other assets		909,239	1,098,449
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks		2,630,935	(1,200,272)
Amounts payable under repurchase agreements		52,385,059	7,733,416
Amounts due to customers		6,228,728	7,962,013
Derivative financial liabilities		480,072	289,131
Other liabilities		113,837	197,090
Net cash from operating activities before income tax		17,793,056	2,900,574
Income tax paid		(4,304,394)	(4,590,067)
Net cash from/(used in) operating activities		13,488,662	(1,689,493)
Cash flows from investing activities			
Purchase of investment securities	13	(130,353,412)	(66,872,995)
Proceeds from sale and redemption of investment securities	13	125,665,130	54,833,433
Purchase of property and equipment	14	(1,255,544)	(3,078,734)
Proceeds from disposal of subsidiary, net of cash disposed off		-	1,697
Proceeds from sale of property and equipment		6,038	415,237
Purchase of intangible assets	15	(120,237)	(314,986)
Net cash used in investing activities		(6,058,025)	(15,016,348)
Cash flows from financing activities			
Dividends paid to shareholders		(4,467,547)	(4,432,091)
Proceeds from debt securities issued	36	15,844,949	5,295,222
Redemption of debt securities issued	36	(11,914,400)	-
Proceeds from other borrowed funds	36	5,309,596	8,116,744
Repayment of other borrowed funds	36	(5,218,920)	(5,392,342)
Repayment of subordinated loans	36	-	(276,346)
Repayment of lease liabilities	36	(510,803)	(647,653)
Net cash (used in)/from financing activities		(957,125)	2,663,534
Net increase/(decrease) in cash and cash equivalents		6,473,512	(14,042,307)
Cash and cash equivalents at the beginning of the year		37,214,306	51,134,231
Effect of exchange rates changes on cash and cash equivalents		(4,340,016)	118,385
Effect of expected credit losses on cash and cash equivalents		824	3,997
Cash and cash equivalents at the end of the year	7	39,348,626	37,214,306

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 35 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 31 December 2024, the number of Bank’s employees is 925 (31 December 2023: 898).

The Bank was 100% shareholder of Converse Collection LLC. Converse Collection was formed as a limited liability company under the laws of the Republic of Armenia on 20 April 2000. The company’s principal activity is transportation of cash, cash equivalents and other assets. The company was a subsidiary of the Bank and was consolidated in these financial statements up to July 2023, disposal date (Note 5). The Bank doesn’t have any other subsidiary as at 31 December 2023 and as at 31 December 2024.

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

Shareholder	31 December 2024, %	31 December 2023, %
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management S.A.R.L.	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	100.00	100.00

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

Related party transactions are detailed in Note 35.

(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. Additionally, continuous military conflicts between Armenia and Azerbaijan eventually leading to Azerbaijan remaining in effective control of Nagorno-Karabakh territory in September 2023 and ongoing military conflict between the Russian Federation and Ukraine have increased the level of uncertainty in the business environment. The situation between Armenia and Azerbaijan continues to be tense due to ongoing disagreements regarding the delimitation of borders between Armenia and Azerbaijan.

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.

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”).

(a) 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.

(thousands of Armenian drams)

(b) Functional and presentation currency

The functional currency of the Bank is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 31 December 2024 and 31 December 2023, were AMD 396.56 and AMD 404.79 to USD 1, and AMD 413.89 and AMD 447.90 to EUR 1, respectively.

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

(c) 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 32.

Assumptions and estimations uncertainty

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

- ▶ impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information – Note 32.

(d) 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.

Certain amendments and interpretations apply for the first time in 2024, but do not have significant impact on the Bank's financial statements and accounting policies.

3. Material accounting policies

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

(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.

(thousands of Armenian drams)

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, amounts receivable under reverse repurchase agreements, loans to customers, investments securities at amortised cost

The Bank only measures amounts due from banks, amounts receivable under reverse repurchase agreements, 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.

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.

(thousands of Armenian drams)

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

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. 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 and choose to account performance guarantees as contingent loan commitments.

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.

(thousands of Armenian drams)

(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.

(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.

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.

(thousands of Armenian drams)

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.

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.

(thousands of Armenian drams)

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:

	<u>Useful life (years)</u>	<u>Rate (%)</u>
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

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

(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.

(thousands of Armenian drams)

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.

(n) New standards and interpretations not yet adopted

A number of new standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- ▶ Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- ▶ Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- ▶ Enhanced guidance is provided on how to Bank information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as “other”.

Other accounting standards

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

- ▶ Lack of Exchangeability (Amendments to IAS 21).
- ▶ Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

(thousands of Armenian drams)

4. Comparative information

As at 31 December 2024 the Bank separated and presented amounts receivable under reverse repurchase agreements and amounts payable under repurchase agreements as separate lines in the financial statements. Comparative information is reclassified to conform to changes in the presentation in the current year in the financial statements.

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

Statement of financial position

	<i>Impact of reclassification</i>		
	<i>31 December 2023 as reported</i>	<i>Reclassification</i>	<i>31 December 2023 as reclassified</i>
Amounts receivable under reverse repurchase agreements	-	7,400,589	7,400,589
Loans and advances to customers	272,224,524	(7,400,589)	264,823,935
Amounts due to banks	4,175,967	(3,933,642)	242,325
Amounts payable under repurchase agreements	-	7,739,916	7,739,916
Amounts due to customers	359,249,656	(3,806,274)	355,443,382

Statement of cash flows

	<i>Impact of correction of reclassification</i>		
	<i>2023 as reported</i>	<i>Reclassification</i>	<i>2023 as reclassified</i>
Amounts due from banks	8,148,681	6,031,539	14,180,220
Amounts receivable under reverse repurchase agreements	-	(5,304,800)	(5,304,800)
Loans and advances to customers	(42,590,925)	(726,739)	(43,317,664)
Amounts due to banks	2,728,299	(3,928,571)	(1,200,272)
Amounts payable under repurchase agreements	-	7,733,416	7,733,416
Amounts due to customers	11,766,858	(3,804,845)	7,962,013

Additionally, the Bank corrected purchases and sales amounts of investment securities in the financial statement of cash flows for 2023.

The following table summarize the impacts on the Bank's financial statements.

	<i>Impact of correction of error</i>		
	<i>2023 as reported</i>	<i>Correction of error</i>	<i>2023 as corrected</i>
Interest received	35,997,583	144,771	36,142,354
Cash flows from operating activities before changes in operating assets and liabilities	2,755,803	144,771	2,900,574
Net cash from operating activities before income tax	(4,734,838)	144,771	(4,590,067)
Net cash from/(used in) operating activities	(1,834,264)	144,771	(1,689,493)
Purchase of investment securities	(77,418,332)	10,545,337	(66,872,995)
Proceeds from sale and redemption of investment securities	65,523,541	(10,690,108)	54,833,433
Net cash used in financing activities	(14,871,577)	(144,771)	(15,016,348)

(thousands of Armenian drams)

5. Disposal of subsidiary

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

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

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

6. Segment information

During 2024 the CODM of the Bank started to monitor and make strategic decisions on the basis of segment operating results. The operating segments are divided based on products and services provided as follows:

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

To ensure comparability the Bank disclosed the operating segment's information for prior year as well.

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(thousands of Armenian drams)

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

<i>As of 31 December 2024</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
External income				
Interest income	22,604,372	10,044,973	13,110,848	45,760,193
Interest expense	(8,773,193)	(4,553,158)	(6,500,230)	(19,826,581)
Inter-segment income	1,008,400	3,143,544	(4,151,944)	-
Net interest income	14,839,579	8,635,359	2,458,674	25,933,612
Net non-interest income	3,884,142	3,011,633	4,127,326	11,023,101
Operating income	18,723,721	11,646,992	6,586,000	36,956,713
Net (impairment losses)/reversal of impairment losses on financial instruments	(453,708)	768,608	(3,092)	311,808
Depreciation of property, equipment and right-of-use asset and amortization of intangible assets	(922,140)	(472,373)	(121,121)	(1,515,634)
Personnel, administrative and other expenses	(9,202,872)	(4,993,531)	(1,703,397)	(15,899,800)
Operating segment profit	8,145,001	6,949,696	4,758,390	19,853,087
Income tax expense	(1,652,684)	(1,410,147)	(965,514)	(4,028,345)
Profit for the year	6,492,317	5,539,549	3,792,876	15,824,742

<i>As of 31 December 2023</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
External income				
Interest income	17,449,033	7,943,475	12,146,552	37,539,060
Interest expense	(7,188,132)	(4,343,838)	(4,410,863)	(15,942,833)
Inter-segment income	909,044	4,450,553	(5,359,597)	-
Net interest income	11,169,945	8,050,190	2,376,092	21,596,227
Net non-interest income	4,755,772	2,845,272	5,591,159	13,192,203
Operating income	15,925,717	10,895,462	7,967,251	34,788,430
Net reversal of impairment losses/(impairment losses) on financial instruments	546,707	(841,462)	(68,841)	(363,596)
Depreciation of property, equipment and right-of-use asset and amortization of intangible assets	(822,440)	(418,261)	(96,231)	(1,336,932)
Personnel, administrative and other expenses	(8,579,693)	(4,263,345)	(1,808,445)	(14,651,483)
Operating segment profit	7,070,291	5,372,394	5,993,734	18,436,419
Income tax expense	(1,462,174)	(1,111,040)	(1,239,536)	(3,812,750)
Profit for the year	5,608,117	4,261,354	4,754,198	14,623,669

The CODM does not monitor segment assets or liabilities. The following table presents assets and liabilities of the Bank's operating units according to management:

	<i>As of 31 December 2024</i>				<i>Total</i>
	<i>Interest bearing</i>			<i>Non-interest bearing</i>	
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>		
Assets	192,870,992	118,476,528	188,240,116	76,619,254	576,206,890
Liabilities	178,504,952	178,414,266	122,173,033	7,802,457	486,894,708
	<i>As of 31 December 2023</i>				<i>Total</i>
	<i>Interest bearing</i>			<i>Non-interest bearing</i>	
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>		
Assets	163,285,551	108,545,473	154,710,072	79,215,146	505,756,242
Liabilities	168,123,670	191,449,864	61,826,172	8,658,804	430,058,510

