



Converse Bank Closed Joint-Stock Company

Financial statements

for the period ended 31 March 2025

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Statement of financial position**as of 31 March 2025***(thousands of Armenian drams)*

	Notes	31 March 2025	31 December 2024
Assets			
Cash and cash equivalents	5	48,274,673	39,348,626
Trading securities	6	967,173	943,498
Amounts due from banks	7	52,833,254	41,333,795
Derivative financial assets	8	8,731	2,586
Receivables under reverse repurchase agreements	9	23,316,367	19,925,584
Loans and advances to customers	10	316,878,940	311,089,113
Investments securities			
- Held by the Bank		85,664,287	84,552,096
- Pledged under sale and repurchase agreements		70,617,424	63,362,767
Property, equipment and right-of-use assets	12	10,819,480	11,080,084
Intangible assets	13	873,041	888,076
Repossessed assets	14	622,156	528,917
Other assets	15	3,825,655	2,893,341
Total assets		614,701,181	575,948,483
Liabilities			
Amounts due to banks	16	10,684,008	665,754
Derivative financial liabilities		103,279	67,655
Accounts payable under repurchase agreements	17	66,615,725	59,961,214
Amounts due to customers	18	367,006,637	355,105,326
Current tax liabilities	20	2,540,459	1,809,534
Debt securities issued	19	24,384,557	24,169,745
Other borrowed funds	21	41,331,160	37,308,665
Lease liabilities		1,757,606	1,813,892
Provisions for credit related commitments		164,970	219,072
Deferred tax liabilities	20	1,350,185	1,533,165
Other liabilities	15	5,099,603	4,194,173
Total liabilities		521,038,189	486,848,195
Equity			
Share capital	23	19,947,633	19,947,633
Share premium		63,233	63,233
Statutory general reserve		8,848,182	8,848,182
Revaluation surplus for land and buildings		3,450,776	3,475,055
Revaluation reserve for investment securities		1,452,957	888,839
Retained earnings		59,900,211	55,877,346
Total equity		93,662,992	89,100,288
Total equity and liabilities		614,701,181	575,948,483

Signed and authorised for release on behalf of the Management Board of the Bank on 15 April 2025. .

Grant Akopian

Acting Chief Executive Officer

Davit Azatyan

Chief Accountant

Statement of profit and loss
for the period ended 31 March 2025

(thousands of Armenian drams)

	Note	01/01/25- 31/03/25	01/01/24- 31/03/24
Interest revenue calculated using effective interest rate	24	12,692,897	11,029,148
Other interest revenue	24	10,344	12,508
Interest expense	24	(5,683,443)	(4,789,491)
Net interest income		7,019,798	6,252,165
Net impairment losses on financial instruments	28	63,382	262,952
Net interest income after credit loss expense		7,083,180	6,515,117
Fee and commission income	25	1,823,643	2,533,397
Fee and commission expense	25	(1,192,690)	(1,802,754)
Net trading income	26	1,643,009	1,545,584
Net gain from foreign currency translation		(129,445)	(431,025)
Gains less losses from investment securities measured at fair value through other comprehensive income		73,576	157,384
Other income	27	216,872	217,809
Non-interest income		2,434,965	2,220,395
Personnel expenses	29	(2,940,824)	(2,359,690)
Depreciation of property and equipment and right-of-use asset	12	(385,443)	(327,350)
Amortization of intangible assets	13	(31,859)	(26,167)
Administrative and other operating expenses	29	(1,332,243)	(1,159,867)
Non-interest expense		(4,690,369)	(3,873,074)
Profit before income tax expense		4,827,776	4,862,438
Income tax expense	20	(829,190)	(1,010,577)
Profit for the period		3,998,586	3,851,861

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

Statement of comprehensive income
for the period ended 31 March 2025

(thousands of Armenian drams)

	<i>Note</i>	01/01/25- 31/03/25	01/01/24- 31/03/24
Profit for the period		<u>3,998,586</u>	<u>3,851,861</u>
Other comprehensive income not to be reclassified to profit or loss			
Revaluation of property and equipment		-	-
Income tax effect		-	-
Net other comprehensive income not to be reclassified to profit or loss		<u>-</u>	<u>-</u>
Other comprehensive income that is or may be reclassified to profit or loss			
Unrealised gain/(loss) on debt securities at FVOCI		728,009	2,821,138
Realised (loss)/gain on debt securities at FVOCI transferred to profit or loss		(73,576)	(157,384)
Changes in allowance for expected credit losses of debt instruments at FVOCI		33,516	191
Income tax effect	20	(123,831)	(479,510)
Net other comprehensive income/(loss) that is or to be reclassified to profit or loss		<u>564,118</u>	<u>2,184,435</u>
Other comprehensive income/(loss) for the period, net of tax		<u>564,118</u>	<u>2,184,435</u>
Total comprehensive income for the period		<u><u>4,562,704</u></u>	<u><u>6,036,296</u></u>

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

Statement of changes in equity
for the period ended 31 March 2025

(thousands of Armenian drams)

	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory general reserve</i>	<i>Revaluation reserve for securities at fair value through OCI</i>	<i>Revaluation reserve of PPE</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 1 January 2024	19,947,633	63,233	8,848,182	(1,368,416)	3,572,171	44,634,929	75,697,732
Issue of share capital							-
Distribution to general reserve							-
Dividends to shareholders							-
Transactions with owners	-	-	-	-	-	-	-
Profit for the period						3,851,861	3,851,861
Other comprehensive income for the period				2,184,435		-	2,184,435
Total comprehensive income for the period	-	-	-	2,184,435	-	3,851,861	6,036,296
Depreciation of revaluation reserve					(24,279)	24,279	-
Balance as at 31 March 2024	19,947,633	63,233	8,848,182	816,019	3,547,892	48,511,069	81,734,028
Balance as at 1 January 2025	19,947,633	63,233	8,848,182	888,839	3,475,055	55,877,346	89,100,288
Issue of share capital							-
Distribution to general reserve							-
Dividends to shareholders							-
Transactions with owners	-	-	-	-	-	-	-
Profit for the period						3,998,586	3,998,586
Other comprehensive income for the period				564,118		-	564,118
Total comprehensive income for the period	-	-	-	564,118	-	3,998,586	4,562,704
Depreciation of revaluation reserve					(24,279)	24,279	-
Balance as at 31 March 2025	19,947,633	63,233	8,848,182	1,452,957	3,450,776	59,900,211	93,662,992

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

Statement of cash flows

for the period ended 31 March 2025

(thousands of Armenian drams)

Note	01/01/2025- 31/03/2025	01/01/2024- 31/03/2024
Cash flows from operating activities		
Interest received	12,395,528	10,304,464
Interest paid	(4,802,755)	(3,767,895)
Fees and commissions received	1,823,643	2,533,397
Fees and commissions paid	(1,192,690)	(1,802,754)
Net trading income received	1,528,059	1,409,052
Other income received	158,824	243,186
Personnel expenses paid	(1,964,799)	(1,940,229)
Administrative and other operating expenses paid	(1,470,148)	(1,266,060)
Cash flows from operating activities before changes in operating assets and liabilities	6,475,662	5,713,161
<i>Net (increase)/decrease in operating assets</i>		
Trading securities	(8,048)	(11,603)
Amounts due from banks	(10,807,515)	(16,979,382)
Receivables under reverse repurchase agreements	(3,418,688)	(257,453)
Loans and advances to customers	(6,455,348)	(9,048,992)
Repossessed assets	36,990	36,439
Other assets	(897,482)	825,905
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to banks	9,678,972	100,299
Accounts payable under repurchase agreements	6,658,739	23,577,693
Amounts due to customers	11,220,014	3,753,362
Derivative financial liabilities	129,504	150,088
Other liabilities	74,669	110,416
Net cash from operating activities before income tax	12,687,469	7,969,933
Income tax paid	(438,591)	(451,201)
Net cash (used in)/from operating activities	12,248,878	7,518,732
Cash flows from investing activities		
Purchase of investment securities	(39,734,154)	(27,625,538)
Proceeds from sale and redemption of investment securities	31,979,628	31,231,147
Purchase of property and equipment	(119,776)	(143,976)
Proceeds from sale of property and equipment	-	22,044
Purchase of intangible assets	(16,824)	(31,933)
Net cash used in investing activities	(7,891,126)	3,451,744
Cash flows from financing activities		
Dividends paid to shareholders	-	-
Proceeds from debt securities issued	-	-
Redemption of debt securities issued	-	-
Proceeds from other borrowed funds	5,006,232	1,161,837
Repayment of other borrowed funds	(1,043,128)	(1,080,286)
Repayment of subordinated loans	-	-
Repayment of lease liabilities	(122,521)	(129,130)
Net cash from financing activities	3,840,583	(47,579)
Net (decrease)/increase in cash and cash equivalents	8,198,335	10,922,897
Cash and cash equivalents at the beginning of the year	39,348,626	38,593,409
Effect of exchange rates changes on cash and cash equivalents	726,716	(2,116,940)
Effect of expected credit losses on cash and cash equivalents	996	976
Cash and cash equivalents at the end of the period	48,274,673	47,400,342
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The accompanying notes form an integral part of these financial statements.

(thousands of Armenian drams)

1. Background

(a) Principal activities

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

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

The Bank’s main office is in Yerevan and its 35 branches (2024: 35) 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 March 2025, the number of Bank’s employees is 916 (31 December 2024: 925).

As of 31 March 2025 and 31 December 2024, the shareholders of the Bank are:

Shareholder	31 March 2025, %	31 December 2024, %
Advanced Global Investments LLC	72.89	72.89
Haypost Trust Management S.A.R.L	22.11	22.11
Mother See of Holy Etchmiadzin	5.00	5.00
Total	100.000	100.000

Related party transactions are detailed in Note 33.

(b) Armenian business environment

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

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

(thousands of Armenian drams)

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

The AMD is also the presentation currency for the purposes of these financial statements. The official CBA exchange rates at 31 March 2025 and 31 December 2024, were AMD 391.57 and AMD 396.56 to USD 1, and AMD 423.72 and AMD 413.89 to EUR 1, respectively.

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

(d) Use of estimates and judgments

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

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

Judgements

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

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

Assumptions and estimations uncertainty

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

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

(e) Changes in material accounting policies

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

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

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

Lack of exchangeability – Amendments to IAS 21

(thousands of Armenian drams)

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025.

Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Bank's financial statements. On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments).

The Amendments include

- ▶ A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- ▶ Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- ▶ Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- ▶ The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only.

The Bank is currently not intending to early adopt the Amendments. With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date. In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability:

Disclosures In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Bank's debt instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

(thousands of Armenian drams)

3. Material accounting policies

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

(a) Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- ▶ Amortised cost;
- ▶ FVOCI;
- ▶ FVPL.