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

(thousands of Armenian drams)

Interest bearing financial liabilities include amounts due to banks, amounts payable under repurchase agreements, current accounts and deposits from customers, bonds issued by the Bank 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 years ended 31 December 2024 and 31 December 2023 are as follows:

<i>As of 31 December 2024</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	8,119,950	49,730	7,130	8,176,810
Wire transfer fees	292,227	414,118	25,214	731,559
Settlement operation	126,425	61,941	144,443	332,809
Guarantees and letters of credit	-	182,826	-	182,826
Loan accounts servicing fees	147,063	16,340	-	163,403
Banknotes transfers to banks	-	-	50,567	50,567
Other	274,523	274,528	404,017	953,068
Total revenue from contracts with customers	8,960,188	999,483	631,371	10,591,042

<i>As of 31 December 2023</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	8,178,252	47,967	5,127	8,231,346
Wire transfer fees	308,855	383,049	13,715	705,619
Settlement operation	150,776	60,713	178,433	389,922
Loan accounts servicing fees	336,509	63,506	-	400,015
Banknotes transfers to banks	-	-	159,527	159,527
Guarantees and letters of credit	-	142,552	-	142,552
Other	241,336	241,335	370,829	853,500
Total revenue from contracts with customers	9,215,728	939,122	727,631	10,882,481

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

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 December 2024</i>	<i>31 December 2023</i>
Cash on hand	10,183,792	8,961,815
Nostro accounts with the Central Bank, including obligatory reserves in AMD	17,445,353	12,591,359
Nostro accounts with other Banks	11,721,852	15,664,327
	39,350,997	37,217,501
Less – allowance for impairment	(2,371)	(3,195)
Cash and cash equivalents	39,348,626	37,214,306

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

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.

(thousands of Armenian drams)

The banks are required to maintain 6% of the amounts attracted in foreign currency as cash deposit with CBA in Armenian drams (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 9).

As of 31 December 2024 nostro accounts with other Banks in the amount of AMD 11,452,560 thousand (97.7%) were due from eight banks (2023: AMD 14,798,805 thousand (94.5%) were due from six banks).

8. Trading securities

Trading securities owned comprise:

	31 December 2024	31 December 2023
Debt securities issued by the RA government	576,703	646,747
Investments in funds	366,795	323,625
Trading securities	943,498	970,372

9. Amounts due from banks

Amounts due from banks comprise:

	31 December 2024	31 December 2023
Foreign currency obligatory reserves with CBA (Note 7)	21,880,210	24,981,465
Loans and deposits to banks	12,422,826	6,836,741
Deposited funds with CBA	2,832,500	2,305,000
Receivables from payment and settlement operations	2,581,835	1,975,202
Other deposited funds	1,638,246	1,244,533
	41,355,617	37,342,941
Less – allowance for impairment	(21,822)	(24,501)
Amounts due from banks	41,333,795	37,318,440

As at 31 December 2024 the balances included loans and deposits to banks due from six 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 as at 31 December 2024 and 31 December 2023. All the amounts due from banks are measured at amortised cost as at 31 December 2024 and 31 December 2023.

10. Derivative financial instruments

As of 31 December 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.

Foreign exchange contracts	31 December 2024		31 December 2023	
	Fair values		Fair value	
	Asset	Liability	Asset	Liability
Derivative assets (currency swaps)	2,586	-	72,646	-
Derivative liabilities (currency swaps)	-	67,655	-	31,110

(thousands of Armenian drams)

11. Amounts receivable under reverse repurchase agreements

Amounts receivable under reverse repurchase agreements comprise:

	31 December 2024	31 December 2023
Amounts receivable from other financial institutions	18,305,797	7,400,589
Amounts receivable from banks	1,619,787	-
Amounts receivable under reverse repurchase agreements	19,925,584	7,400,589

As at 31 December 2024 the amounts receivable of AMD 17,858,840 thousand (89.6%) are from ten counterparties (2023: AMD 6,777,470 thousand (91.6%) are from four counterparties).

As at 31 December 2024 amounts receivable under reverse repurchase agreements were collateralized by the RA government and corporate bonds with fair value of AMD 20,764,446 thousand (31 December 2023: AMD 7,400,602 thousand).

No amounts receivable under reverse repurchase agreements are past due or impaired and are fully in Stage 1 as at 31 December 2024 and 31 December 2023. The Bank estimates that balance of allowance for impairment is nil as at 31 December 2024 and 31 December 2023.

12. Loans and advances to customers

	31 December 2024	31 December 2023
Loans to customers	314,717,118	269,499,864
Financial lease receivables	3,537,915	2,333,812
	318,255,033	271,833,676
Less – allowance for loan impairment	(6,907,513)	(7,009,741)
Total loans and advances to customers	311,347,520	264,823,935
	31 December 2024	31 December 2023
Large business loans including finance lease receivables	77,011,350	72,547,698
SME loans including finance lease receivables	44,690,940	36,323,495
Total loans to corporate customers	121,702,290	108,871,193
Mortgage loans	102,474,919	84,098,149
Consumer loans	67,639,876	56,231,539
Gold loans	26,437,948	22,632,795
Total loans to retail customers	196,552,743	162,962,483
Gross loans and advances to customers	318,255,033	271,833,676
Less – allowance for impairment	(6,907,513)	(7,009,741)
Total loans and advances to customers	311,347,520	264,823,935

Allowance for impairment of loans and advances to customers

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

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	101,288,432	705,696	6,877,065	108,871,193
New assets originated or purchased	43,590,919	-	-	43,590,919
Assets repaid	(27,381,684)	(646,209)	(1,004,323)	(29,032,216)
Transfers to Stage 1	331,942	(16,608)	(315,334)	-
Transfers to Stage 2	(2,292,717)	2,450,297	(157,580)	-
Transfers to Stage 3	(750,602)	(782,090)	1,532,692	-
Recoveries	-	-	180,725	180,725
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange and other movements	(1,549,025)	(10,593)	(105,480)	(1,665,098)
At 31 December 2024	113,237,265	1,700,493	6,764,532	121,702,290

(thousands of Armenian drams)

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	523,876	-	-	523,876
Assets repaid	(307,279)	(68,934)	(544,931)	(921,144)
Transfers to Stage 1	134,792	(4,956)	(129,836)	-
Transfers to Stage 2	(31,391)	106,944	(75,553)	-
Transfers to Stage 3	(10,521)	(62,983)	73,504	-
Impact on period end ECL of exposures transferred between stages during the period	(131,443)	89,980	632,394	590,931
Unwinding of discount (recognised in interest income)	-	-	22,559	22,559
Changes to models and inputs used for ECL calculations	(180,723)	1,180	(916,040)	(1,095,583)
Recoveries	-	-	180,726	180,726
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange other movements	(7,365)	(1,473)	(53,939)	(62,777)
At 31 December 2024	712,081	200,619	2,313,062	3,225,762

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

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	158,085,688	2,157,429	2,719,366	162,962,483
New assets originated or purchased	77,807,446	-	-	77,807,446
Assets repaid	(41,698,470)	(660,391)	(1,314,847)	(43,673,708)
Transfers to Stage 1	721,886	(465,438)	(256,448)	-
Transfers to Stage 2	(1,973,871)	2,619,322	(645,451)	-
Transfers to Stage 3	(1,745,838)	(672,636)	2,418,474	-
Recoveries	-	-	1,124,783	1,124,783
Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange and other movements	(780,087)	(20,131)	(32,404)	(832,622)
At 31 December 2024	190,416,754	2,958,155	3,177,834	196,552,743

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	808,889	418,027	1,552,418	2,779,334
New assets originated or purchased	844,311	-	-	844,311
Assets repaid	(290,002)	(105,485)	(1,006,710)	(1,402,197)
Transfers to Stage 1	229,506	(83,794)	(145,712)	-
Transfers to Stage 2	(14,373)	381,572	(367,199)	-
Transfers to Stage 3	(12,175)	(154,822)	166,997	-
Impact on period end ECL of exposures transferred between stages during the period	(226,174)	210,327	1,130,766	1,114,919
Unwinding of discount (recognised in interest income)	-	-	52,154	52,154
Changes to models and inputs used for ECL calculations	108,822	(21,637)	(60,252)	26,933
Recoveries	-	-	1,124,783	1,124,783
Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange and other movements	(3,565)	(3,701)	(15,581)	(22,847)
At 31 December 2024	1,445,239	640,487	1,596,025	3,681,751

(thousands of Armenian drams)

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

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	82,491,951	1,262,757	7,825,951	91,580,659
Change in write-off policy and other corrections*	(513)	74,217	292,068	365,772
New assets originated or purchased	52,498,134	-	-	52,498,134
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 and other movements	1,480,022	9,245	153,748	1,643,015
At 31 December 2023	101,288,432	705,696	6,877,065	108,871,193

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 and other movements	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	68,426,270	-	-	68,426,270
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 and other movements	886,095	24,681	64,553	975,329
At 31 December 2023	158,085,688	2,157,429	2,719,366	162,962,483

(thousands of Armenian drams)

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 and other movements	3,288	6,520	28,625	38,433
At 31 December 2023	808,889	418,027	1,552,418	2,779,334

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

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

The mentioned changes do not have a material effect on the carrying value of loans and advances to customers or the impairment loss recognised in the statement of profit or loss. Based on materiality considerations the effect of these changes and corrections to the 2022 financial information was recognized in 2023.

** Write-offs from Stage 2 represent loss from cession (Note 30).

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 December 2024.

	Stage 1	Stage 2	Stage 3	Total loans
Loans to corporate customers				
Large business loans				
- not overdue	71,271,903	1,093,165	861,887	73,226,955
- overdue 181-360 days	-	-	542,712	542,712
- overdue more than 1 year	-	-	3,241,683	3,241,683
Total gross loans	71,271,903	1,093,165	4,646,282	77,011,350
Expected credit loss allowance	(236,296)	(74,769)	(1,502,290)	(1,813,355)
Total net loans	71,035,607	1,018,396	3,143,992	75,197,995
SME loans				
- not overdue	41,949,586	472,739	260,870	42,683,195
- overdue less than 30 days	15,776	46,940	22,287	85,003
- overdue 31-90 days	-	87,649	143,836	231,485
- overdue 91-180 days	-	-	288,211	288,211
- overdue 181-360 days	-	-	583,211	583,211
- overdue more than 1 year	-	-	819,835	819,835
Total gross loans	41,965,362	607,328	2,118,250	44,690,940
Expected credit loss allowance	(475,785)	(125,850)	(810,772)	(1,412,407)
Total net loans	41,489,577	481,478	1,307,478	43,278,533

(thousands of Armenian drams)

	Stage 1	Stage 2	Stage 3	Total loans
Loans to retail customers				
Mortgage loans				
- not overdue	100,071,055	1,057,889	467,002	101,595,946
- overdue less than 30 days	63,282	-	75,724	139,006
- overdue 31-90 days	-	116,498	149,427	265,925
- overdue 91-180 days	-	-	55,061	55,061
- overdue 181-360 days	-	-	125,560	125,560
- overdue more than 1 year	-	-	293,421	293,421
Total gross loans	100,134,337	1,174,387	1,166,195	102,474,919
Expected credit loss allowance	(369,326)	(229,664)	(497,379)	(1,096,369)
Total net loans	99,765,011	944,723	668,816	101,378,550
Consumer loans				
- not overdue	63,950,377	1,212,008	371,406	65,533,791
- overdue less than 30 days	270,720	88,154	96,670	455,544
- overdue 31-90 days	-	232,985	122,794	355,779
- overdue 91-180 days	-	-	382,514	382,514
- overdue 181-360 days	-	-	578,188	578,188
- overdue more than 1 year	-	-	334,060	334,060
Total gross loans	64,221,097	1,533,147	1,885,632	67,639,876
Expected credit loss allowance	(1,049,574)	(380,765)	(1,048,091)	(2,478,430)
Total net loans	63,171,523	1,152,382	837,541	65,161,446
Loans to retail customers				
Gold loans				
- not overdue	26,016,126	139,375	38,583	26,194,084
- overdue less than 30 days	45,194	11,154	14,229	70,577
- overdue 31-90 days	-	100,092	8,533	108,625
- overdue 91-180 days	-	-	22,145	22,145
- overdue 181-360 days	-	-	42,517	42,517
Total gross loans	26,061,320	250,621	126,007	26,437,948
Expected credit loss allowance	(26,339)	(30,058)	(50,555)	(106,952)
Total net loans	26,034,981	220,563	75,452	26,330,996
Total gross loans to corporate customers	113,237,265	1,700,493	6,764,532	121,702,290
Expected credit loss allowance	(712,081)	(200,619)	(2,313,062)	(3,225,762)
Total net loans to corporate customers	112,525,184	1,499,874	4,451,470	118,476,528
Total gross loans to retail customers	190,416,754	2,958,155	3,177,834	196,552,743
Expected credit loss allowance	(1,445,239)	(640,487)	(1,596,025)	(3,681,751)
Total net loans to retail customers	188,971,515	2,317,668	1,581,809	192,870,992
Total gross loans	303,654,019	4,658,648	9,942,366	318,255,033
Expected credit loss allowance	(2,157,320)	(841,106)	(3,909,087)	(6,907,513)
Total net loans	301,496,699	3,817,542	6,033,279	311,347,520

(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 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
SME loans				
- not overdue	33,512,918	398,719	719,949	34,631,586
- 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	33,548,034	705,696	2,069,765	36,323,495
Expected credit loss allowance	(472,875)	(140,861)	(978,745)	(1,592,481)
Total net loans	33,075,159	564,835	1,091,020	34,731,014
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
Consumer loans				
- not overdue	53,160,404	865,389	587,217	54,613,010
- 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	53,320,040	1,096,927	1,814,572	56,231,539
Expected credit loss allowance	(580,227)	(236,505)	(1,103,969)	(1,920,701)
Total net loans	52,739,813	860,422	710,603	54,310,838
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

(thousands of Armenian drams)

	Stage 1	Stage 2	Stage 3	Total loans
Total gross loans to corporate customers	101,288,432	705,696	6,877,065	108,871,193
Expected credit loss allowance	(722,135)	(140,861)	(3,367,411)	(4,230,407)
Total net loans to corporate customers	100,566,297	564,835	3,509,654	104,640,786
Total gross loans to retail customers	158,085,688	2,157,429	2,719,366	162,962,483
Expected credit loss allowance	(808,889)	(418,027)	(1,552,418)	(2,779,334)
Total net loans to retail customers	157,276,799	1,739,402	1,166,948	160,183,149
Total gross loans	259,374,120	2,863,125	9,596,431	271,833,676
Expected credit loss allowance	(1,531,024)	(558,888)	(4,919,829)	(7,009,741)
Total net loans	257,843,096	2,304,237	4,676,602	264,823,935

As at 31 December 2024, the balance of cash-covered loans for which no impairment allowance was created because of the collateral, amounted to AMD 31,288,356 thousand (2023: AMD 34,507,395 thousand).

Concentration of loans and advances to customers

As at 31 December 2024 the Bank had a concentration of loans totaling to AMD 47,868,992 thousand due from the ten largest groups of borrowers (15.03% of gross loan portfolio) (2023: AMD 48,993,284 thousand due from the ten largest groups of borrowers (17.57% of gross loan portfolio)). An allowance for impairment in amount of AMD 1,457,467 thousand (2023: AMD 1,939,571 thousand) was created against these loans.

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

	31 December 2024	31 December 2023
Mortgage	102,474,919	84,098,149
Consumer and gold loans to individuals	94,077,824	78,864,334
Trade	42,457,424	34,694,238
Construction	24,835,311	24,075,833
Agriculture (including loans to individuals)	12,035,435	11,663,851
Financial services	8,359,883	10,305,840
Manufacturing	6,610,721	7,397,313
Services	5,257,828	4,198,867
Energy	3,646,678	2,998,568
Transport and communication	3,174,843	2,093,145
Other	15,324,167	11,443,538
Gross loan portfolio	318,255,033	271,833,676
Less allowance for loan impairment	(6,907,513)	(7,009,741)
Total	311,347,520	264,823,935

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2023 and 2024 is as follows:

	31 December 2024	31 December 2023
Gross investment in finance lease, receivable		
Not later than 1 year	1,375,350	773,364
1-2 years	1,326,017	773,445
2-3 years	944,955	717,664
3-4 years	492,688	399,775
4-5 years	152,076	194,238
More than 5 years	74,806	5,756
	4,365,892	2,864,242
Unearned future finance income on finance lease	(827,977)	(530,430)
Net investment in financial lease, before impairment allowance	3,537,915	2,333,812
Impairment allowance	(54,320)	(23,973)
Net investment in finance lease	3,483,595	2,309,839

(thousands of Armenian drams)

Analysis of collateral and other credit enhancements

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

	31 December 2024	31 December 2023
Real estate	195,362,903	167,232,901
Cash and deposit	32,424,883	36,787,801
Gold	26,321,887	20,684,098
Vehicles	2,867,149	1,399,086
Finished goods	4,912,911	634,957
Government bonds	79,578	85,224
Unsecured	49,378,209	37,999,868
Total loans and advances to customers	311,347,520	264,823,935

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

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

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

The following tables provide information on the collateral pledged for the loans to customers classified at Stage 3 as at 31 December 2024 and 2023. For the purposes of the below table the fair value of the collateral for each loan has been capped by the gross carrying amount of the loan.

31 December 2024	Gold	Real estate	Vehicles	Total fair value of the collateral	Gross carrying amount	Associated ECL
Large business loans	-	4,275,863	-	4,275,863	4,646,282	(1,502,290)
SME loans	-	1,663,928	23,080	1,687,008	2,118,250	(810,772)
Mortgage loans	-	1,075,037	-	1,075,037	1,166,195	(497,379)
Consumer loans	-	876,181	25,835	902,016	1,885,632	(1,048,091)
Gold loans	45,777	-	-	45,777	126,007	(50,555)
Total	45,777	7,891,009	48,915	7,985,701	9,942,366	(3,909,087)

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

Assets under lien

As at 31 December 2024, loans to customers with a gross value of AMD 36,392,564 thousand (2023: AMD 34,982,018 thousand) serve as collateral for other borrowed funds (see Note 22).

(thousands of Armenian drams)

13. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 December 2024	31 December 2023
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	4,532,696	6,531,648
Governments bonds of the foreign countries	1,981,389	4,016,352
Less – allowance for impairment	(4,227)	(10,217)
Debt securities at amortised cost held by the Bank	6,509,858	10,537,783
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	40,694,087	84,542,756
Governments bonds of the foreign countries	26,177,303	28,870,511
Corporate bonds	9,460,688	8,230,943
Bonds of international organizations	1,186,177	1,212,941
Debt securities at FVOCI held by the Bank	77,518,255	122,857,151
Equity securities at FVOCI		
Equity shares of companies in OECD countries	5,333	5,333
Corporate shares in the Armenian companies	518,650	75,222
Equity securities at FVOCI held by the Bank	523,983	80,555
Total investment securities held by the Bank	84,552,096	133,475,489
Pledged under sale and repurchase agreements		
RA government bonds	63,362,767	7,927,279
Debt securities at FVOCI pledged under repurchase agreements	63,362,767	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	2,453,067	2,453,067
Assets repaid	(6,478,072)	(6,478,072)
Interest accrued	550,866	550,866
Interest repaid	(558,778)	(558,778)
Foreign exchange differences	(998)	(998)
At 31 December 2024	6,514,085	6,514,085

Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2024	10,217	10,217
New assets originated or purchased	354	354
Assets repaid	(1,767)	(1,767)
Changes to models and inputs used for ECL calculations	(4,577)	(4,577)
At 31 December 2024	4,227	4,227

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	5,051,268	5,051,268
Assets repaid	(11,712,003)	(11,712,003)
Interest accrued	751,205	751,205
Interest repaid	(759,118)	(759,118)
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