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

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

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

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

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

(thousands of Armenian drams)

expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

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

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

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

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

Debt instruments at FVOCI

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

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

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

Performance guarantees

(thousands of Armenian drams)

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

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

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets and liabilities in 2024 and 2023 .

(b) Cash and cash equivalents

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

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

(c) Repurchase and reverse repurchase agreements and securities lending

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

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

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

(d) Derivative financial instruments

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

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

(e) Renegotiated loans

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

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

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

(thousands of Armenian drams)

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

(f) Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Write-off

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

Financial liabilities

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

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

(g) Taxation

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

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

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

(thousands of Armenian drams)

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

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

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

(h) Property and equipment

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

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

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

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

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

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

(i) Repossessed assets

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

(j) Equity

Share capital

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

Share premium

(thousands of Armenian drams)

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

Dividends

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

(k) Segment reporting

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

(l) Recognition of income and expenses

Interest and similar revenue and expense

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

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

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

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

(m) Foreign currency translation

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

4. Segment information

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

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

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

(thousands of Armenian drams)

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

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

As of 31 March 2025	Retail banking	Corporate banking	Investment banking	Total
External income				
Interest income	6,391,592	2,590,814	3,720,835	12,703,241
Interest expense	(2,309,832)	(1,132,126)	(2,241,485)	(5,683,443)
Inter-segment income	88,675	664,690	(753,365)	-
Net interest income	4,170,435	2,123,378	725,985	7,019,798
Net non-interest income	826,204	548,881	1,059,879	2,434,965
Operating income	4,996,639	2,672,259	1,785,864	9,454,763
Net impairment expense on financial instruments	(38,199)	94,145	7,436	63,382
Net operating income	4,958,440	2,766,405	1,793,299	9,518,145
Administrative expenses	(2,759,071)	(1,501,061)	(430,237)	(4,690,369)
Operating unit profit	2,199,369	1,265,344	1,363,063	4,827,776
Income tax expense	(372,304)	(213,272)	(243,613)	(829,190)
Profit for the period	1,827,065	1,052,071	1,119,450	3,998,586

As of 31 March 2024	Retail banking	Corporate banking	Investment banking	Total
External income				
Interest income	5,349,757	2,382,069	3,309,831	11,041,656
Interest expense	(2,144,091)	(1,202,497)	(1,442,904)	(4,789,491)
Inter-segment income	(91,117)	799,767	(708,650)	-
Net interest income	3,114,549	1,979,339	1,158,277	6,252,165
Net non-interest income	881,037	595,594	743,765	2,220,395
Operating income	3,995,585	2,574,933	1,902,042	8,472,560
Net impairment expense on financial instruments	(338,352)	590,386	10,917	262,952
Net operating income	3,657,233	3,165,320	1,912,959	8,735,512
Administrative expenses	(2,270,148)	(1,247,750)	(355,176)	(3,873,074)
Operating unit profit	1,387,086	1,917,569	1,557,783	4,862,438
Income tax expense	(291,723)	(401,634)	(317,221)	(1,010,577)
Profit for the period	1,095,363	1,515,936	1,240,562	3,851,861

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

	As of 31 March 2025				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Investment banking		
Assets	205,721,800	111,157,140	210,056,708	87,765,533	614,701,181
Liabilities	180,038,474	188,725,769	143,118,729	9,155,217	521,038,189
	As of 31 March 2024				Total
	Interest bearing			Non-interest bearing	
	Retail banking	Corporate banking	Investment banking		
Assets	168,966,910	109,122,304	169,991,471	87,372,581	535,453,266
Liabilities	165,733,145	194,825,677	83,085,485	10,074,931	453,719,238

(thousands of Armenian drams)

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

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

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

Geographic information

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

Revenue from contracts with customers

Breakdown of revenue per operating units from contracts with customers in scope of IFRS 15 for the periods ended 31 March 2025 and 31 March 2024 are as follows:

<i>As of 31 March 2025</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	1,301,620	8,346	1,473	1,311,439
Wire transfer fees	59,769	92,849	3,419	156,037
Settlement operation	27,633	16,830	30,542	75,005
Loan accounts servicing fees	15,058	6,385	-	21,443
Banknotes transfers to banks	-	-	1,637	1,637
Guarantees and letters of credit	-	39,676	-	39,676
Other	73,801	73,802	70,803	218,406
Total revenue from contracts with customers	1,477,881	237,888	107,874	1,823,643
<i>As of 31 March 2024</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Trading</i>	<i>Total</i>
Commission income				
Plastic cards operations	2,009,021	12,252	1,689	2,022,962
Wire transfer fees	74,191	90,801	4,124	169,116
Settlement operation	24,770	10,304	29,341	64,414
Loan accounts servicing fees	10,987	32,377	-	43,364
Banknotes transfers to banks	-	-	19,242	19,242
Guarantees and letters of credit	-	37,626	-	37,626
Other	53,153	53,153	70,365	176,672
Total revenue from contracts with customers	2,172,124	236,512	124,761	2,533,397

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 31 March 2025 and 31 March 2024.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 March 2025</i>	<i>31 December 2024</i>
Cash on hand	9,569,518	10,183,792
Nostro accounts with the Central Bank, including obligatory reserves in AMD	22,486,564	17,445,353
Nostro accounts with other Banks	16,219,966	11,721,852
	48,276,048	39,350,997
Less – allowance for impairment	(1,375)	(2,371)
Cash and cash equivalents	48,274,673	39,348,626

Cash and cash equivalents are fully in Stage 1 and measured at amortised cost as at 31 March 2025 and 31 December 2024.

Banks are required to maintain cash deposit (obligatory reserve) with the CBA, equal to 4% (2024: 4%) of the amounts attracted in Armenian drams and 18% (2024: 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 (2024: 6%), and 12% – in the foreign currency (2024: 12%). The banks' ability to withdraw reserved amounts in foreign currency is restricted. Therefore, the Bank classifies obligatory reserves deposited in foreign currency as amounts due from banks (Note 7).

As of 31 March 2025 placements with other banks in the amount of AMD 12,805,547 thousand (79%) were due from three banks (2024: AMD 11,452,560 thousand (97.7%) were due from eight banks).

6. Trading securities

Trading securities owned comprise:

	31 March 2025	31 December 2024
Debt securities issued by the RA government	589,683	576,703
Investments in funds	377,490	366,795
Trading securities	967,173	943,498

7. Amounts due from banks

Amounts due from banks comprise:

	31 March 2025	31 December 2024
Foreign currency obligatory reserves with CBA	23,350,528	21,880,210
Loans and deposits to banks	23,482,726	12,422,826
Deposited funds with CBA	1,047,500	2,832,500
Receivables from payment and settlement operations	2,090,203	2,581,835
Other deposited funds	2,879,521	1,638,246
	52,850,478	41,355,617
Less – allowance for impairment	(17,224)	(21,822)
Amounts due from banks	52,833,254	41,333,795

As at 31 March 2025 the balances included loans and deposits to banks are due from seven counterparties (2024: six counterparties).

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

No amounts due from banks are past due or impaired and are fully in Stage 1. All the amounts due from banks are measured at amortised cost as at 31 March 2025 and 31 December 2024.

8. Derivative financial instruments

As of 31 March 2025, and 31 December 2024, 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 March 2025		31 December 2024	
	Fair values		Fair value	
	Asset	Liability	Asset	Liability
Derivative assets (currency swaps)	8,731	-	2,586	-
Derivative liabilities (currency swaps)	-	103,279	-	67,655

(thousands of Armenian drams)

9. Receivables under reverse repurchase agreements

	31 March 2025	31 December 2024
Reverse repurchase agreements with banks	3,526,859	1,619,787
Reverse repurchase agreements with financial institutions	19,789,508	18,305,797
Total reverse repurchase agreements	23,316,367	19,925,584

As at 31 March 2025 amounts receivable under reverse repurchase agreements were collateralized by RA government bonds with fair value of AMD 3,621,223 thousand (31 December 2024: AMD 1,649,515 thousand).

As at 31 March 2025 amounts receivable under reverse repurchase agreements were collateralized by RA government and corporate bonds with fair value of AMD 20,719,322 thousand (31 December 2024: AMD 19,114,931 thousand).

10. Loans and advances to customers

	31 March 2025	31 December 2024
Loans to customers	320,464,730	314,717,118
Financial lease receivables	3,447,811	3,537,915
	323,912,541	318,255,033
Less – allowance for loan impairment	(7,033,601)	(7,165,920)
Total loans and advances to customers	316,878,940	311,089,113
	31 March 2025	31 December 2024
Large business loans including finance lease receivables	73,717,880	77,011,350
SME loans including finance lease receivables	45,092,291	44,690,940
Total loans to corporate customers	118,810,171	121,702,290
Mortgage loans	107,378,000	102,474,918
Consumer loans	69,854,367	67,639,876
Gold loans	27,870,003	26,437,948
Total loans to retail customers	205,102,370	196,552,742
Gross loans and advances to customers	323,912,541	318,255,033
Less – allowance for impairment	(7,033,601)	(7,165,920)
Total loans and advances to customers	316,878,940	311,089,113

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 March 2025:

Corporate loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	113,392,263	1,545,493	6,764,533	121,702,290
New assets originated or purchased	7,081,920	-	-	7,081,920
Assets repaid	(7,563,330)	(135,688)	(1,526,997)	(9,226,015)
Transfers to Stage 1	80,482	(78,875)	(1,607)	-
Transfers to Stage 2	(419,112)	432,310	(13,198)	-
Transfers to Stage 3	(14,952)	(135,972)	150,924	-
Recoveries	-	-	54,550	54,550
Amounts written off	-	-	(91,625)	(91,625)
Foreign exchange differences	(651,356)	(9,169)	(50,425)	(710,949)
At 31 March 2025	111,905,915	1,618,099	5,286,157	118,810,171

Corporate loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	713,218	199,482	2,571,469	3,484,169
New assets originated or purchased	77,876	-	-	77,876
Assets repaid	(57,331)	(23,569)	(544,110)	(625,010)
Transfers to Stage 1	25,869	(24,854)	(1,016)	-

(thousands of Armenian drams)

Transfers to Stage 2	(4,258)	13,036	(8,778)	-
Transfers to Stage 3	(193)	(27,657)	27,850	-
Impact on period end ECL of exposures transferred between stages during the period	4,986	82,131	484,881	571,997
Unwinding of discount (recognised in interest income)	-	-	4,265	4,265
Changes to models and inputs used for ECL calculations	(3,044)	(24,623)	(78,272)	(105,939)
Recoveries	-	-	54,550	54,550
Amounts written off	-	-	(91,625)	(91,625)
Foreign exchange differences	(2,665)	(1,069)	(25,346)	(29,080)
At 31 March 2025	754,458	192,877	2,393,869	3,341,204

An analysis of changes in the gross carrying value and corresponding ECL in relation to retail loans as of 31 March 2025:

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	190,547,752	2,827,154	3,177,836	196,552,742
New assets originated or purchased	24,196,842	-	-	24,196,842
Assets repaid	(14,952,390)	(209,379)	(341,967)	(15,503,736)
Transfers to Stage 1	425,911	(418,490)	(7,421)	-
Transfers to Stage 2	(769,596)	1,025,220	(255,624)	-
Transfers to Stage 3	(216,075)	(554,105)	770,180	-
Recoveries	-	-	212,439	212,439
Amounts written off	-	-	(244,212)	(244,212)
Foreign exchange differences	(97,453)	(3,241)	(11,013)	(111,706)
At 31 March 2025	199,134,991	2,667,159	3,300,220	205,102,370

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	1,449,831	635,895	1,596,024	3,681,750
New assets originated or purchased	195,299	-	-	195,299
Assets repaid	(70,697)	(37,322)	(179,902)	(287,920)
Transfers to Stage 1	81,847	(78,265)	(3,582)	-
Transfers to Stage 2	(15,698)	146,365	(130,667)	-
Transfers to Stage 3	(6,379)	(171,010)	177,389	-
Impact on period end ECL of exposures transferred between stages during the period	(75,160)	126,604	153,098	204,542
Unwinding of discount (recognised in interest income)	-	-	7,458	7,458
Changes to models and inputs used for ECL calculations	(71,214)	(9,896)	9,079	(72,031)
Recoveries	-	-	212,439	212,439
Amounts written off	-	-	(244,212)	(244,212)
Foreign exchange differences	(488)	235	(4,673)	(4,927)
At 31 March 2025	1,487,341	612,605	1,592,451	3,692,397

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	(27,684,828)	(343,065)	(1,004,323)	(29,032,216)
Transfers to Stage 1	331,942	(16,608)	(315,334)	-
Transfers to Stage 2	(1,283,227)	1,440,807	(157,580)	-
Transfers to Stage 3	(1,301,947)	(230,744)	1,532,691	-
Recoveries	-	-	180,726	180,726
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange differences	(1,549,027)	(10,593)	(105,478)	(1,665,098)
At 31 December 2024	113,392,263	1,545,493	6,764,533	121,702,290

Corporate loans	Stage 1	Stage 2	Stage 3	Total
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(thousands of Armenian drams)

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	(183,863)	(71,245)	(357,642)	(612,751)
Transfers to Stage 1	134,792	(4,956)	(129,836)	-
Transfers to Stage 2	(25,732)	101,285	(75,553)	-
Transfers to Stage 3	(138,463)	(40,311)	178,774	-
Impact on period end ECL of exposures transferred between stages during the period	(131,441)	74,142	339,836	281,544
Unwinding of discount (recognised in interest income)	-	-	22,559	22,559
Changes to models and inputs used for ECL calculations	(180,723)	1,180	(657,633)	(836,184)
Recoveries	-	-	180,726	180,726
Amounts written off	-	-	(243,233)	(243,233)
Foreign exchange differences	(7,363)	(1,474)	(53,939)	(62,776)
At 31 December 2024	713,218	199,482	2,571,469	3,484,169

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	(41,698,469)	(660,392)	(1,314,847)	(43,673,708)
Transfers to Stage 1	721,885	(465,438)	(256,447)	-
Transfers to Stage 2	(1,696,586)	2,342,037	(645,451)	-
Transfers to Stage 3	(1,892,124)	(526,350)	2,418,473	-
Recoveries	-	-	1,124,783	1,124,783
Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange differences	(780,088)	(20,133)	(32,401)	(832,622)
At 31 December 2024	190,547,752	2,827,154	3,177,836	196,552,742

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	(205,027)	(110,964)	(625,592)	(941,583)
Transfers to Stage 1	229,506	(83,794)	(145,712)	-
Transfers to Stage 2	(74,490)	441,689	(367,199)	-
Transfers to Stage 3	(107,430)	(119,700)	227,130	-
Impact on period end ECL of exposures transferred between stages during the period	(151,185)	115,975	689,515	654,306
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)	26,934
Recoveries	-	-	1,124,783	1,124,783
Amounts written off	-	-	(835,639)	(835,639)
Foreign exchange differences	(3,566)	(3,701)	(15,582)	(22,849)
At 31 December 2024	1,449,831	635,895	1,596,024	3,681,750

(thousands of Armenian drams)

Credit quality of loans to legal entities and individuals

The following table provides information on the credit quality of loans to legal entities and individuals as at 31 March 2025.

	Stage 1	Stage 2	Stage 3	Total loans
Loans to Corporate customers				
Large business loans				
- not overdue	69,455,622	1,040,228	851,042	71,346,893
- overdue less than 30 days	-	-	-	-
- overdue 31-90 days	-	-	-	-
- overdue 91-180 days	-	-	-	-
- overdue 181-360 days	-	-	546,880	546,880
- overdue more than 1 year	-	-	1,824,107	1,824,107
Total gross loans	69,455,622	1,040,228	3,222,030	73,717,880
Expected credit loss allowance	(285,774)	(71,251)	(1,703,154)	(2,060,180)
Total net loans	69,169,848	968,977	1,518,876	71,657,700
Loans to Corporate customers				
SME loans				
- not overdue	42,361,597	302,730	225,053	42,889,380
- overdue less than 30 days	88,695	98,220	69,081	255,996
- overdue 31-90 days	-	176,922	116,376	293,297
- overdue 91-180 days	-	-	301,253	301,253
- overdue 181-360 days	-	-	243,033	243,033
- overdue more than 1 year	-	-	1,109,332	1,109,332
Total gross loans	42,450,293	577,871	2,064,127	45,092,291
Expected credit loss allowance	(468,684)	(121,625)	(690,715)	(1,281,024)
Total net loans	41,981,609	456,246	1,373,412	43,811,267
Loans to retail customers				
Mortgage loans				
- not overdue	104,930,858	1,080,968	290,205	106,302,030
- overdue less than 30 days	140,056	35,637	107,894	283,588
- overdue 31-90 days	-	40,123	133,070	173,192
- overdue 91-180 days	-	-	147,794	147,794
- overdue 181-360 days	-	-	189,545	189,545
- overdue more than 1 year	-	-	281,851	281,851
Total gross loans	105,070,914	1,156,727	1,150,358	107,378,000
Expected credit loss allowance	(390,329)	(216,762)	(455,049)	(1,062,140)
Total net loans	104,680,585	939,965	695,309	106,315,859
Loans to retail customers				
Consumer loans				
- not overdue	66,238,589	932,025	383,023	67,553,637
- overdue less than 30 days	248,621	58,243	111,516	418,380
- overdue 31-90 days	-	367,175	195,719	562,895

(thousands of Armenian drams)

- overdue 91-180 days	-	-	399,385	399,385
- overdue 181-360 days	-	-	501,531	501,531
- overdue more than 1 year	-	-	418,540	418,540
Total gross loans	66,487,210	1,357,443	2,009,713	69,854,367
Expected credit loss allowance	(1,069,253)	(379,335)	(1,079,930)	(2,528,519)
Total net loans	65,417,957	978,108	929,783	67,325,848
Loans to retail customers				
Gold loans				
- not overdue	27,544,627	105,021	31,236	27,680,884
- overdue less than 30 days	32,239	12,348	12,192	56,779
- overdue 31-90 days	-	35,621	23,989	59,609
- overdue 91-180 days	-	-	21,062	21,062
- overdue 181-360 days	-	-	51,669	51,669
- overdue more than 1 year	-	-	-	-
Total gross loans	27,576,866	152,989	140,148	27,870,003
Expected credit loss allowance	(27,759)	(16,508)	(57,471)	(101,738)
Total net loans	27,549,108	136,481	82,676	27,768,266
Total gross loans to corporate customers	111,905,915	1,618,099	5,286,157	118,810,171
Expected credit loss allowance	(754,458)	(192,877)	(2,393,869)	(3,341,204)
Total net loans to corporate customers	111,151,457	1,425,223	2,892,288	115,468,967
Total gross loans to retail customers	199,134,991	2,667,159	3,300,220	205,102,370
Expected credit loss allowance	(1,487,341)	(612,605)	(1,592,451)	(3,692,397)
Total net loans to retail customers	197,647,650	2,054,554	1,707,769	201,409,973
Total gross loans	311,040,906	4,285,259	8,586,376	323,912,541
Expected credit loss allowance	(2,241,799)	(805,482)	(3,986,320)	(7,033,601)
Total net loans	308,799,107	3,479,777	4,600,057	316,878,940

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	71,029,001	1,093,165	1,104,788	73,226,954
- overdue less than 30 days	-	-	-	-
- overdue 31-90 days	-	-	-	-
- overdue 91-180 days	-	-	-	-
- overdue 181-360 days	-	-	542,712	542,712
- overdue more than 1 year	-	-	3,241,683	3,241,683
Total gross loans	71,271,902	1,093,165	4,646,283	77,011,350
Expected credit loss allowance	(236,296)	(74,769)	(1,760,697)	(2,071,761)
Total net loans	71,035,606	1,018,397	2,885,586	74,939,588
Loans to Corporate customers				
SME loans				

(thousands of Armenian drams)

- not overdue	42,104,586	317,739	260,870	42,683,195
- overdue less than 30 days	15,775	46,940	22,287	85,002
- 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	42,120,362	452,328	2,118,250	44,690,940
Expected credit loss allowance	(476,922)	(124,713)	(810,772)	(1,412,408)
Total net loans	41,643,439	327,615	1,307,478	43,278,532

Loans to retail customers**Mortgage loans**

- not overdue	100,071,055	1,057,889	467,002	101,595,947
- overdue less than 30 days	63,279	-	75,724	139,003
- overdue 31-90 days	-	116,498	149,427	265,926
- overdue 91-180 days	-	-	55,061	55,061
- overdue 181-360 days	-	-	125,560	125,560
- overdue more than 1 year	-	-	293,420	293,420
Total gross loans	100,134,335	1,174,387	1,166,195	102,474,918
Expected credit loss allowance	(369,326)	(229,664)	(497,379)	(1,096,369)
Total net loans	99,765,008	944,723	668,817	101,378,549

Loans to retail customers**Consumer loans**

- not overdue	64,081,377	1,081,008	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	64,352,098	1,402,146	1,885,632	67,639,876
Expected credit loss allowance	(1,054,166)	(376,173)	(1,048,091)	(2,478,430)
Total net loans	63,297,932	1,025,973	837,542	65,161,447

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	-	-	42,518	42,518
- overdue more than 1 year	-	-	-	-
Total gross loans	26,061,320	250,620	126,009	26,437,948
Expected credit loss allowance	(26,339)	(30,057)	(50,555)	(106,951)
Total net loans	26,034,981	220,563	75,453	26,330,997

Total gross loans to corporate customers

113,392,263	1,545,493	6,764,533	121,702,290
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(thousands of Armenian drams)

Expected credit loss allowance	<u>(713,218)</u>	<u>(199,482)</u>	<u>(2,571,469)</u>	<u>(3,484,169)</u>
Total net loans to corporate customers	<u>112,679,045</u>	<u>1,346,011</u>	<u>4,193,064</u>	<u>118,218,121</u>
Total gross loans to retail customers	<u>190,547,752</u>	<u>2,827,154</u>	<u>3,177,836</u>	<u>196,552,742</u>
Expected credit loss allowance	<u>(1,449,831)</u>	<u>(635,895)</u>	<u>(1,596,024)</u>	<u>(3,681,750)</u>
Total net loans to retail customers	<u>189,097,921</u>	<u>2,191,259</u>	<u>1,581,812</u>	<u>192,870,992</u>
Total gross loans	<u>303,940,015</u>	<u>4,372,647</u>	<u>9,942,369</u>	<u>318,255,032</u>
Expected credit loss allowance	<u>(2,163,049)</u>	<u>(835,377)</u>	<u>(4,167,493)</u>	<u>(7,165,919)</u>
Total net loans	<u>301,776,966</u>	<u>3,537,271</u>	<u>5,774,876</u>	<u>311,089,113</u>

Concentration of loans and advances to customers

As at 31 March 2025 the Bank had a concentration of loans totaling to AMD 45,732,860 thousand due from the ten largest Banks of borrowers (14.12% of gross loan portfolio) (2024: AMD 47,868,992 thousand or 15.03% of gross loan portfolio). An allowance for impairment in amount of AMD 1,431,982 thousand (2024: AMD 1,457,467 thousand) was created against these loans.

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

	<u>31 March 2025</u>	<u>31 December 2024</u>
Mortgage	107,378,000	102,474,918
Consumer and gold loans to individuals	97,724,370	94,077,824
Trade	40,940,583	42,457,424
Construction	24,299,129	24,835,311
Agriculture (including loans to individuals)	11,920,978	12,035,435
Manufacturing	6,014,786	6,610,721
Services	5,406,781	5,257,829
Energy	3,694,044	3,646,678
Transport and communication	3,138,715	3,174,843
Financial services	8,340,352	8,359,883
Other	15,054,803	15,324,167
Gross loan portfolio	<u>323,912,541</u>	<u>318,255,033</u>
Less allowance for loan impairment	<u>(7,033,601)</u>	<u>(7,165,920)</u>
Total	<u><u>316,878,940</u></u>	<u><u>311,089,113</u></u>

(thousands of Armenian drams)

Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 March 2025 is as follows:

	31 March 2025	31 December 2024
Gross investment in finance lease, receivable		
Not later than 1 year	1,416,279	1,375,350
1-2 years	1,281,753	1,326,017
2-3 years	933,443	944,955
3-4 years	393,210	492,688
4-5 years	139,845	152,076
More than 5 years	65,354	74,806
	4,229,884	4,365,892
Unearned future finance income on finance lease	(782,073)	(827,977)
Net investment in financial lease, before impairment allowance	3,447,811	3,537,915
Impairment allowance	(55,699)	(54,320)
Net investment in finance lease	3,392,112	3,483,595

11. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	31 March 2025	31 December 2024
Held by the Bank		
Debt securities at amortised cost		
Government bonds of the Republic of Armenia	4,150,085	4,532,696
Governments bonds of the foreign countries	-	1,981,389
Less – allowance for impairment	(969)	(4,227)
Debt securities at amortised cost held by the Bank	4,149,116	6,509,858
Debt securities at FVOCI		
Government bonds of the Republic of Armenia	45,122,164	40,694,087
Governments bonds of the foreign countries	23,916,318	26,177,303
Corporate bonds	10,777,605	9,460,688
Bonds of International organizations	1,175,100	1,186,177
Debt securities at FVOCI held by the Bank	80,991,187	77,518,255
Equity securities at FVOCI		
Equity shares of companies in OECD countries	5,333	5,333
Corporate shares in the Armenian companies	518,650	518,650
Equity securities at FVOCI held by the Bank	523,983	523,983
Total investment securities held by the Bank	85,664,287	84,552,096
Pledged under sale and repurchase agreements		
RA government bonds	70,617,424	63,362,767
Debt securities at FVOCI pledged under repurchase agreements	70,617,424	63,362,767

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 2025	6,514,085	6,514,085
New assets originated or purchased	-	-
Assets repaid	(2,365,000)	(2,365,000)
Foreign exchange differences	999	999
At 31 March 2025	4,150,085	4,150,085

(thousands of Armenian drams)

Debt securities at amortised cost	Stage 1	Total
ECLs as at 1 January 2025	4,227	4,227
New assets originated or purchased	-	-
Assets repaid	(354)	(354)
Changes to models and inputs used for ECL calculations	(2,904)	(2,904)
At 31 March 2025	969	969

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost at 31 December 2024 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	2,457,111	2,457,111
Assets repaid	(6,490,029)	(6,490,029)
Foreign exchange differences	(997)	(997)
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	(4,578)	(4,578)
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 FVOCI including pledged under repurchase agreements is as follows:

Debt securities at FVOCI	Stage 1	Total
Gross carrying value as at 1 January 2025	140,881,022	140,881,022
New assets originated or purchased	39,734,154	39,734,154
Assets repaid	(22,060,783)	(22,060,783)
Assets sold	(7,428,847)	(7,428,847)
Net change in fair value	728,009	728,009
Foreign exchange differences	(244,944)	(244,944)
At 31 March 2025	151,608,611	151,608,611

Debt securities at FVOCI	Stage 1	Total
ECLs as at 1 January 2025	335,962	335,962
New assets originated or purchased	59,045	59,045
Assets repaid	(413)	(413)
Assets sold	(16,470)	(16,470)
Changes to models and inputs used for ECL calculations	(8,646)	(8,646)
At 31 March 2025	369,477	369,477

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at FVOCI 31 December 2024 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	68,528,571	68,528,571
Assets repaid	(45,502,301)	(45,502,301)
Assets sold	(14,645,659)	(14,645,659)
Net change in fair value	3,092,330	3,092,330
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

(thousands of Armenian drams)

Assets repaid	(14,498)	(14,498)
Assets sold	(35,598)	(35,598)
Changes to models and inputs used for ECL calculations	39,424	39,424
At 31 December 2024	335,962	335,962

12. 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 2024	5,321,404	911,731	330,854	6,713,166	1,259,360	2,490,001	60,629	4,031,491	21,118,636
Additions	2,219	30,704	-	39,736	541	46,576	64,699	29,918	214,393
Disposals and write-offs	-	(10,480)	-	(125,033)	(1,725)	-	-	(18,401)	(155,639)
Transfers	-	-	-	-	-	-	(64,699)	-	(64,699)
31 March 2025	5,323,623	931,955	330,854	6,627,869	1,258,176	2,536,577	60,629	4,043,008	21,112,691
Accumulated depreciation									
31 December 2024	290,182	622,634	179,935	4,431,034	828,280	1,324,803	-	2,361,684	10,038,552
Depreciation charge	36,409	14,412	6,330	153,146	20,366	61,178	-	93,602	385,443
Disposals and write-offs	-	(8,989)	-	(120,070)	(1,725)	-	-	-	(130,784)
31 March 2025	326,591	628,057	186,265	4,464,110	846,921	1,385,981	-	2,455,286	10,293,211
Net book value									
31 December 2024	5,031,222	289,097	150,919	2,282,132	431,080	1,165,198	60,629	1,669,807	11,080,084
31 March 2025	4,997,032	303,898	144,589	2,163,759	411,255	1,150,596	60,629	1,587,722	10,819,480
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	12,406	209,138	39,044	642,103	94,382	298,571	91,392	-	1,387,036
Disposals and write-offs	-	(89,416)	(9,900)	(108,776)	(24,615)	(17,681)	-	-	(250,388)
Transfers	-	-	-	-	-	-	(128,727)	-	(128,727)
31 December 2024	5,321,404	911,731	330,854	6,713,166	1,259,360	2,490,001	60,629	4,031,491	21,118,636
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	56,346	22,596	602,255	75,892	167,948	-	331,718	1,401,966
Disposals and write-offs	-	(79,477)	(5,925)	(103,000)	(22,288)	(17,681)	-	(150,465)	(378,836)
31 December 2024	290,182	622,634	179,935	4,431,034	828,280	1,324,803	-	2,361,684	10,038,552
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	5,031,222	289,097	150,919	2,282,132	431,080	1,165,198	60,629	1,669,807	11,080,084

(thousands of Armenian drams)

Revaluation of assets

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

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

Based on analysis of changes in real estate prices management believes that fair value of land and buildings approximates the carrying amount as at 31 March 2025.

Fully depreciated items

As of 31 March 2025 property and equipment included fully depreciated assets in amount of AMD 3,569,685 thousand (2024: AMD 3,664,952 thousand).

Property and equipment in the phase of installation

As of 31 March 2025 property and equipment included assets in the phase of installation in amount of AMD 499,729 thousand (2024: AMD 584,008 thousand).

Security

No property and equipment item is pledged under any arrangements as at 31 March 2025 (2024: None).

13. Intangible assets

	<i>Licenses</i>	<i>Computer software</i>	<i>Other</i>	<i>Total</i>
Cost				
31 December 2024	1,097,179	269,848	757,027	2,124,054
Additions	120	136,538	(119,833)	16,825
Disposals and write-offs	-	-	-	-
31 March 2025	1,097,299	406,386	637,194	2,140,879
Accumulated amortization and impairment				
31 December 2024	881,347	82,826	271,806	1,235,979
Amortisation charge	14,466	3,522	13,871	31,859
Disposals and write-offs	-	-	-	-
31 March 2025	895,813	86,348	285,677	1,267,838
Net book value				
31 December 2024	215,832	187,022	485,221	888,076
31 March 2025	201,486	320,038	351,517	873,041
	<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	80,062	119,535
Disposals and write-offs	-	-	-	-
31 December 2024	1,097,179	269,848	757,027	2,124,054
Accumulated amortization and impairment				
1 January 2024	833,003	69,459	219,849	1,122,311
Amortisation charge	48,344	13,367	51,957	113,668
Disposals and write-offs	-	-	-	-

(thousands of Armenian drams)

31 December 2024	<u>881,347</u>	<u>82,826</u>	<u>271,806</u>	<u>1,235,979</u>
Net book value				
1 January 2024	<u>234,883</u>	<u>190,209</u>	<u>457,116</u>	<u>882,208</u>
31 December 2024	<u>215,832</u>	<u>187,022</u>	<u>485,221</u>	<u>888,076</u>

Fully amortized items

As of 31 March 2025, intangible assets included fully amortized assets in amount of AMD 854,052 thousand (2024: AMD 814,468 thousand).