(thousands of Armenian drams)

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

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at 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	127,631,717	127,631,717
Assets repaid	(66,422,407)	(66,422,407)
Assets sold	(52,764,651)	(52,764,651)
Interest accrued	10,587,491	10,587,491
Interest repaid	(10,476,739)	(10,476,739)
Net change in fair value	2,917,529	2,917,529
Foreign exchange differences	(1,376,348)	(1,376,348)
At 31 December 2024	140,881,022	140,881,022

Debt securities at FVOCI	Stage 1	Total
ECLs as at 1 January 2024	212,725	212,725
New assets originated or purchased	133,910	133,910
Assets repaid	(14,498)	(14,498)
Assets sold	(35,599)	(35,599)
Changes to models and inputs used for ECL calculations	39,424	39,424
At 31 December 2024	335,962	335,962

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	61,821,727	61,821,727
Assets repaid	(24,172,316)	(24,172,316)
Assets sold	(18,949,114)	(18,949,114)
Interest accrued	9,794,132	9,794,132
Interest repaid	(9,930,990)	(9,930,990)
Net change in fair value	3,496,537	3,496,537
Foreign exchange differences	1,834,818	1,834,818
At 31 December 2023	130,784,430	130,784,430

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

An analysis of changes in the gross carrying values in relation to equity securities at FVOCI 31 December 2024 is as follows:

Equity securities at FVOCI	Stage 1	Total
Gross carrying value as at 1 January 2024	80,555	80,555
New assets originated or purchased	268,628	268,628
Net change in fair value	174,800	174,800
At 31 December 2024	523,983	523,983

During 2023 there were no changes in the gross carrying values in of equity securities at FVOCI.

(thousands of Armenian drams)

14. 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	10,714	204,953	35,332	635,171	90,087	225,031	54,256	151,990	1,407,534
Modifications	-	-	-	-	-	-	-	(261,950)	(261,950)
Disposals and write-offs	-	(87,628)	(9,900)	(108,776)	(25,295)	(17,681)	(1,097)	(55,187)	(305,564)
Transfers	1,695	2,544	-	6,572	6,522	73,161	(90,494)	-	-
31 December 2024	5,321,407	911,878	327,142	6,712,806	1,260,907	2,489,622	60,629	3,866,344	20,950,735
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	145,211	56,694	22,270	602,224	75,900	167,949	-	331,718	1,401,966
Modifications	-	-	-	-	-	-	-	(261,950)	(261,950)
Disposals and write-offs	-	(79,475)	(5,925)	(103,000)	(23,519)	(17,681)	-	(55,187)	(284,787)
31 December 2024	290,182	622,984	179,609	4,431,003	827,057	1,324,804	-	2,195,012	9,870,651
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
31 December 2024	5,031,225	288,894	147,533	2,281,803	433,850	1,164,818	60,629	1,671,332	11,080,084
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

Revaluation of assets

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

The fair value of land and buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used. Based on analysis of changes in real estate prices management believes that fair value of land and buildings approximates the carrying amount as at 31 December 2023 and as at 31 December 2024.

If the buildings were measured using the cost model, the carrying amounts would be AMD 793,353 thousand (2023: AMD 807,721 thousand).

(thousands of Armenian drams)

Fully depreciated items

As of 31 December 2024 property and equipment included fully depreciated assets in amount of AMD 3,664,952 thousand (2023: AMD 3,726,632 thousand).

Property and equipment in the phase of installation

As of 31 December 2024 property and equipment included assets in the phase of installation in amount of AMD 584,008 thousand (2023: AMD 610,892 thousand).

Security

No property and equipment item is pledged under any arrangements as at 31 December 2024 (2023: none).

15. 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	29,293	10,180	80,063	119,536
31 December 2024	1,097,179	269,848	757,028	2,124,055
Accumulated amortization				
1 January 2024	833,003	69,459	219,849	1,122,311
Amortisation charge	48,344	13,367	51,957	113,668
31 December 2024	881,347	82,826	271,806	1,235,979
Net book value				
1 January 2024	234,883	190,209	457,116	882,208
31 December 2024	215,832	187,022	485,222	888,076
	<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				
1 January 2023	798,386	63,326	174,830	1,036,542
Amortisation charge	34,617	6,133	45,269	86,019
Disposals and write-offs	–	–	(250)	(250)
31 December 2023	833,003	69,459	219,849	1,122,311
Net book value				
1 January 2023	222,829	86,383	344,029	653,241
31 December 2023	234,883	190,209	457,116	882,208

Fully amortized items

As of 31 December 2024, intangible assets included fully amortized assets in amount of AMD 814,468 thousand (2023: AMD 798,043 thousand).

(thousands of Armenian drams)

16. Repossessed assets

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

	31 December 2024	31 December 2023
Land and buildings	819,001	1,033,211
Other assets	20,036	15,327
	839,037	1,048,538
Less: allowance for impairment	(310,120)	(244,416)
Total repossessed collateral	528,917	804,122

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 31 December 2024 the Bank repossessed assets in amount of AMD 125,617 thousand (2023: AMD 194,752 thousand) and sold assets with carrying amount of AMD 335,118 thousand (2023: AMD 1,673,285 thousand).

17. Other assets and liabilities

Other assets comprise:

	31 December 2024	31 December 2023
Other financial assets		
Accounts receivables	654,491	546,583
Receivables from cash transfers	163,947	242,274
Total other financial assets	818,438	788,857
Less – allowance for impairment of other financial assets	(20,087)	(28,363)
Total net other financial assets	798,351	760,494
Other non-financial assets		
Prepayments to suppliers	747,052	816,236
Precious metals	471,939	1,514,469
Other prepaid taxes	456,079	389,881
Materials	370,771	249,532
Unamortized insurance premium	40,451	32,940
Settlements with employees	6,833	6,146
Other	1,865	1,865
Total other non-financial assets	2,094,990	3,011,069
Other assets	2,893,341	3,771,563

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

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2024	28,284	30	49	28,363
Transfers to Stage 1	8	(2)	(6)	-
Transfers to Stage 2	(13)	13	-	-
Transfers to Stage 3	(45)	(9)	54	-
ECL charge	(8,445)	200	3,736	(4,509)
Recoveries	-	-	7,163	7,163
Amounts written off	-	-	(10,796)	(10,796)
Foreign exchange differences	(129)	-	(5)	(134)
At 31 December 2024	19,660	232	195	20,087

(thousands of Armenian drams)

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:

	31 December 2024	31 December 2023
Other financial liabilities		
Due to personnel	2,095,514	1,780,104
Accounts payables	861,414	751,242
Total other financial liabilities	2,956,928	2,531,346
Other non-financial liabilities		
Tax payable, other than income tax	1,228,199	1,003,409
Grants related to assets	9,044	11,468
Other	2	2
Total other non-financial liabilities	1,237,245	1,014,879
Total other liabilities	4,194,173	3,546,225

18. Amounts due to banks

Amounts due to banks comprise:

	31 December 2024	31 December 2023
Correspondent accounts of other banks	663,469	177,448
Loans from banks	-	61,600
Other liabilities	2,285	3,277
Amounts due to banks	665,754	242,325

As of 31 December 2024, 97.1% of correspondent accounts of other banks of AMD 644,215 thousand are concentrated within 5 counterparties (2023: AMD 155,989 thousand (87.9%) within 3 counterparties).

19. Amounts payable under repurchase agreements

Amounts payable under repurchase agreements comprise:

	31 December 2024	31 December 2023
Amounts payable under repurchase agreements to the CBA	45,063,031	3,933,642
Amounts payable under repurchase agreements to banks	14,898,183	-
Amounts payable under repurchase agreements to other financial institutions	-	3,806,274
Amounts payable under repurchase agreements	59,961,214	7,739,916

As of 31 December 2024, the amounts payable under repurchase agreements to counterparties besides the Central Bank of Armenia are with two counterparties (2023: two counterparties besides CBA).

As at 31 December 2024 amounts payable under repurchase agreements were collateralized by the RA government bonds with fair value of AMD 63,362,767 thousand (2023: AMD 7,927,279 thousand).

(thousands of Armenian drams)

20. Amounts due to customers

The amounts due to customers include the following:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Corporate customers		
Current/settlement accounts	78,912,109	92,270,849
Time deposits	99,455,351	95,372,741
	<u>178,367,460</u>	<u>187,643,590</u>
Retail customers		
Current/settlement accounts	78,979,287	75,383,637
Time deposits	97,758,579	92,416,155
	<u>176,737,866</u>	<u>167,799,792</u>
Amounts due to customers	<u>355,105,326</u>	<u>355,443,382</u>

As of 31 December 2024, included in amounts due to customers are deposits amounting to AMD 36,415,794 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 31 December 2024, the aggregate balance of top ten customers of the Bank amounts to AMD 119,139,926 thousand (2023: AMD 120,718,599 thousand) or 33.6% of total customer accounts (2023: 34.0%).

21. Debt securities issued

Debt securities issued consisted of the following:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Domestic bonds in USD	13,982,881	12,235,398
Domestic bonds in AMD	10,186,864	8,131,950
Debt securities issued	<u>24,169,745</u>	<u>20,367,348</u>

The contractual maturity of AMD and USD bonds ranges from 2025 -2027. Coupon rates are 9.75% to 10.25% for bonds denominated in AMD, 3.75% to 4.75% for bonds denominated in USD (2023: contractual maturity of AMD and USD bonds ranges from 2024 -2025, coupon rates are 9.75% to 10.5% for bonds denominated in AMD, 3.75% to 5.25% for bonds denominated in USD). Bonds issued by the Bank are listed on Armenia securities exchange.

22. Other borrowed funds

Other borrowed funds consisted of the following:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Loans from refinancing credit organizations	30,761,156	29,632,386
Loans from CBA	5,768,167	5,717,504
Loans from international financial institution	764,282	1,874,052
Loans from the Government of the RA	15,060	27,805
Other borrowed funds	<u>37,308,665</u>	<u>37,251,747</u>

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.

Loans 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.