14. Repossessed assets

Details of assets obtained by the Bank by taking possession of collateral held as security against loans and advances as at 31 March 2025 and 31 December 2024 are shown below:

	<u>31 March 2025</u>	<u>31 December 2024</u>
Land and buildings	907,945	819,001
Other assets	20,036	20,036
	<u>839,037</u>	<u>839,037</u>
Less: allowance for impairment	(305,825)	(310,120)
Total repossessed collateral	<u>622,156</u>	<u>528,917</u>

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell. For the period ended 31 March 2025 the Bank repossessed assets in amount of AMD 120,726 thousand (2024: AMD 125,617 thousand) and sold assets with carrying amount of AMD 28,323 thousand (2024: AMD 324,725 thousand).

15. Other assets and liabilities

Other assets comprise:

	<u>31 March 2025</u>	<u>31 December 2024</u>
Other financial assets		
Accounts receivables	740,533	654,491
Receivables from cash transfers	537,502	163,947
Total other financial assets	<u>1,278,035</u>	<u>818,438</u>
Less – allowance for impairment of other financial assets	(26,734)	(20,087)
Total net other financial assets	<u>1,251,301</u>	<u>798,351</u>
Other non-financial assets		
Prepayments to suppliers	1,208,314	747,052
Precious metals	520,291	471,939
Other prepaid taxes	435,585	456,079
Materials	370,072	370,771
Unamortized insurance premium	37,140	40,451
Settlements with employees	1,087	6,833
Other	1,865	1,865
Total other non-financial assets	<u>2,574,354</u>	<u>2,094,990</u>
Other assets	<u>3,825,655</u>	<u>2,893,341</u>

(thousands of Armenian drams)

An analysis of changes in the ECLs for other financial assets for the period ended 31 March 2025 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2025	19,661	232	193	20,087
Transfers to Stage 1	47	(45)	(2)	-
Transfers to Stage 2	(137)	137	-	-
Transfers to Stage 3	(5)	(123)	128	-
ECL charge	7,021	(110)	498	7,409
Recoveries	-	-	2,058	2,058
Amounts written off	-	-	(2,811)	(2,811)
Foreign exchange differences	(9)	-	-	(9)
At 31 March 2025	26,578	91	64	26,734

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	28,283	30	49	28,363
Transfers to Stage 1	8	(2)	(6)	-
Transfers to Stage 2	(13)	13	-	-
Transfers to Stage 3	(45)	(9)	53	-
ECL charge	(8,445)	200	3,735	(4,510)
Recoveries	-	-	7,163	7,163
Amounts written off	-	-	(10,795)	(10,795)
Foreign exchange differences	(127)	-	(6)	(133)
At 31 December 2024	19,661	232	193	20,087

Other liabilities comprise:

	31 March 2025	31 December 2024
Other financial liabilities		
Due to personnel	3,065,797	2,095,514
Accounts payables	935,072	861,414
Total other financial liabilities	4,000,869	2,956,928
Other non-financial liabilities		
Tax payable, other than income tax	1,090,294	1,228,199
Grants related to assets	8,438	9,044
Other	2	2
Total other non-financial liabilities	1,098,734	1,237,245
Total other liabilities	5,099,603	4,194,173

16. Amounts due to banks

Amounts due to banks comprise:

	31 March 2025	31 December 2024
Correspondent accounts of other banks	400,914	663,469
Loans and deposits from banks	10,273,204	-
Other liabilities	9,890	2,285
Total amounts due to banks	10,684,008	665,754

As of 31 March 2025, the Bank has received loans and deposits from 2 banks (2024: the Bank does not have received loans and deposits from banks).

As of 31 March 2025 90.1% of correspondent accounts of other banks are concentrated within 4 counterparties (2024: 97.1% within 5 counterparty).

(thousands of Armenian drams)

17. Accounts payable under repurchase agreements

	31 March 2025	31 December 2024
Repurchase agreements with CBA	57,065,626	45,063,031
Repurchase agreements with banks	9,550,099	14,898,183
Total repurchase agreements	66,615,725	59,961,214

As at 31 March 2025 amounts payable under repurchase agreements with CBA were collateralized by RA government bonds with fair value of AMD 60,192,294 thousand (2024: 47,706,850 thousand AMD).

As at 31 March 2025 amounts payable under repurchase agreements with banks were collateralized by RA government bonds with fair value of AMD 10,425,129 thousand (2024: 15,655,917 thousand AMD).

18. Amounts due to customers

The amounts due to customers include the following:

	31 March 2025	31 December 2024
Corporate customers		
Current/settlement accounts	81,965,445	78,912,109
Time deposits	106,760,324	99,455,351
	188,725,769	178,367,460
Retail customers		
Current/settlement accounts	77,977,770	78,979,287
Time deposits	100,303,098	97,758,579
	178,280,868	176,737,866
Amounts due to customers	367,006,637	355,105,326

As of 31 March 2025, included in amounts due to customers are deposits amounting to AMD 33,977,413 thousand (2024: AMD 36,415,794 thousand) held as security against loans, letters of credit issued, guarantees issued and other transaction related to contingent liabilities.

As of 31 March 2025, the aggregate balance of top ten customers of the Bank amounts to AMD 125,989,173 thousand (2024: AMD 119,139,926 thousand) or 34.33% of total customer accounts (2024: 33.55%).

19. Debt securities issued

Debt securities issued consisted of the following:

	31 March 2025	31 December 2024
Domestic bonds in USD	13,949,561	13,982,881
Domestic bonds in AMD	10,434,996	10,186,864
Debt securities issued	24,384,557	24,169,745

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.

(thousands of Armenian drams)

20. Taxation

The corporate income tax expense comprises:

	31 March 2025	31 December 2024
Current tax charge	1,136,000	878,623
Deferred tax charge – origination and reversal of temporary differences	(306,810)	131,954
Total income tax expense	829,190	1,010,577

As of 31 March 2025, the corporate income tax within the Republic of Armenia is levied at the rate of 18% (2024: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

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

	31 March 2025		31 December 2024	
Profit before tax	4,827,776		4,862,438	
Income tax at the applicable tax rate	869,000	18%	875,239	18%
Non-deductible expenses	(39,810)	-1%	135,338	3%
Income tax expense	829,190	17%	1,010,577	21%

Deferred tax assets and liabilities as of 31 March 2025 and 31 December 2024 and their movements for the respective periods comprise:

	Origination and reversal of temporary differences			Origination and reversal of temporary differences			Balance 31 March 2025
	Balance 31 December 2023	In the statement of profit or loss	In other comprehensive income	Balance 31 December 2024	In the statement of profit or loss	In other comprehensive income	
Loans and advances to customers	(926,284)	(288,685)	-	(1,214,969)	310,603	-	(904,366)
Investment securities	335,501	22,741	(495,495)	(137,253)	5,447	(123,831)	(255,636)
Property, equipment and right-of-use assets	(679,001)	(205,816)	-	(884,817)	(17,701)	-	(902,518)
Repossessed assets	95,134	(39,168)	-	55,966	-	-	55,966
Amounts due to customers	(10,310)	(309)	-	(10,619)	-	-	(10,619)
Lease liabilities	349,706	(23,205)	-	326,501	-	-	326,501
Other impairment and provisions	30,612	(75,586)	-	(44,974)	-	-	(44,974)
Other liabilities	310,180	66,819	-	376,999	8,462	-	385,461
Net deferred tax liabilities	(494,462)	(543,209)	(495,495)	(1,533,165)	306,811	(123,831)	(1,350,185)

(thousands of Armenian drams)

21. Other borrowed funds

Other borrowed funds consisted of the following:

	31 March 2025	31 December 2024
Loans from refinancing credit organizations	30,922,664	30,761,156
Loans from CBA	9,799,479	5,768,167
Loans from international financial institution	595,187	764,282
Loans from the Government of the RA	13,830	15,060
Other borrowed funds	41,331,160	37,308,665

As of 31 March 2025, Loan from CBA represent loans received from the German-Armenian fund within the scope of retroactive financing for extending credits to the Small and Medium businesses, consumer and other purposes.

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

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

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

Covenants

As at 31 March 2025 and 31 December 2024 the Bank was in compliance with all debt covenants.

22. Commitments and contingencies

Tax and legal matters

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

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these 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 March 2025 and 31 December 2024 the Bank's commitments and contingencies comprised the following:

31 March 2025	31 December 2024
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(thousands of Armenian drams)

Credit related commitments		
Undrawn loan commitments	10,623,702	15,058,487
Financial guarantees	7,914,525	8,510,315
Letters of credit	149,476	430,146
	18,687,703	23,998,948
Provisions for ECL for credit related commitments	(164,970)	(219,072)

An analysis of changes in the ECLs at 31 March 2025 is as follows:

Undrawn loan commitments	Stage 1	Total
ECLs as at 1 January 2025	143,617	143,617
New exposures	7,671	7,671
Expired exposures	(37,660)	(37,660)
Changes to models and inputs used for ECL calculations	(14,818)	(14,818)
Foreign exchange adjustments	26	26
At 31 March 2025	98,836	98,836

Financial guarantees	Stage 1	Total
ECLs as at 1 January 2025	67,915	67,915
New exposures	13,797	13,797
Expired exposures	(17,928)	(17,928)
Changes to models and inputs used for ECL calculations	327	327
Foreign exchange adjustments	145	145
At 31 March 2025	64,256	64,256

Letters of credit	Stage 1	Total
ECLs as at 1 January 2025	7,540	7,540
New exposures	561	561
Expired exposures	(5,974)	(5,974)
Changes to models and inputs used for ECL calculations	(243)	(243)
Foreign exchange adjustments	(6)	(6)
At 31 March 2025	1,879	1,879

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 adjustments	(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 adjustments	(538)	(538)
At 31 December 2024	67,915	67,915

Letters of credit	Stage 1	Total
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(thousands of Armenian drams)

ECLs as at 1 January 2024	-	-
New exposures	7,540	7,540
Expired exposures	-	-
Foreign exchange adjustments	-	-
At 31 December 2024	7,540	7,540

Insurance

The insurance industry in Armenia is at developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 31 March 2025 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.

23. Equity

As of 31 March 2025 the Bank's registered and paid-in share capital was AMD 19,947,633 thousand (2024: 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 (2024: 66,492 ordinary shares and 333 preference shares).