(thousands of Armenian drams)

Covenants

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

23. 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 31 December 2024 and 31 December 2023 the Bank's commitments and contingencies comprised the following:

	31 December 2024	31 December 2023
Credit related commitments		
Undrawn loan commitments	15,058,487	14,457,798
Financial guarantees	8,510,315	8,494,788
Letters of credit	430,146	-
	23,998,948	22,952,586
Provisions for ECL for credit related commitments	(219,072)	(323,878)

All credit related commitments are classified as stage 1 as at 31 December 2024 and 2023. An analysis of changes in the ECLs at 31 December 2024 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2024	195,601	195,601
New exposures	76,942	76,942
Expired exposures	(85,074)	(85,074)
Changes to models and inputs used for ECL calculations	(42,674)	(42,674)
Foreign exchange differences	(1,178)	(1,178)
At 31 December 2024	143,617	143,617
Financial guarantees	Stage 1	Total
ECLs as at 1 January 2024	128,277	128,277
New exposures	49,271	49,271
Expired exposures	(93,763)	(93,763)
Changes to models and inputs used for ECL calculations	(15,333)	(15,333)
Foreign exchange differences	(537)	(537)
At 31 December 2024	67,915	67,915

(thousands of Armenian drams)

Letters of credit	Stage 1	Total
ECLs as at 1 January 2024	-	-
New exposures	7,540	7,540
At 31 December 2024	7,540	7,540

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

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

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

Letters of credit	Stage 1	Total
ECLs as at 1 January 2023	4,158	4,158
Expired exposures	(4,276)	(4,276)
Foreign exchange differences	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 31 December 2024 and 31 December 2023 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.

24. Taxation

The corporate income tax expense comprises:

	31 December 2024	31 December 2023
Current tax charge	3,438,624	4,056,602
Deferred tax charge – origination and reversal of temporary differences	589,721	(243,852)
Total income tax expense	4,028,345	3,812,750

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

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

	31 December 2024		31 December 2023	
Profit before tax	19,853,087		18,436,419	
Income tax at the applicable tax rate	3,573,556	18%	3,318,555	18%
Non-deductible expenses	454,789	2%	494,195	3%
Income tax expense	4,028,345	20%	3,812,750	21%

(thousands of Armenian drams)

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

	Origination and reversal of temporary differences			Origination and reversal of temporary differences			
	Balance 31 December 2022	In the statement of profit or loss	In other comprehensive income	Balance 31 December 2023	In the statement of profit or loss	In other comprehensive income	Balance 31 December 2024
Loans and advances to customers	(1,118,024)	191,740	-	(926,284)	(335,198)	-	(1,261,482)
Investment securities	930,595	4,426	(599,520)	335,501	22,741	(495,495)	(137,253)
Property, equipment and right-of-use assets	(592,254)	(86,747)	-	(679,001)	(205,816)	-	(884,817)
Repossessed assets	81,110	14,024	-	95,134	(39,168)	-	55,966
Amounts due to customers	(7,140)	(3,170)	-	(10,310)	(308)	-	(10,618)
Lease liabilities	273,873	75,833	-	349,706	(23,205)	-	326,501
Other impairment and provisions	7,966	22,646	-	30,612	(75,586)	-	(44,974)
Other liabilities	285,080	25,100	-	310,180	66,819	-	376,999
Net deferred tax liabilities	(138,794)	243,852	(599,520)	(494,462)	(589,721)	(495,495)	(1,579,678)

25. Equity

As of 31 December 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 at par value of AMD 300,000 and 333 preference shares at par value of AMD 100).

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

	31 December 2024		31 December 2023	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Advanced Global Investments LLC	14,539,800	72.89	14,539,800	72.89
Advanced Global Investments LLC (preference shares)	33	-	33	-
HayPost Trust Management S.A.R.L	4,410,600	22.11	4,410,600	22.11
The Armenian Apostolic Church, presented by Mother See of Holy Etchmiadzin	997,200	5.00	997,200	5.00
	19,947,633	100.00	19,947,633	100.00

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

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

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.

(thousands of Armenian drams)

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 general reserve to be not less than 20% of the share capital. The General reserve can be used in accordance with RA legislation and is not available for distribution as dividends.

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.

26. Net interest income

Net interest income comprises:

	2024	2023
Financial assets measured at amortized cost		
Loans to customers	32,372,839	25,294,775
Amounts receivable under reverse repurchase agreements	990,133	1,046,774
Investment securities	543,586	751,205
Amounts due from banks	831,619	370,304
Cash equivalents	45,653	78,871
Other interest income	16,747	14,620
Financial assets measured at fair value through other comprehensive income		
Debt securities at FVOCI	10,587,491	9,794,132
Interest income calculated using effective interest rate	45,388,068	37,350,681
Finance leases	325,329	144,399
Trading securities	46,796	43,980
Other interest income	372,125	188,379
Total interest income	45,760,193	37,539,060
Amounts due to customers	13,630,431	11,753,749
Other borrowed funds	2,400,503	2,400,898
Amounts payable under repurchase agreements	2,174,628	326,038
Debt securities issued	1,355,831	1,281,531
Lease liabilities	231,076	156,685
Amounts due to banks	34,112	23,514
Subordinated loans	-	418
Interest expense	19,826,581	15,942,833
Net interest income	25,933,612	21,596,227

(thousands of Armenian drams)

27. Net fee and commission income

Net fee and commission income comprises:

	<u>2024</u>	<u>2023</u>
Plastic cards operations	8,176,810	8,231,346
Wire transfer fees	731,559	705,619
Fees and commission income from early repayments of loans	163,403	400,015
Settlement operation	203,315	345,808
Investment operation	129,494	44,114
Banknotes transfers to banks	50,567	159,527
Guarantees and letters of credit	182,826	142,552
Other fee income	953,068	853,500
Fee and commission income	<u>10,591,042</u>	<u>10,882,481</u>
Plastic cards operations	5,312,094	5,768,209
Expenses related to Armenian Card payment system	930,265	521,575
Banknotes transfers to banks	92,542	176,439
Wire transfer fees	179,145	146,352
Settlement operation	27,842	38,941
Guarantees and letters of credit	25,929	19,128
Other fee expense	278,704	310,507
Fee and commission expense	<u>6,846,521</u>	<u>6,981,151</u>
Net fee and commission income	<u>3,744,521</u>	<u>3,901,330</u>

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>

28. Net trading income

	<u>2024</u>	<u>2023</u>
Net gains from foreign currency transactions	5,953,389	8,329,685
Net income from operations with precious metals	85,384	286,683
Net gain from trading securities	77,034	114,817
Net loss on derivative financial instruments	(371,933)	(894,689)
Total net trading income	<u>5,743,874</u>	<u>7,836,496</u>

(thousands of Armenian drams)

29. Other income

	<u>2024</u>	<u>2023</u>
Fines and penalties received	575,562	647,940
Income from provided services	88,240	67,801
Income from payment terminals	54,679	71,699
Dividend income	871	-
Income from grants	2,424	2,424
Income from cash collection services	-	10,681
Other income	35,846	125,580
Total other income	<u>757,622</u>	<u>926,125</u>

30. Net (reversal of impairment losses)/impairment losses on financial instruments

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

	<u>Note</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Cash and cash equivalents	7	(824)	-	-	(824)
Amounts due from banks	9	(2,679)	-	-	(2,679)
Loans and advances to customers	12	341,388	105,431	(764,773)	(317,954)
Debt securities measured at amortised cost	13	(5,990)	-	-	(5,990)
Debt securities measured at FVOCI	13	123,239	-	-	123,239
Other financial assets	17	(8,493)	202	3,782	(4,509)
Financial guarantees	23	(59,825)	-	-	(59,825)
Loan commitments	23	(50,806)	-	-	(50,806)
Letters of credit	23	7,540	-	-	7,540
Net reversal of impairment losses		<u>343,550</u>	<u>105,633</u>	<u>(760,991)</u>	<u>(311,808)</u>

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

	<u>Note</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Cash and cash equivalents	7	(3,997)	-	-	(3,997)
Amounts due from banks	9	8,029	-	-	8,029
Loans and advances to customers*	12	(613,068)	(276,201)	(207,601)	(1,096,870)
Debt securities measured at amortised cost	13	1,248,203	-	-	1,248,203
Debt securities measured at FVOCI	13	29,709	-	-	29,709
Other financial assets	17	(1,521)	20	(792)	(2,293)
Financial guarantees	23	38,956	-	-	38,956
Loan commitments	23	146,017	-	-	146,017
Letters of credit	23	(4,158)	-	-	(4,158)
Net impairment losses		<u>848,170</u>	<u>(276,181)</u>	<u>(208,393)</u>	<u>363,596</u>

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

(thousands of Armenian drams)

31. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2024	2023
Salaries	10,366,245	9,136,872
Other expenses	194,761	206,923
Personnel expenses	10,561,006	9,343,795
Software maintenance expenses	1,188,047	901,226
Advertising costs	1,263,682	726,222
Insurance of deposits	429,129	452,276
Office supplies	315,358	261,972
Fixed assets repair and maintenance expenses	261,242	278,180
Communications	258,394	219,272
Security	227,992	209,525
Taxes, other than income tax, duties	194,351	198,489
Utility expenses	145,387	113,495
Insurance expenses	132,394	113,997
Consulting	118,842	212,124
Business trip expenses	72,357	53,465
Financial system mediator	50,650	46,218
Audit*	50,400	50,400
Lease expenses	19,407	54,170
Other expenses	534,598	1,338,743
Other operating expenses	5,262,230	5,229,774

* Included in the audit expenses is AMD 50,400 thousand for the audit of IFRS financial statements of the Bank for the year ended 31 December 2024 (2023: AMD 50,400 thousand for the audit of IFRS financial statements of the Bank for the year ended 31 December 2023), which were paid/are payable to the audit firm. All these fees are VAT inclusive.

32. 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.

(thousands of Armenian drams)

Direction

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

- ▶ Approval of complex measures, in agreement with the Board, based on the 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.

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

(thousands of Armenian drams)

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.

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.

(thousands of Armenian drams)

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.