The respective shareholdings as at 31 March 2025 and 31 December 2024 may be specified as follows:

	31 March 2025		31 December 2024	
	<i>Paid-in share capital</i>	<i>% of total paid-in capital</i>	<i>Paid-in share capital</i>	<i>% of total paid-in capital</i>
Advanced Global Investments LLC	14,539,800	72.89	14,539,800	72.89
Advanced Global Investments LLC (preference shares)	33	-	33	-
HayPost Trust Management S.A.R.L	4,410,600	22.11	4,410,600	22.11
The Armenian Apostolic Church, presented by Mother See of Holy Etchmiadzin	997,200	5.00	997,200	5.00
	19,947,633	100.00	19,947,633	100.00

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

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

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

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

Statutory general reserve

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

Revaluation surplus for land and buildings

(thousands of Armenian drams)

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

Revaluation reserve for financial assets at FVOCI

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

24. Net interest income

Net interest income comprises:

	01/01/25- 31/03/25	01/01/24- 31/03/24
Financial assets measured at amortized cost		
Loans to customers	9,289,195	7,871,182
Investment securities	118,800	181,024
Amounts due from banks	273,759	231,565
Cash equivalents	2,739	13,302
Finance leases	103,662	65,699
Other interest income	4,256	4,010
Financial assets measured at fair value through other comprehensive income		
Debt securities at FVOCI	2,900,486	2,662,366
Interest income calculated using effective interest rate	12,692,897	11,029,148
Trading securities	10,344	12,508
Other interest income	10,344	12,508
Total interest income	12,703,241	11,041,656
Amounts due to customers	3,525,322	3,414,808
Other borrowed funds	599,849	608,409
Debt securities issued	392,171	329,671
Amounts due to banks	1,111,383	379,886
Lease liabilities	54,718	56,717
Interest expense	5,683,443	4,789,491
Net interest income	7,019,798	6,252,165

25. Net fee and commission income

Net fee and commission income comprises:

	01/01/25- 31/03/25	01/01/24- 31/03/24
Plastic cards operations	1,311,439	2,022,962
Wire transfer fees	156,037	169,116
Fees and commission income from early repayments of loans	21,444	43,364
Settlement operation	75,005	64,414
Banknotes transfers to banks	1,637	19,242
Guarantees and letters of credit	39,676	37,626
Other fee income	218,406	176,672
Fee and commission income	1,823,643	2,533,397
Plastic cards operations	824,711	1,468,856
Expenses related to Armenian Card payment system	184,914	217,200
Banknotes transfers to banks	3,544	19,291
Wire transfer fees	43,751	39,265
Settlement operation	8,478	2,917
Guarantees and letters of credit	1,600	511
Other fee expense	125,692	54,714
Fee and commission expense	1,192,690	1,802,754
Net fee and commission income	630,953	730,643

Performance obligations and revenue recognition policies

(thousands of Armenian drams)

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>

26. Net trading income

	01/01/25- 31/03/25	01/01/24- 31/03/24
Net gains from foreign currency transactions	1,352,200	1,334,133
Net income/(loss) from operations with precious metals	62,235	4,883
Net gain from trading securities	15,627	41,637
Net loss on derivative financial instruments	212,947	164,931
Total net trading income	1,643,009	1,545,584

27. Other income

	01/01/25- 31/03/25	01/01/24- 31/03/24
Fines and penalties received	163,283	150,156
Income from grants	606	606
Other income	52,983	67,047
Total other income	216,872	217,809

28. Net impairment losses on financial instruments

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 31 March 2025:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	(996)	-	-	(996)
Amounts due from banks	7	(4,598)	-	-	(4,598)
Loans and advances to customers	10	714	113,324	(155,229)	(41,191)
Debt securities measured at amortised cost	11	(3,258)	-	-	(3,258)
Debt securities measured at FVOCI	11	33,516	-	-	33,516
Other financial assets	15	6,926	(141)	624	7,409
Financial guarantees	22	(3,801)	-	-	(3,801)
Loan commitments	22	(44,807)	-	-	(44,807)
Letters of credit	22	(5,656)	-	-	(5,656)

(thousands of Armenian drams)

Total credit loss expense	<u>(21,960)</u>	<u>113,183</u>	<u>(154,605)</u>	<u>(63,382)</u>
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The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss at 31 March 2024:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	(976)	-	-	(976)
Amounts due from banks	7	(1,696)	-	-	(1,696)
Loans and advances to customers	10	150,538	90,714	(471,478)	(230,226)
Debt securities measured at amortised cost	11	(888)	-	-	(888)
Debt securities measured at FVOCI	11	190	-	-	190
Other financial assets	15	5,446	17	1,382	6,845
Financial guarantees	22	658	-	-	658
Loan commitments	22	(37,083)	-	-	(37,083)
Letters of credit	22	224	-	-	224
Total credit loss expense		<u>116,413</u>	<u>90,731</u>	<u>(470,096)</u>	<u>(262,952)</u>

29. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	01/01/25- 31/03/25	01/01/24- 31/03/24
Salaries	2,846,310	2,299,920
Other expenses	94,514	59,770
Personnel expenses	<u>2,940,824</u>	<u>2,359,690</u>
Software maintenance expenses	291,588	278,029
Advertising costs	352,671	233,914
Insurance of deposits	101,799	115,622
Fixed assets repair and maintenance expenses	59,077	62,385
Communications	64,627	44,948
Security	63,319	49,155
Taxes, other than income tax, duties	44,209	67,605
Office supplies	66,511	66,495
Consulting	16,250	15,746
Audit	12,600	23,100
Insurance expenses	39,185	36,882
Utility expenses	49,688	39,354
Business trip expenses	9,800	9,453
Financial system mediator	14,326	12,662
Lease expenses	4,401	7,124
Other expenses	142,192	97,393
Other operating expenses	<u>1,332,243</u>	<u>1,159,867</u>

(thousands of Armenian drams)

30. Risk management

Introduction

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

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

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

Risk management structure

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

The Board

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

Direction

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

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

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

Risk management division

The main functions of the risk management division are:

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

(thousands of Armenian drams)

Internal audit

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

Risk measurement and reporting systems

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

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

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

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

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

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

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

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

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

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

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

(thousands of Armenian drams)

Excessive risk concentrations

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

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

Credit risk

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

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

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

Credit-related commitments risks

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

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

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 10.

Impairment assessment

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

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

(thousands of Armenian drams)

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

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

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default

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

A financial instrument is also considered as credit-impaired based on predefined other quantitative and qualitative factors.

PD estimation process

Treasury and interbank relationships

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

Loans customers

Bucketing

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

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

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

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

Exposure at default

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

(thousands of Armenian drams)

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 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 also believes that credit risk has increased significantly since initial recognition, based on other predefined quantitative and qualitative factors.

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

Forward-looking information and multiple economic scenarios

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

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

The Bank obtains the forecasts of macroeconomic data from third party source (EDB, International Monetary Fund, Central Bank of Armenia Ministry of Finance of the RA). In the absence of forecasts from external sources, the Bank relies on its internal forecasts.

Experts of the Bank's Credit Risk Department assess the weights to be assigned to different scenarios.

Credit quality per class of financial assets

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

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

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

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

(thousands of Armenian drams)

31 March 2025	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	4,455,142	34,251,388	0	0	38,706,530
Amounts due from banks	7	Stage 1	14,412,638	38,437,840		0	52,850,478
Loans to customers at amortised cost	10						
		Stage 1	29,944,465	39,511,157			69,455,622
		Stage 2	-	-	1,040,228		1,040,228
- Large business loans		Stage 3	-	-	-	3,222,030	3,222,030
Debt investment securities	11						
- Measured at FVOCI		Stage 1	23,916,318	57,074,869			80,991,187
- Measured at amortised cost		Stage 1	-	4,150,085			4,150,085
- Measured at FVOCI pledged under repurchase agreements		Stage 1	-	70,617,424			70,617,424
Other financial assets		Stage 1	537,502	722,022.23			1,259,524
		Stage 2			10,843		10,843
	15	Stage 3				7,669	7,669
Undrawn loan commitments	22	Stage 1	-	10,623,702			10,623,702
Guarantees	22	Stage 1	-	7,914,525	-		7,914,525
Letters of credit	22	Stage 1	-	149,476			149,476
Total			73,266,065	263,452,488	1,051,071	3,229,699	340,999,323

31 December 2024	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	2,254,033	26,913,172	-	-	29,167,205
Amounts due from banks	7	Stage 1	15,016,532	26,339,085		-	41,355,617
Loans to customers at amortised cost	10						
		Stage 1	31,067,947	40,203,955			71,271,902
		Stage 2	-	-	1,093,165		1,093,165
- Large business loans		Stage 3	-	-	-	4,646,283	4,646,283
Debt investment securities	11						
- 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	641,970.40			805,917
		Stage 2			6,688		6,688
	15	Stage 3				5,829	5,829
Undrawn loan commitments	22	Stage 1	-	15,058,487			15,058,487
Guarantees	22	Stage 1	-	8,510,315	-		8,510,315
Letters of credit	22	Stage 1	-	430,146			430,146
Total			76,661,151	237,333,545	1,099,853	4,652,112	319,746,661

See Note 10 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 March 2025 and 31 December 2024.

	31 March 2025			Total
	Armenia	Other non-OECD countries	OECD countries	
Assets				
Cash and cash equivalents	32,056,990	11,956,559	4,261,124	48,274,673
Trading securities	967,173	-	-	967,173
Amounts due from banks	27,789,990	-	25,043,264	52,833,254
Derivative financial assets	1,181	7,550	-	8,731
Receivables under reverse repurchase agreements	23,316,367	-	-	23,316,367
Loans and advances to customers	287,136,526	29,495,366	247,048	316,878,940
Investment securities	60,563,223	200,290	24,900,774	85,664,287
Securities pledged under repurchase agreements	70,617,424	-	-	70,617,424
Other financial assets	328,083	838	949,115	1,278,035
	502,776,957	41,660,603	55,401,324	599,838,884
Liabilities				
Amounts due to banks	271,505	10,412,469	34	10,684,008
Derivative financial liabilities	16,504	86,775	-	103,279
Accounts payable under repurchase agreements	66,615,725	-	-	66,615,725
Amounts due to customers	291,350,220	65,497,025	10,159,392	367,006,637
Debt securities issued	22,399,521	1,734,290	250,746	24,384,557
Other borrowed funds	40,735,973	-	595,187	41,331,160
Lease liabilities	1,722,382	35,224	-	1,757,606
Other liabilities	3,903,900	10,672	86,297	4,000,869
	427,015,729	77,776,455	11,091,657	515,883,841
Net assets/(liabilities)	75,761,228	(36,115,852)	44,309,667	83,955,043
	31 December 2024			
	Armenia	Other non-OECD countries	OECD countries	Total
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	27,449,915	2,394,073	11,489,806	41,333,795
Derivative financial assets	-	2,585	-	2,586
Receivables under reverse repurchase agreements	19,925,584	-	-	19,925,584
Loans and advances to customers	280,223,329	30,608,210	257,574	311,089,113
Investment securities	55,197,547	204,111	29,150,438	84,552,096
Securities pledged under repurchase agreements	63,362,767	-	-	63,362,767
Other financial assets	289,184	774	508,393	798,351
	475,021,056	43,789,482	42,545,878	561,356,416
Liabilities				
Amounts due to banks	215,301	450,426	27	665,754
Derivative financial liabilities	205	67,450	-	67,655
Accounts 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 liabilities	2,895,659	8,687	52,582	2,956,928
	402,227,581	69,569,416	10,252,182	482,049,179
Net assets/(liabilities)	72,793,475	(25,779,934)	32,293,696	79,307,237

(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% of certain obligations of the Bank denominated in Armenian drams and 6% on certain obligations of the Bank denominated in foreign currency in Armenian drams and 12% on certain obligations of the Bank denominated in foreign currency. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia. As at 31 March 2025 and 31 December 2024, these ratios were as follows:

	Threshold	31 March 2025, % (Unaudited)	31 December 2024, % (Unaudited)
N21 "General Liquidity Ratio" (highly liquid assets / total assets)	Min 15%	34.06	34.44
N22 "Current Liquidity Ratio" (highly liquid assets / liabilities payable on demand)	Min 60%	108.23	101.31

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 March 2025 and 31 December 2024 based on contractual undiscounted repayment obligations. See Note 32 for the contractual maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the 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 March 2025					Total	Carrying amounts
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years		
Financial liabilities							
Amounts due to banks	10,629,053	-	-	-	57,953	10,687,006	10,684,008
Accounts payable under repurchase agreements	66,641,261	-	-	-	-	66,641,261	66,615,725
Amounts due to customers	173,252,309	26,802,475	86,547,018	96,439,888	589,387	383,631,078	367,006,637
Debt securities issued	5,616,980	1,676,530	3,915,700	15,873,550	0	27,082,759	24,384,557
Other borrowed funds	771,057	857,413	4,553,393	24,997,063	21,458,689	52,637,614	41,331,160
Lease liabilities	63,771	109,586	449,173	1,525,298	620,615	2,768,443	1,757,606
Total undiscounted financial liabilities	256,974,431	29,446,004	95,465,284	138,835,799	22,726,644	543,448,161	511,779,693
Commitments and contingent liabilities	18,687,703	-	-	-	-	18,687,703	18,687,703
Derivative financial liabilities	2,202,334	-	-	-	-	2,202,334	2,202,334

(thousands of Armenian drams)

	31 December 2024						
	<i>Demand and less than 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>	<i>Carrying amounts</i>
Financial liabilities							
Amounts due to banks	606,270	-	-	-	59,484	665,754	665,754
Accounts payable under repurchase agreements	59,990,964	-	-	-	-	59,990,964	59,961,214
Amounts due to customers	170,033,163	36,085,830	91,365,911	70,465,559	598,483	368,548,945	355,105,326
Debt securities issued	0	0	10,931,710	15,948,400	0	26,880,110	24,169,744
Other borrowed funds	652,068	491,730	4,267,518	22,193,771	20,458,031	48,063,118	37,308,664
Lease liabilities	67,042	132,305	526,723	1,835,723	753,095	3,314,887	1,813,892
Total undiscounted financial liabilities	231,349,507	36,709,864	107,091,862	110,443,452	21,869,093	507,463,778	479,024,594
Commitments and contingent liabilities	23,998,948	-	-	-	-	23,998,948	23,998,948
Derivative financial liabilities	592,768	-	-	-	-	592,768	592,768

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 March 2025 and 31 December 2024. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 March 2025			31 December 2024		
	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%	-	-	0.01%-0.5%
Trading securities	7.33%	-	-	7.33%	-	-
Amounts due from banks	-	7.55%	3.12%	-	8.27%	3.40%
Receivables under reverse repurchase agreements	7.79%	4.94%	-	8.09%	5.02%	3.81%
Loans and advances to customer	13.84%	8.36%	7.43%	14.43%	8.26%	7.42%
Investment securities	10.09%	5.20%	2.35%	10.37%	4.88%	2.95%
Investment securities pledged under repurchase agreements	10.35%	-	-	10.45%	-	-
Interest bearing liabilities						
Amounts due to Banks	-	2.99%	1.51%	-	-	-
Receivables under reverse repurchase agreements	7.25%	-	-	7.56%	-	-
Amounts due to customers						
- Term deposits from customers	9.82%	4.29%	1.93%	9.92%	4.21%	1.94%
- Current accounts from customers	1.00%	0.5%	0.10%	1.00%	0.17%	0.10%

(thousands of Armenian drams)

	31 March 2025			31 December 2024		
	Average effective interest rate, %			Average effective interest rate, %		
	AMD	USD	Other currencies	AMD	USD	Other currencies
Debt securities issued	10.24%	4.26%	-	10.25%	4.20%	-
Subordinated debts	-	-	-	-	-	-
Other borrowed funds	6.32%	-	-	6.45%	-	-
Lease liabilities	13.48%	-	-	13.90%	-	-

Currency risk

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 March 2025.

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	27,372,280	4,189,187	11,345,990	5,367,216	48,274,673
Trading securities	967,173	-	-	-	967,173
Amount due from banks	1,794,032	37,489,725	10,901,820	2,647,677	52,833,254
Receivables under reverse repurchase agreements	19,660,079	3,656,288	0	-	23,316,367
Loans and advances to customers	219,694,181	85,263,929	11,920,748	82	316,878,940
Investment securities	43,588,843	35,418,268	6,456,886	200,290	85,664,287
Investment securities/ Securities pledged under repurchase agreements	70,617,424	-	-	-	70,617,424
Other assets	259,281	533,604	485,150	-	1,278,035
Total assets	383,953,293	166,551,001	41,110,594	8,215,265	599,830,153
Liabilities					
Amounts due to Banks	96,902	4,165,652	6,410,633	10,821	10,684,008
Accounts payable under repurchase agreements	66,615,725	0	0	0	66,615,725
Amounts due to customers	175,633,796	145,423,237	33,967,024	11,982,580	367,006,637
Debt security issued	10,434,996	13,949,561	-	-	24,384,557
Other borrowed funds	41,331,160	-	-	-	41,331,160
Subordinated debt	-	-	-	-	-
Other liabilities	3,993,578	5,432	1,859	0	4,000,869
Total liabilities	298,106,157	163,543,882	40,379,516	11,993,401	514,022,956
Off balance					
Effect of derivatives (currency swap)	(885,760)	319,560	(783,882)	1,255,533	(94,548)
Net position	84,961,376	3,326,679	(52,804)	(2,522,603)	85,712,648

* 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 2024:

	AMD	USD	EUR	Other currencies*	Total
Assets					
Cash and cash equivalent	21,980,001	5,443,432	1,894,851	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	41,333,794
Receivables under reverse repurchase agreements	17,913,535	1,597,480	414,569	-	19,925,584
Loans and advances to customers	210,294,812	89,228,310	11,565,909	82	311,089,113
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	121	818,437
Total assets	<u>362,716,256</u>	<u>149,543,482</u>	<u>38,869,879</u>	<u>10,244,299</u>	<u>561,373,916</u>
Liabilities					
Amounts due to Banks	76,875	562,661	22,858	3,360	665,754
Accounts payable under repurchase agreements	59,961,214	0	0	0	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
Subordinated debt	-	-	-	-	-
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)	(204)	(29,123)	0	0	(35,742)
Net position	<u>78,513,274</u>	<u>3,830,669</u>	<u>(5,332)</u>	<u>(1,161,654)</u>	<u>81,170,542</u>

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

A weakening of the AMD, as indicated below, against the following currencies at 31 March 2025 and 31 December 2024, 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.

	31 March 2025	31 December 2024
10% appreciation of USD against AMD	295,907	383,067
10% appreciation of EUR against AMD	73,108	(533)
10% appreciation of other currencies against AMD	(381,396)	(116,165)

A strengthening of the AMD against the above currencies at 31 March 2025 and 31 December 2024 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Operational risk

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

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

(thousands of Armenian drams)

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

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

The risk mitigation mechanisms for the process are:

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

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

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

Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

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

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

Offsetting of financial instruments

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

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Non-cash collateral received	
31 March 2025						
Reverse repurchase agreements with banks	3,526,859	-	3,526,859	3,526,859	-	-
Reverse repurchase agreements financial institutions	19,789,508	-	19,789,508	19,789,508	-	-
Total financial assets	23,316,367	-	23,316,367	23,316,367	-	-
Repurchase agreements with CBA	(57,065,626)	-	(57,065,626)	(57,065,626)	-	-
Repurchase agreements with banks	(9,550,099)	-	(9,550,099)	(9,550,099)	-	-
Total financial liabilities	(66,615,725)	-	(66,615,725)	(66,615,725)	-	-

(thousands of Armenian drams)

	Gross amount of recognised financial assets	Gross amount Net amount of of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Non-cash collateral received	
31 December 2024						
Reverse repurchase agreements with banks	1,619,787	-	1,619,787	1,619,787	-	-
Reverse repurchase agreements financial institutions	18,305,797	-	18,305,797	18,305,797	-	-
Total financial assets	19,925,584	-	19,925,584	19,925,584	-	-
Repurchase agreements with CBA	(45,063,031)	-	(45,063,031)	(45,063,031)	-	-
Repurchase agreements with banks	(14,898,183)	-	(14,898,183)	(14,898,183)	-	-
Total financial liabilities	(59,961,214)	-	(59,961,214)	(59,961,214)	-	-

31. 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 March 2025				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Receivables under reverse repurchase agreements	-	-	23,317,283	23,317,283	23,316,367
Loans and advances to customers	-		299,937,278	299,937,278	316,878,940
Investment securities at		4,161,096	-	4,161,096	4,149,116

(thousands of Armenian drams)

amortised cost

Financial liabilities

Amounts due to customers	-	-	369,404,882	369,404,882	367,006,637
Accounts payable under repurchase agreements			66,616,602		66,615,725
Other borrowed funds	-	-	40,523,016	40,523,016	41,331,160
Debt securities issued	-	23,795,928	-	23,795,928	24,384,557

31 December 2024

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Receivables under reverse repurchase agreements	-		20,810,626	20,810,626	19,925,584
Loans and advances to customers	-	-	294,269,001	294,269,001	311,089,113
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
Accounts payable under repurchase agreements			59,961,214	59,961,214	59,961,214
Other borrowed funds	-	-	35,810,628	35,810,628	37,308,665
Debt securities issued	-	23,842,259	-	23,842,259	24,169,745

Assets for which fair value approximates carrying value

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

Loans and advances to customers

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 3.1% to 21.5% per annum (2024: 4.75% to 21.5% 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 0.75% to 10.82% per annum (2024: 0.5% to 10.82% per annum).

Other borrowed funds

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be paid discounted at current interest rates for new instruments with similar remaining maturity and currency. Discount rates used depend on maturity and ranged from 4.5% to 13% per annum (2024: 4.5% to 13% per annum).