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 groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 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 and advances to 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 as at 31 December 2024.

- ▶ Large business loans and SME in local currency;
- ▶ Large business loans and SME in foreign currency;
- ▶ Consumer loans;
- ▶ Consumer loans secured by real estate;
- ▶ Overdrafts;
- ▶ Mortgage loans;
- ▶ Gold pawn loans.

(thousands of Armenian drams)

The following portfolios were segregated by the Bank as at 31 December 2023.

- ▶ 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% (2023: 15%, 70% and 15%) probabilities corresponding to the best, base and worst case scenarios.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 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;
- ▶ Significant deterioration of credit grading compared with the credit grade at initial recognition.

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.

Internal credit ratings for corporate customers

In 2024 the Bank implemented internal credit rating model for its large corporate clients, for which impairment losses are calculated at the portfolio level. Internal credit rating is used for allocation of loans into stages. According to the internal legal acts of the Bank, the following factor groups are used for calculation of the clients' ratings:

- Financial indicators and ratios;
- Activity area/industry;
- Credit history;
- Behavioural and other factors.

(thousands of Armenian drams)

According to the internal credit rating model applied the possible highest rating of the client is 0 and the lowest is 12. The Bank considers 1 to 5 notches from the initial rating as indication of significant increase in credit risk depending on the client's initial rating.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on macroeconomic indicators for forward-looking information incorporation in the below tables.

The Bank obtains the forecasts of macroeconomic data from third party source (Eurasian Development Bank, Asian Development Bank, Ministry of Finance and Central Bank of Armenia). Experts of the Bank's Credit Risk Department determine the weights attributable to the multiple scenarios.

In 2024, along with baseline forecasts (with 70% probability of occurrence), additionally, the Bank uses shocked macroeconomic variables to calculate the ECL under the upside (with 15% probability of occurrence) and downside (15% probability of occurrence) scenarios. In 2023 the Bank applied the same weights for the scenarios. The Bank estimates the relationship between the default rates and the macroeconomic factors based on the Ordinary least squares (OLS) regression models. The selected variables used in the model differ based on the portfolios.

The table below shows the values of the key macroeconomic indicators/assumptions used in each of the scenarios for the ECL calculations as at 31 December 2024.

	ECL scenario	Assigned probabilities, %	2025
Key driver			
Economic activity index, %	Upside	15%	8%
	Base case	70%	5%
	Downside	15%	2%
AMD/USD exchange rate			
	Upside	15%	376
	Base case	70%	412
	Downside	15%	450
Home price index, %			
	Upside	15%	102.7
	Base case	70%	99.7
	Downside	15%	95.3
Government accounts with the CBA, billion Armenian drams			
	Upside	15%	373
	Base case	70%	518
	Downside	15%	819
Yield curve, %			
	Upside	15%	8.3
	Base case	70%	8.3
	Downside	15%	8.3

(thousands of Armenian drams)

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

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

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.

<i>International external rating agency (Moody's, S&P, Fitch) rating and internal credit ratings</i>	<i>Rating description</i>
A3 to Aaa / A- to AAA and fully cash collateralized assets and has internal credit rate 0 to 1	High grade
Baa3 to Baa1 / BBB- to BBB+, Ba3 to Ba1 / BB- to BB+ and has internal credit rate 0 to 6	Standard grade
B3 to B1 / B- to B+ and has internal credit rate 7 to 8	Sub-standard grade
Below B3 / B- and has internal credit rate 9 to 12	Impaired

(thousands of Armenian drams)

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 or which have internal rating of 0-1. Other borrowers with good financial position and good debt service are included in the standard grade or which have internal rating of 0-6. Sub-standard grade comprises loans below standard grade but not individually impaired or which have internal rating of 7-8. 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.

31 December 2024	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	7	Stage 1	2,254,033	20,159,705	6,753,467	-	29,167,205
Amounts due from banks	9	Stage 1	15,016,532	26,021,837	317,248	-	41,355,617
Amounts receivable under reverse repurchase agreements		Stage 1	-	19,925,584	-	-	19,925,584
Loans to customers at amortised cost	11						
		Stage 1	31,067,947	33,686,497	6,517,459	-	71,271,903
Large business loans		Stage 2	-	-	1,093,165	-	1,093,165
		Stage 3	-	-	-	4,646,282	4,646,282
Debt investment securities	12						
- Measured at FVOCI		Stage 1	26,177,303	51,340,952	-	-	77,518,255
- Measured at amortised cost		Stage 1	1,981,389	4,532,696	-	-	6,514,085
- Measured at FVOCI pledged under repurchase agreements		Stage 1	-	63,362,767	-	-	63,362,767
Other financial assets		Stage 1	163,947	641,970	-	-	805,917
		Stage 2	-	-	6,692	-	6,692
	16	Stage 3	-	-	-	5,829	5,829
Undrawn loan commitments*	22	Stage 1	-	7,300,965	-	-	7,300,965
Guarantees	22	Stage 1	-	8,510,315	-	-	8,510,315
Letter of credit			-	430,146	-	-	430,146
Total			<u>76,661,151</u>	<u>235,913,434</u>	<u>14,688,031</u>	<u>4,652,111</u>	<u>331,914,727</u>

* Remaining undrawn loan commitments of AMD 7,713,733 thousand are with retail customers with no signs of deterioration.

31 December 2023	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	7	Stage 1	2,714,771	25,540,915	-	-	28,255,686
Amounts due from banks	9	Stage 1	938,175	36,404,766	-	-	37,342,941
Amounts receivable under reverse repurchase agreements		Stage 1	-	7,400,589	-	-	7,400,589
Loans to customers at amortised cost	11						
		Stage 1	34,444,558	29,676,853	3,618,987	-	67,740,398
Large business loans		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	4,807,300	4,807,300
Debt investment securities	12						
- Measured at FVOCI		Stage 1	26,646,948	96,210,203	-	-	122,857,151
- Measured at amortised cost		Stage 1	4,016,352	6,531,648	-	-	10,548,000
- Measured at FVOCI pledged under repurchase agreements		Stage 1	-	7,927,279	-	-	7,927,279
Other financial assets		Stage 1	500,545	280,653	-	-	781,198
		Stage 2	-	-	2,895	-	2,895
	16	Stage 3	-	-	-	4,764	4,764
Undrawn loan commitments*	22	Stage 1	-	5,854,712	-	-	5,854,712
Guarantees	22	Stage 1	-	8,494,788	-	-	8,494,788
Total			<u>69,261,349</u>	<u>224,322,406</u>	<u>3,621,882</u>	<u>4,812,064</u>	<u>302,017,701</u>

* Remaining undrawn loan commitments of AMD 8,603,086 thousand are with retail customers with no signs of deterioration.

See Note 12 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 31 December 2024 and 31 December 2023.

	31 December 2024			Total
	Armenia	Other non-OECD countries	OECD countries	
Assets				
Cash and cash equivalents	27,629,231	10,579,728	1,139,667	39,348,626
Trading securities	943,498	-	-	943,498
Amounts due from banks	27,449,914	2,394,073	11,489,808	41,333,795
Derivative financial assets	-	2,586	-	2,586
Amounts receivable under reverse repurchase agreements	19,925,584	-	-	19,925,584
Loans and advances to customers	280,481,736	30,608,210	257,574	311,347,520
Investment securities	55,200,811	1,387,846	27,963,439	84,552,096
Securities pledged under repurchase agreements	63,362,767	-	-	63,362,767
Other financial assets	289,186	774	508,391	798,351
	475,282,727	44,973,217	41,358,879	561,614,823
Liabilities				
Amounts due to banks	215,301	450,426	27	665,754
Derivative financial liabilities	205	67,450	-	67,655
Amounts payable under repurchase agreements	59,961,214	-	-	59,961,214
Amounts due to customers	278,713,917	67,206,191	9,185,218	355,105,326
Debt securities issued	22,121,038	1,798,635	250,072	24,169,745
Other borrowed funds	36,544,383	-	764,282	37,308,665
Lease liabilities	1,775,864	38,028	-	1,813,892
Other financial liabilities	2,895,659	8,687	52,582	2,956,928
	402,227,581	69,569,417	10,252,181	482,049,179
Net assets/(liabilities)	73,055,146	(24,596,200)	31,106,698	79,565,644
	31 December 2023			
	Armenia	Other non-OECD countries	OECD countries	Total
Assets				
Cash and cash equivalents	21,553,252	12,647,552	3,013,502	37,214,306
Trading securities	970,372	-	-	970,372
Amounts due from banks	28,645,172	3,076,325	5,596,943	37,318,440
Derivative financial assets	-	72,646	-	72,646
Amounts receivable under reverse repurchase agreements	7,927,279	-	-	7,927,279
Loans and advances to customers	229,912,530	34,748,120	163,285	264,823,935
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	517,320	847	242,327	760,494
	396,823,556	51,758,431	41,908,253	490,490,240
Liabilities				
Amounts due to banks	173,228	2,264	66,833	242,325
Derivative financial liabilities	-	31,110	-	31,110
Amounts payable under repurchase agreements	7,739,916	-	-	7,739,916
Amounts due to customers	279,843,246	66,029,504	9,570,632	355,443,382
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
Lease liabilities	1,894,332	48,481	-	1,942,813
Other financial liabilities	2,245,913	-	285,433	2,531,346
	345,399,637	67,803,328	12,347,022	425,549,987
Net assets/(liabilities)	51,423,919	(16,044,897)	29,561,231	64,940,253

(thousands of Armenian drams)

Liquidity risk and funding management

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

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 4% (2023: 4%) of certain obligations of the Bank denominated in Armenian drams and 6% (2023: 6%) on certain obligations of the Bank denominated in foreign currency in Armenian drams and 12% (2023: 12%) on certain obligations of the Bank denominated in foreign currency in respective currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 31 December 2024 and 31 December 2023, these ratios were as follows:

	Threshold	31 December 2024, % (Unaudited)	31 December 2023, % (Unaudited)
N21 "General Liquidity Ratio" (highly liquid assets/total assets)	Min 15%	34.44	43.45
N22 "Current Liquidity Ratio" (highly liquid assets/liabilities payable on demand)	Min 60%	101.31	114.26

Analysis of financial liabilities by remaining contractual maturities

The tables below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2024 and 2023 based on contractual undiscounted repayment obligations. See Note 34 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.