Financial instruments that are measured at fair value

	31 March 2025		
	Level 1	Level 2	Total
Financial assets			
Trading securities	-	967,173	967,173
Derivative financial assets	-	8,731	8,731
Investment securities at FVOCI	23,916,318	57,598,853	81,515,171
Investment securities at FVOCI pledged under repurchase agreements		70,617,424	70,617,424
Total	23,916,318	129,192,181	153,108,499
Financial liabilities			

(thousands of Armenian drams)

Derivative financial liabilities	-	103,279	103,279
Net fair value	23,916,318	129,088,902	153,005,220

	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	26,177,303	51,864,935	78,042,238
Investment securities at FVOCI pledged under repurchase agreements		63,362,767	63,362,767
Total	26,177,303	116,173,786	142,351,089
Financial liabilities			
Derivative financial liabilities	-	67,655	67,655
Net fair value	26,177,303	116,106,131	142,283,434

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 31 March 2025 (2024: none).

Fair value measurement of non-financial assets and liabilities

	31 March 2025	
	Level 3	Total
Non-financial assets		
Land and buildings	4,997,032	4,997,032
Total	4,997,032	4,997,032
	31 December 2024	
	Level 3	Total
Non-financial assets		
Land and buildings	5,031,222	5,031,222
Total	5,031,222	5,031,222

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 2025	5,031,222	5,031,222
Purchases	2,219	2,219
Depreciation charge	(36,409)	(36,409)
Net fair value at 31 March 2025	4,997,032	4,997,032
Non-financial assets	Land and buildings	Total
Balance as at 1 January 2024	5,164,027	5,164,027
Purchases	12,406	12,406
Depreciation charge	(145,211)	(145,211)
Net fair value at 31 December 2024	5,031,222	5,031,222

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

(thousands of Armenian drams)

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

The land and buildings were revalued in 2022.

32. 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 March 2025:

	31 March 2025							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	48,274,673	0	0	0	0		0	48,274,673
Trading securities	517,588	0	0	0	449,585		0	967,173
Amounts due from banks	24,630,520	263	925,083	0	0		27,277,388	52,833,254
Derivative financial assets	8,731	0	0	0	0		0	8,731
Receivables under reverse repurchase agreements	23,316,367	0	0	0	0		0	23,316,367
Loans and advances to customers	5,526,830	35,415,787	48,049,318	117,274,707	109,634,993	977,305	0	316,878,940
Investment securities	8,908,357	7,200,007	17,349,654	28,474,726	23,207,959		523,584	85,664,287
Investment securities pledged under repurchase agreements	13,216,595	0	1,016,710	33,096,499	23,287,620		0	70,617,424
Property, plant and equipment	-	-	-	-	-	-	10,819,480	10,819,480
Intangible assets	-	-	-	-	-	-	873,041	873,041
Repossessed assets	-	-	-	-	-	-	622,156	622,156
Other assets	3,262,352	61,453	456,751	3,200	40,035		1,865	3,825,655
Total assets	127,662,012	42,677,510	67,797,516	178,849,131	156,620,192	977,305	40,117,514	614,701,181
Liabilities								
Amounts due to banks	10,626,055	0	0	0	0		57,953	10,684,008
Derivative financial liabilities	103,279	0	0	0	0		0	103,279
Accounts payable under repurchase agreements	66,615,725	0	0	0	0		0	66,615,725
Amounts due to customers	169,334,238	22,729,013	80,436,107	93,922,589	584,691		0	367,006,637
Current income tax liabilities	2,540,459	0	0	0	0		0	2,540,459
Debt securities issued	4,304,926	290,381	3,915,700	15,873,550	0		0	24,384,557
Other borrowed funds	705,458	593,071	2,808,116	18,205,371	19,019,144		0	41,331,160
Lease liabilities	33,373	65,747	272,450	989,647	396,389		0	1,757,605
Provisions on commitments and contingencies	164,970	0	0	0	0		0	164,970
Deferred tax liabilities	0	0	0	1,350,185	0		0	1,350,185
Other liabilities	1,280,184	2,028,055	1,782,926	8,438	0		0	5,099,603
Total liabilities	255,708,668	25,706,266	89,215,298	130,349,779	20,000,223		57,953	521,038,189
Net position	(128,046,656)	16,971,244	(21,417,782)	48,499,352	136,619,969	977,305	40,059,561	93,662,992

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 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	0	0	0	0		0	39,348,626
Trading securities	0	0	505,256	0	438,241		0	943,498
Amounts due from banks	12,936,348	1,253,407	793,120	0	0		26,350,920	41,333,795
Derivative financial assets	2,586	0	0	0	0		0	2,586
Receivables under reverse repurchase agreements	19,925,584	0	0	0	0		0	19,925,584
Loans and advances to customers	5,943,588	36,228,244	46,003,100	113,510,461	107,120,483	2,283,236	0	311,089,113
Investment securities	18,997,991	8,216,864	10,820,654	21,439,719	24,553,284		523,584	84,552,096
Investment securities pledged under repurchase agreements	0	0	11,938,350	35,292,772	16,131,645		0	63,362,767
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	99,566,997	45,761,495	70,433,009	170,246,152	148,284,148	2,283,236	39,373,446	575,948,482
Liabilities								
Amounts due to banks	606,270	0	0	0	0		59,484	665,754
Derivative financial liabilities	67,655	0	0	0	0		0	67,655
Accounts payable under repurchase agreements	59,961,214	0	0	0	0		0	59,961,214
Amounts due to customers	167,407,269	33,833,359	84,010,413	69,260,697	593,589		0	355,105,326
Current income tax liabilities	0	0	1,809,534	0	0		0	1,809,534
Debt securities issued	0	0	8,221,344	15,948,400	0		0	24,169,744
Other borrowed funds	594,560	237,777	2,624,586	15,877,019	17,974,722		0	37,308,664
Lease liabilities	35,504	70,762	274,580	1,007,394	425,652		0	1,813,892
Provisions on commitments and contingencies	219,072	0	0	0	0		0	219,072
Deferred tax liabilities	0	0	0	1,533,165	0		0	1,533,165
Other liabilities	1,515,867	80,383	2,588,881	9,044	0		0	4,194,175
Total liabilities	230,407,411	34,222,281	99,529,338	103,635,718	18,993,963		59,484	486,848,195
Net position	(130,840,414)	11,539,214	(29,096,329)	66,610,434	129,290,185	2,283,236	39,313,962	89,100,287

(thousands of Armenian drams)

33. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of these 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. In January 2025 the ultimate controlling party of the Bank changed. New ultimate controlling party of the Bank is Martin Eurnekian.

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

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

	31 March 2025			31 December 2024		
	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	10,004	30,287,653	275,613	13,549	31,466,748	257,150
Loans issued during reporting period	21,225	1,611,469	266,440	46,165	8,570,830	1,184,824
Loan repayments during reporting period	(30,923)	(2,686,844)	(270,722)	(49,710)	(9,749,925)	(1,166,361)
Loans outstanding at the end of the reporting period, gross	306	29,212,278	271,331	10,004	30,287,653	275,613
Less: allowance for loan impairment	(6)	(4,628)	(2,035)	(201)	(4,434)	(2,063)
Loans outstanding at the end of the reporting period, net	300	29,207,650	269,296	9,803	30,283,219	273,550
Amounts due to customers						
Deposits at 1 January	124,646	60,608,321	1,094,103	60,249	49,810,797	1,351,464
Deposits received during reporting period	54,841	51,074,740	2,349,395	8,316,940	195,212,170	13,092,642
Deposits repaid during reporting period	(84,768)	(46,624,028)	(2,286,601)	(8,252,543)	(184,414,646)	(13,350,003)
Deposits at the end of the reporting period	94,719	65,059,033	1,156,897	124,646	60,608,321	1,094,103
Items not recognised in the statement of financial position						
Guarantees given	-	-	-	-	-	-
Statement of comprehensive income						
Interest income	-	497,575	5,614	-	2,203,635	21,075
Fee and commission income	8	8,984	913	52	47,996	5,394
Other income	-	99,908	495	31,230	129,882	4,162
Interest expense	(382)	(576,242)	(14,621)	(5,742)	(1,551,247)	(56,920)
Impairment charge	195	(194)	29	3	677	438
Other expenses	-	(7,887)	(2)	-	(37,657)	(183)

Deposits from entities under common control denominated in USD have 5.33% and maturity 2025-2029 (2024: 5.41%, and maturity 2025-2029). Deposits from Key management personnel and their close family members denominated in AMD have 9.54% and maturity 2025-2026, in USD 3.79% with maturity 2025-2026, in EUR 1.36% with maturity 2025 (2024: AMD 9.70%, maturity 2025-2026, USD 3.71%, maturity 2025-2026, EUR 1.32%, maturity 2025).

Loans to entities under common control denominated in AMD have 17.44% and maturity 2026-2043, in USD have 8.39% and maturity 2025-2040 (2024: AMD 18.61%, maturity 2026-2043, USD 8.41% maturity 2025-2044, in EUR 14%, maturity 2042). Loans to Key management personnel and their close family members denominated in AMD have 10.76% and maturity 2025-2044, in USD 7.91% with maturity 2033-2044, in EUR 5.23% with maturity 2033-2042 (2024: AMD 10.88%, maturity 2025-2044, USD 7.9%, maturity 2033-2044, EUR 5.09%, maturity 2033-2042).

Compensation of key management personnel was comprised of the following:

	31 March 2025	31 March 2024
Salaries and other short-term benefits	322,791	159,957

(thousands of Armenian drams)

Total key management personnel compensation	322,791	159,957
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34. Changes in liabilities arising from financing activities

	<i>Note</i>	<i>Debt securities issued</i>	<i>Other borrowed funds</i>	<i>Lease liabilities</i>	<i>Total liabilities from financing activities</i>
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	(33,759)	-	28,213
Carrying amount at 31 December 2024	19,21	24,169,745	37,308,664	1,813,892	63,292,301
Proceeds from issue		-	5,006,232	-	5,006,232
Redemption		-	(1,043,128)	(122,521)	(1,165,649)
Foreign currency translation		(178,058)	-	-	(178,058)
Additions and modifications		-	-	11,517	11,517
Interest expense on lease liabilities		-	-	54,718	54,718
Other		392,870	59,392	-	452,263
Carrying amount at 31 March 2025	19,21	24,384,557	41,331,160	1,757,606	67,473,323

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

35. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. 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 March 2025 this minimum levels of N1.1, N1.2 and N1 ratios were accordingly 6.2%, 8.3% and 11%. The Bank is in compliance with the statutory capital ratio as at 31 March 2025 and 31 December 2024.

The following table shows the composition of capital position calculated in accordance with requirements set by the Central Bank of Armenia, as at 31 March 2025 and 31 December 2024:

	31 March 2025	31 December 2024 (Unaudited)
Tier 1 capital	78,621,117	77,365,592
Tier 2 capital	3,717,565	3,374,260
Total capital	82,338,682	80,739,852

(thousands of Armenian drams)

Risk-weighted assets	<u>481,825,806</u>	<u>465,463,693</u>
Capital adequacy ratio N1.1	16.32%	16.62%
Capital adequacy ratio N1	17.09%	17.35%

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 March 2025 and 31 December 2024.