	31 December 2024						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	Total	
Financial liabilities							
Amounts due to banks	606,270	-	-	-	59,484	665,754	665,754
Amounts payable under repurchase agreements	59,990,964	-	-	-	-	59,990,964	59,961,214
Amounts due to customers	167,744,265	34,989,890	88,684,531	76,293,563	877,996	368,590,245	355,105,326
Debt securities issued	-	-	9,436,596	17,152,190	-	26,588,786	24,169,745
Other borrowed funds	652,068	491,730	4,267,518	22,193,771	20,458,031	48,063,118	37,308,665
Lease liabilities	42,314	84,628	345,612	1,456,740	764,381	2,693,675	1,813,892
Total undiscounted financial liabilities	229,035,881	35,566,248	102,734,257	117,096,264	22,159,892	506,592,542	479,024,596
Commitments and contingent liabilities	23,998,948	-	-	-	-	23,998,948	23,998,948
Derivative financial liabilities	592,768	-	-	-	-	592,768	592,768
	31 December 2023						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	Total	
Financial liabilities							
Amounts due to banks	123,049	65,274	-	-	60,719	249,042	242,325
Amounts payable under repurchase agreements	7,739,916	-	-	-	-	7,739,916	7,739,916
Amounts due to customers	176,657,113	22,693,824	94,519,896	69,189,924	1,532,304	364,593,061	355,443,382
Debt securities issued	-	-	13,036,383	8,329,608	-	21,365,991	20,367,348
Other borrowed funds	1,320,882	212,672	3,165,527	17,975,344	25,976,607	48,651,032	37,251,747
Lease liabilities	71,841	138,932	577,317	1,856,177	809,737	3,454,004	1,942,813
Total undiscounted financial liabilities	185,912,801	23,110,702	111,299,123	97,351,053	28,379,367	446,053,046	422,987,531
Commitments and contingent liabilities	22,952,586	-	-	-	-	22,952,586	22,952,586
Derivative financial liabilities	1,776,713	-	-	-	-	1,776,713	1,776,713

(thousands of Armenian drams)

Included in amounts due to customers in the table above are term deposits of individuals. In accordance with the legislation of the Republic of Armenia, the Bank is obliged to repay term deposits of individuals upon demand of a depositor, forfeiting the accrued interest. These deposits are classified in the table above in accordance with their stated maturity dates. The classification of these deposits in accordance with their stated maturity dates based on discounted repayment obligations is presented below:

	2024	2023
Demand and less than 1 month	6,768,393	6,637,125
From 1 to 3 months	16,393,491	12,500,093
From 3 to 6 months	55,950,249	53,695,003
From 6 to 12 months	18,052,854	18,956,587
More than 1 year	593,592	627,347
	97,758,579	92,416,155

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.

Average effective interest rates

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

	2024			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	-	8.27%	3.40%	-	4.83%	3.54%
Amounts receivable under repurchase agreements	8.09%	5.02%	3.81%	10.58%	-	-
Loans and advances to customers	14.43%	8.26%	7.42%	14.28%	8.56%	7.26%
Investment securities	10.37%	4.88%	2.95%	9.62%	5.14%	3.14%
Investment securities pledged under repurchase agreements	10.45%	-	-	10.16%	-	-
Interest bearing liabilities						
Amounts due to banks	-	-	-	-	-	6.24%
Amounts payable under repurchase agreements	7.56%	-	-	9.43%	4.00%	3.13%
Amounts due to customers						
Term deposits from customers	9.92%	4.21%	1.94%	9.84%	3.58%	1.92%
Current accounts from customers	1.00%	0.17%	0.10%	1.37%	0.14%	0.01%
Debt securities issued	10.25%	4.20%	-	10.09%	4.33%	-
Other borrowed funds	6.45%	-	-	6.54%	-	-
Lease liabilities	13.90%	-	-	12.82%	-	-

(thousands of Armenian drams)

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities, except for interest bearing cash and cash equivalents and current accounts and demand deposits from customers, and existing as at 31 December 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
100 bp parallel rise	(118,707)	(232,913)
100 bp parallel fall	118,707	232,913

An analysis of the sensitivity of equity as a result of changes in the fair value of financial instruments at fair value through other comprehensive income, based on positions existing as at 31 December 2024 and 2023 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	<u>2024 Equity</u>	<u>2023 Equity</u>
100 bp parallel rise	(3,273,917)	(2,584,054)
100 bp parallel fall	3,273,917	2,584,054

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 Accounting Standards.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2024.

	<u>AMD</u>	<u>USD</u>	<u>EUR</u>	<u>Other currencies*</u>	<u>Total</u>
Assets					
Cash and cash equivalent	21,980,001	5,231,324	2,106,959	10,030,342	39,348,626
Trading securities	943,498	-	-	-	943,498
Amount due from banks	4,255,817	24,730,622	12,337,713	9,643	41,333,795
Amounts receivable under reverse repurchase agreements	17,913,535	1,597,480	414,569	-	19,925,584
Loans and advances to customers	210,294,894	89,486,717	11,565,909	-	311,347,520
Investment securities	43,753,644	28,087,466	12,506,875	204,111	84,552,096
Investment securities/securities pledged under repurchase agreements	63,362,767	-	-	-	63,362,767
Other assets	212,182	456,172	149,962	122	818,438
Total assets	<u>362,716,338</u>	<u>149,589,781</u>	<u>39,081,987</u>	<u>10,244,218</u>	<u>561,632,324</u>
Liabilities					
Amounts due to banks	76,875	562,661	22,858	3,360	665,754
Amounts payable under repurchase agreements	59,961,214	-	-	-	59,961,214
Amounts due to customers	173,724,250	131,132,748	38,845,806	11,402,522	355,105,326
Debt security issued	10,186,864	13,982,881	-	-	24,169,745
Other borrowed funds	37,308,665	-	-	-	37,308,665
Other liabilities	2,944,910	5,400	6,547	71	2,956,928
Total liabilities	<u>284,202,778</u>	<u>145,683,690</u>	<u>38,875,211</u>	<u>11,405,953</u>	<u>480,167,632</u>
Off balance					
Effect of derivatives (currency swap)	59,231	637,304	-	(761,604)	(65,069)
Net position	<u>78,572,791</u>	<u>4,543,395</u>	<u>206,776</u>	<u>(1,923,339)</u>	<u>81,399,623</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
Amounts receivable under reverse repurchase agreements	7,400,589	-	-	-	7,400,589
Loans and advances to customers	161,892,504	90,051,192	12,880,239	-	264,823,935
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	160,218	399,101	225,014	4,524	788,857
Total assets	285,493,893	156,553,684	35,220,820	12,650,870	489,919,267
Liabilities					
Amounts due to banks	52,438	121,458	66,444	1,985	242,325
Amounts payable under repurchase agreements	7,739,916	-	-	-	7,739,916
Amounts due to customers	167,363,082	139,847,150	35,262,437	12,970,713	355,443,382
Debt security issued	8,131,239	12,236,109	-	-	20,367,348
Other borrowed funds	37,251,747	-	-	-	37,251,747
Other liabilities	2,528,400	1,420	1,440	86	2,531,346
Total liabilities	223,066,822	152,206,137	35,330,321	12,972,784	423,576,064
Off balance					
Effect of derivatives (currency swap)	-	1,700,388	201,555	(1,860,407)	41,536
Net position	62,427,071	6,047,935	92,054	(2,182,321)	66,384,739

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

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2024 and 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.

	2024	2023
10% appreciation of USD against AMD	454,340	604,794
10% appreciation of EUR against AMD	20,678	9,205
10% appreciation of other currencies against AMD	(192,334)	(218,232)

A strengthening of the AMD against the above currencies at 31 December 2024 and 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.

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.

(thousands of Armenian drams)

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.

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		
				Financial instruments	Non-cash collateral received	Net amount
31 December 2024						
Amounts receivable under reverse repurchase agreements	19,925,584	-	19,925,584	(19,925,584)	-	-
Total financial assets	19,925,584	-	19,925,584	(19,925,584)	-	-
Amounts payable under repurchase agreements	(59,961,214)	-	(59,961,214)	(59,961,214)	-	-
Total financial liabilities	(59,961,214)	-	(59,961,214)	(59,961,214)	-	-

	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		
				Financial instruments	Non-cash collateral received	Net amount
31 December 2023						
Amounts receivable under 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 payable under repurchase agreements	(7,739,916)	-	(7,739,916)	(7,739,916)	-	-
Total financial liabilities	(7,739,916)	-	(7,739,916)	(7,739,916)	-	-

(thousands of Armenian drams)

33. Fair value measurements

Fair value measurement procedures

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

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

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

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy 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.

	31 December 2024				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Loans and advances to customers	-	-	306,169,217	306,169,217	311,347,520
Investment securities at amortised cost	1,979,904	4,565,050	-	6,544,954	6,509,858
Financial liabilities					
Amounts due to customers	-	-	357,348,037	357,348,037	355,105,326
Debt securities issued	-	23,842,259	-	23,842,259	24,169,745
Other borrowed funds	-	-	35,810,628	35,810,628	37,308,665
	31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Loans and advances to customers	-	-	255,023,509	255,023,509	264,823,935
Investment securities at amortised cost	4,015,412	6,532,346	-	10,547,758	10,537,783
Financial liabilities					
Amounts due to customers	-	-	356,440,970	356,440,970	355,443,382
Debt securities issued	-	20,082,581	-	20,082,581	20,367,348
Other borrowed funds	-	-	35,744,907	35,744,907	37,251,747

Assets for which fair value approximates carrying value

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

(thousands of Armenian drams)

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 4% to 20% per annum (2023: 3% to 24% per annum).

Amounts due to customers

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 2.3% to 9.9% 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 10.2% per annum (2023: 4.6% to 10.6% per annum).

Financial instruments that are measured at fair value

	31 December 2024		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	943,498	943,498
Derivative financial assets	-	2,586	2,586
Investment securities at FVOCI	25,976,717	52,065,521	78,042,238
Investment securities at FVOCI pledged under repurchase agreements	-	63,362,767	63,362,767
Total	25,976,717	116,374,372	142,351,089
Financial liabilities			
Derivative financial liabilities	-	67,655	67,655
Net fair value	25,976,717	116,306,717	142,283,434
	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 2024 (2023: none).

Fair value measurement of non-financial assets and liabilities

	31 December 2024	
	Level 3	Total
Non-financial assets		
Land and buildings	5,031,225	5,031,225
Total	5,031,225	5,031,225
	31 December 2023	
	Level 3	Total
Non-financial assets		
Land and buildings	5,164,027	5,164,027
Total	5,164,027	5,164,027

(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:

Non-financial assets	Land and buildings	Total
Balance as at 1 January 2024	5,164,027	5,164,027
Purchases	12,409	12,409
Depreciation charge	(145,211)	(145,211)
Net fair value at 31 December 2024	5,031,225	5,031,225

Non-financial assets	Land and buildings	Total
Balance as at 1 January 2023	5,305,397	5,305,397
Purchases	3,601	3,601
Depreciation charge	(144,971)	(144,971)
Net fair value at 31 December 2023	5,164,027	5,164,027

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

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.

(thousands of Armenian drams)

34. 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 31 December 2024:

	31 December 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	39,348,626	-	-	-	-	-	-	39,348,626
Trading securities	-	-	511,122	22,449	43,132	-	366,795	943,498
Amounts due from banks	12,936,348	1,253,407	793,120	-	-	-	26,350,920	41,333,795
Derivative financial assets	2,586	-	-	-	-	-	-	2,586
Amounts receivable under reverse repurchase agreements	19,925,584	-	-	-	-	-	-	19,925,584
Loans and advances to customers	5,943,588	36,228,244	46,003,100	113,510,461	107,120,483	2,541,644	-	311,347,520
Investment securities pledged under repurchase agreements	18,993,773	8,315,242	13,625,518	27,341,012	15,752,568	-	523,983	84,552,096
Property, plant and equipment	-	-	-	-	-	-	11,080,084	11,080,084
Intangible assets	-	-	-	-	-	-	888,076	888,076
Repossessed assets	-	-	-	-	-	-	528,917	528,917
Other assets	2,412,274	62,980	372,528	3,200	40,494	-	1,865	2,893,341
Total assets	99,562,779	45,859,873	76,995,307	178,303,911	133,202,736	2,541,644	39,740,640	576,206,890
Liabilities								
Amounts due to banks	606,270	-	-	-	-	-	59,484	665,754
Derivative financial liabilities	67,655	-	-	-	-	-	-	67,655
Amounts payable under repurchase agreements	59,961,214	-	-	-	-	-	-	59,961,214
Amounts due to customers	167,407,263	33,833,359	84,010,413	69,260,697	593,594	-	-	355,105,326
Current income tax liabilities	-	-	1,809,534	-	-	-	-	1,809,534
Debt securities issued	-	-	9,197,336	14,972,409	-	-	-	24,169,745
Other borrowed funds	594,560	237,777	2,624,587	15,877,019	17,974,722	-	-	37,308,665
Lease liabilities	23,547	46,785	191,221	898,850	653,489	-	-	1,813,892
Provisions on commitments and contingencies	219,072	-	-	-	-	-	-	219,072
Deferred tax liabilities	-	-	-	-	-	-	1,579,678	1,579,678
Other liabilities	1,515,867	80,383	2,588,879	9,044	-	-	-	4,194,173
Total liabilities	230,395,448	34,198,304	100,421,970	101,018,019	19,221,805	-	1,639,162	486,894,708
Net position	(130,832,669)	11,661,569	(23,426,663)	77,285,892	113,980,931	2,541,644	38,101,478	89,312,182

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							
	<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>Overdue</i>	<i>No maturity</i>	<i>Total</i>
Cash and cash equivalents	37,214,306	-	-	-	-	-	-	37,214,306
Trading securities	-	-	48,524	499,276	98,947	-	323,625	970,372
Amounts due from banks	8,787,442	-	-	-	-	-	28,530,998	37,318,440
Derivative financial assets	72,646	-	-	-	-	-	-	72,646
Amounts receivable under reverse repurchase agreements	7,400,589	-	-	-	-	-	-	7,400,589
Loans and advances to customers	3,601,404	34,838,944	41,120,074	95,682,597	88,204,670	1,376,246	-	264,823,935
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	644,618	18,026	41,251	-	1,866	3,771,563
Total assets	62,659,466	59,029,331	76,191,725	150,976,863	113,803,921	1,376,246	41,718,690	505,756,242
Liabilities								
Amounts due to banks	120,006	61,600	-	-	-	-	60,719	242,325
Derivative financial liabilities	31,110	-	-	-	-	-	-	31,110
Amounts payable under repurchase agreements	7,739,916	-	-	-	-	-	-	7,739,916
Amounts due to customers	176,188,526	21,893,507	91,386,739	64,790,678	1,183,932	-	-	355,443,382
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	89,310,727	19,492,339		555,181	430,058,510
Net position	(123,230,845)	36,566,220	(36,155,116)	61,666,136	94,311,582	1,376,246	41,163,509	75,697,732

(thousands of Armenian drams)

35. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of these 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.

As at 31 December 2023 and 2024 the ultimate parent company of the Bank is Advanced Global Investments S.A.R.L.. The ultimate parent company doesn't produce financial statements that are available for public use.

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

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

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

	31 December 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	46,165	8,570,830	1,184,824	54,104	15,911,861	1,055,639
Loan repayments during reporting period	(49,710)	(9,749,925)	(1,166,361)	(52,274)	(14,548,125)	(1,029,244)
Loans outstanding at the end of the reporting period, gross	10,004	30,287,653	275,613	13,549	31,466,748	257,150
Less: allowance for loan impairment	(201)	(4,434)	(2,063)	(204)	(5,111)	(2,501)
Loans outstanding at the end of the reporting period, net	9,803	30,283,219	273,550	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	8,316,940	195,212,170	13,092,642	6,852,465	152,653,381	9,893,988
Deposits repaid during reporting period	(8,252,543)	(184,414,646)	(13,350,003)	(7,011,809)	(140,914,062)	(9,652,962)
Deposits at the end of the reporting period	124,646	60,608,321	1,094,103	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	-	-	-	-	-	-
Statement of comprehensive income						
Interest income	-	2,203,635	21,075	-	2,618,610	22,576
Fee and commission income	52	47,996	5,394	72	40,037	5,571
Other income	31,230	129,882	4,162	21,543	86,098	5,808
Interest expense	(5,742)	(1,551,247)	(56,920)	(16,915)	(1,357,358)	(56,938)
Impairment charge	3	677	438	(59)	42,576	(1,102)
Other expenses	-	(37,657)	(183)	(3)	(29,148)	(50,430)

(thousands of Armenian drams)

Deposits from entities under common control denominated in USD have 5.41% and maturity 2025-2029 (2023: 3.79%, and maturity 2024-2029). Deposits from Key management personnel and their close family members denominated in AMD have 9.70% and maturity 2025-2026, in USD 3.71% with maturity 2025-2026, in EUR 1.32% with maturity 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 18.61% and maturity 2026-2043, in USD have 8.41% and maturity 2025-2044, in EUR have 14% and maturity 2042 (2023: AMD 17.36%, maturity 2026-2042, USD 8.45% maturity 2024-2041, in EUR 14%, maturity 2041). Loans to Key management personnel and their close family members denominated in AMD have 10.88% and maturity 2025-2044, in USD 7.90% with maturity 2033-2044, in EUR 5.09% with maturity 2033-2042 (2023: AMD 11.43%, maturity 2025-2043, USD 7.9%, maturity 2033-2043, EUR 5.04%, maturity 2034-2041).

Out of total loans to related party AMD 30,253,360 thousand is collateralized with cash and deposit (2023: AMD 31,415,482 thousand is collateralized with cash and deposit).

Compensation of key management personnel was comprised of the following:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Salaries and other short-term benefits	1,290,816	1,139,033
Total key management personnel compensation	<u>1,290,816</u>	<u>1,139,033</u>

36. 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	19, 21	14,692,148	34,501,456	276,140	1,521,514	50,991,258
Proceeds from issue		5,295,222	8,116,744	-	-	13,411,966
Redemption		-	(5,392,342)	(276,346)	(647,653)	(6,316,341)
Foreign currency translation		347,319	-	849	-	348,168
Additions and modifications		-	-	-	907,903	907,903
Interest expense on lease liabilities		-	-	-	156,685	156,685
Other		32,659	25,889	(643)	4,364	62,269
Carrying amount at 31 December 2023	19, 21	20,367,348	37,251,747	-	1,942,813	59,561,908
Proceeds from issue		15,844,949	5,309,596	-	-	21,154,545
Redemption		(11,914,400)	(5,218,920)	-	(510,803)	(17,644,123)
Foreign currency translation		(190,124)	-	-	-	(190,124)
Additions and modifications		-	-	-	150,806	150,806
Interest expense on lease liabilities		-	-	-	231,076	231,076
Other		61,972	(33,758)	-	-	28,214
Carrying amount at 31 December 2024	19, 21	<u>24,169,745</u>	<u>37,308,665</u>	<u>-</u>	<u>1,813,892</u>	<u>63,292,302</u>

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

(thousands of Armenian drams)

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

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

	31 December 2024 (Unaudited)	31 December 2023 (Unaudited)
Tier 1 capital	77,365,592	69,846,025
Tier 2 capital	3,374,260	2,951,362
Total capital	80,739,852	72,797,387
Risk-weighted assets	465,463,693	416,724,739
Capital adequacy ratio N1.1	16.62%	16.76%
Capital adequacy ratio N1.2	17.35%	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 31 December 2024 and 31 December 2023.

38. Subsequent events

In January 2025 the ultimate controlling party of the Bank changed. New ultimate controlling party of the Bank is Martin Eurnekian.